

An Incomplete Revolution?

Richard Cockett, Thinking the Unthinkable: Think-Tanks and the Economic Counter-Revolution, 1931-1983, HarperCollins, London, 1994

Reviewed by Michael James

The revival of classical liberalism as a major intellectual force in the last 20 years has been accompanied, and largely achieved, by the rise of the free-market 'think-tanks', private organisations devoted to showing how public policy can be reformed in the light of liberal principles. But although governments have adopted some of their proposals, it remains uncertain how much of this can be attributed to the power of ideas. Would not at least some of the changes have happened anyway under the pressure of events? Some readers may be disappointed that Richard Cockett devotes so little of his book to this intriguing question.

Thinking the Unthinkable is a detailed history of the 'economic counter-revolution' against the collectivism which steadily gained ground from the turn of the 20th century and which received an enormous boost in the 1930s from Keynes's prescriptions for dealing with recessions. It is more of a narrative history than a theoretical one; Cockett is concerned with the individuals, groups and organisations that emerged, from the 1930s on, warning that collectivist policies would eventually come to grief and developing the policies that should replace them. Cockett's fluent style enables him to cover a lot of detail without becoming tedious.

The book is focused very largely on Britain, the home not just of Keynes but also of the Institute of Economic Affairs (IEA), the free-market think-tank that, founded in 1955, eventually became the model for a world-wide movement. One of the most interesting accounts is of an early confrontation between Keynesians and economic liberals on the Economic Advisory Council set up in 1929 to advise Britain's MacDonald Government on the causes of and cures for the depression. The liberals on the Council objected to Keynes's proposals for higher public spending and public-works programs on the grounds that

what Keynes was proposing was a *political* solution dictated by the apparently politically impossible task of lowering real wages in a recession and of tackling trade union restrictive practices and distortions in the market caused by governmental interference in the economy. To the economic liberals, Keynes was not solving the real problems of the economy, whose existence Keynes fully recognised, but was merely running away from them by proposing solutions that would be *politically* acceptable, but which would be, ultimately, disastrous. (p.38; emphasis in original)

Sounds familiar? As Cockett presents it, the terms of the economic debate did indeed remain essentially unchanged until the liberals were vindicated by the self-destruction of Keynesian policies in the Heath Government's boom of 1972-74 —

though it was not until the early 1980s that the structural rigidities in Britain's economy were at last confronted.

The crucial figure in the continuing opposition to Keynesianism was, of course, F. A. Hayek, who joined the London School of Economics in 1931. Cockett believes that Hayek's decision, five years later, not to respond to Keynes's *General Theory* remains a mystery, and that Hayek's later claim that he thought that Keynes would soon change his mind is unconvincing. But Hayek made his own mark in 1944 with *The Road to Serfdom*. Three years later he set up the Mont Pèlerin Society, a low-profile international group of liberal economists and intellectuals that gradually gained membership and influence to the point where, in 1972, Milton Friedman could suggest that it disband, having achieved its purpose of putting economic liberalism back on the intellectual map. (Perhaps think-tanks do have a natural life-span, shorter than that of their founders.)

The real breakthrough, however, occurred in the mid-1970s. Britain's brush with hyperinflation shattered the collectivist consensus and polarised opinion between a command-cum-siege economy and monetarism-cum-liberalisation, the latter being adopted by Margaret Thatcher, the new Conservative Party leader. (Australia had a somewhat similar experience in the wake of the Whitlam Government's failures, except that both main parties shifted towards monetarism, and it was Labor that started seriously to liberalise the economy.) The think-tank movement now took off and spread to all continents. But although, as noted, it was the IEA that provided the model of the non-partisan, intellectually rigorous policy institute, unconstrained by the 'politically possible', in Britain itself it was the Centre for Policy Studies (CPS) that came to have the most immediate impact on policy. Set up in 1974 by the leading Conservative politician Sir Keith Joseph, the CPS was independent of the Conservative Party but closely associated with it. Through the single-mindedness and rhetorical flair of its Director, Alfred Sherman, the CPS helped the Tory leadership to carry through its industrial-relations reforms in the face of resistance from a defeatist and declinist public service and from consensus-minded backbenchers and ministers. Sherman argued, correctly, that the trade unions were paper tigers, and that public opinion would support their disestablishment. But the CPS fell from grace soon thereafter, when in 1983 it failed to persuade the Thatcher Government to disestablish the public service as well, so that the welfare state could be reformed and power shifted decisively from government to citizens.

In his epilogue Cockett makes some good points. He notes that the think-tanks have laid bare the intellectual paralysis of the official party research organisations and of the universities. He also notes that, at least in Britain, their impact has been limited; most Conservative MPs never espoused economic liberalism, and after her electoral victory in 1983 even Margaret Thatcher lost interest in the 'unthinkable' thoughts of the think-tanks — which themselves lost interest in producing them. But Cockett then suggests that economic liberalism, having become the reigning orthodoxy, is itself ripe for overthrow by a new idea and a new movement; and he thinks that this might have already been started by J. K. Galbraith's claim, in *The*

Culture of Contentment (1992), that modern capitalism marginalises and disenfranchises large swathes of the population.

It's true that the recent recession has deprived economic liberalism of much of the intellectual prestige it enjoyed in the 1980s. It's also true that collectivist thought is already enjoying a revival, with politicians in all parties talking about 'community' — which in this context is code for more public spending on middle-class welfare. But Cockett might have pondered more deeply the failure of the liberal counter-revolution to extend to the welfare state, since it raises doubts about whether economic liberalism really has become an orthodoxy. There is a deep irony in the fact (noted by Cockett) that some think-tanks promoted public choice theory. For whereas the think-tanks adopted as their motto Keynes's famous aphorism about the power of ideas over vested interests, public choice theory teaches that interests do rule after all. The popular critique of economic liberalism does consist largely of sentimental special pleading and aggressive self-righteousness — the authentic trademarks of vested interests.

Future books on the liberal think-tank movement may have to dwell on the issue raised at the start of this review: the extent to which such liberalisation as has occurred has been a response to compelling circumstances rather than to compelling ideas. They could well conclude that, as the size and reach of the welfare-state and thought-controlling bureaucracies continue to expand in all Western countries, the think-tanks have had little effect on the drift towards the 'administrative despotism' that Alexis de Tocqueville, a century before Hayek wrote *The Road to Serfdom*, warned was the likely fate of democracies.

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