



Think-tanks, policy formation, and the ‘revival’ of classical liberal economics

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Abstract

There is a widespread view that the ‘rise of neo-liberalism’ was a deliberate and designed phenomenon, brought about by ideologically motivated actors. Think-tanks such as the Institute of Economic Affairs are thought to be a key vehicle in this story. The history of the IEA shows that the reality was of a much more messy and unplanned process in which successes resulted from contingent events as well as academic quality and were in any case limited in scope. The early publications of the IEA had limited goals and did not spell out a complete alternative to the post-war consensus. The breakthrough occurred because of a specific crisis in public policy in the early 1970s and owed as much to politicians as intellectuals. The other aspect of this was a move in intellectual influences from the LSE to American institutions, above all Chicago and George Mason Universities.

Keywords Neo-liberalism · Monetarism · Think-tanks · LSE

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1 The historiography of ‘neo-liberalism’

Today the intellectual history of the discipline of economics since 1950, and by extension of public policy over the same period, is dominated by a particular narrative. The central feature of this is something called ‘the rise of neo-liberalism’ (see for example Harvey 2007; Plant 2009; Mirowski and Plehwe 2009; Peck 2010; Steger and Roy 2010; Johnston and Saad-Filho 2005). The narrative in its broad outlines goes something like this. During the 1930s and the war years a consensus emerged among both academic economists and policy formers (including but not limited to politicians) that an unregulated market economy had produced instability and chronic unemployment and that it had to be replaced by a different kind of political economy, one with a

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central place for an active state (for an early and in many ways definitive statement see Samuelson 1997). In terms of public policy this meant direct ownership by government of a number of key industries, with an extensive role for government in macro-economic management within an economy that was still predominantly made up of privately owned firms. In specific terms this meant a commitment to full employment as a central goal of policy and the achievement of this primarily through manipulation of aggregate demand; an influential role for government in investment either through direction or by indicative planning; extensive controls of capital movements and credit through domestic credit controls and the Bretton Woods system of fixed exchange rates backed up by exchange controls; and close regulation of the labour market and support for labour organization and trades unionism (Winch 1969; Middleton 2000).

The other major element was an extensive welfare state, with a whole range of welfare transfers and the direct provision by the state of a number of important services such as healthcare, education, and housing. Obviously the form all of this took varied from country to country: there was little direct state ownership in the US as compared to Europe while indicative planning was important in France but not in the Anglo-Saxon countries, but the broad package was found in most developed countries. Intellectually, so far as the discipline of economics was concerned this meant a professional consensus around the ideas of Keynes with a focus on the study of the economic system as a whole, using categories such as aggregate demand and national income – there was a shift in other words from micro to macro economics as the central concern of the discipline and a focus on the ways in which economic activity was not self-regulating or equilibrating but rather required active measures by politicians and administrators to keep things functioning in a way that would realize widely shared goals. (The various editions of Samuelson's classic textbook provide a clear statement of this idea.) The role of economists was to provide the intellectual 'tools' that were needed for this (Szenberg et al. 2005).

The narrative goes on to argue that there were always dissenters from this consensus and that they waged a sustained campaign of criticism against it, even when it appeared close to a consensus in the strict sense of the term. The dissenters argued instead for a free market based and unregulated economy in which the role of government would be much less (Cockett 1995). Their moment came with the crisis of the 1970s and the emergence of the phenomenon of 'stagflation'. This led to a sharp shift in public policy in their direction and a corresponding movement in the centre of gravity of academic economics. The outcome was the formation of a new consensus around what is commonly called 'neo-liberalism', meaning the discarding of the previous set of intellectual and policy preferences and their replacement by a neo-classical economics dominated by ideas such as rational expectations, and the set of specific policy proposals identified by John Williamson and others (Larner 2000; Harvey 2007; Peck 2010). In general there was a move towards a more market based approach and for governments to withdraw from macro-economic management.

Several observations can be made about this currently dominant account of intellectual and public policy history. It is shared by people who have very different evaluations of the process it describes. Some such as Harvey see it in dark terms, and identify it as the triumph of selfish class interest on the part of capital owners and managerial elites (Brown 2005). Others such as Cockett see it in benign terms, as a triumph of correct argument and analysis over intellectual and policy error. The shift it

describes, from one consensus to another, is seen to have both an academic and a public policy element, i.e. there is both a shift in the dominant arguments within the academy and one in the framework of public policy.

There is disagreement though about which of these is the driver of the shift. Some argue for the primacy of ideas and tell a story in which an intellectual debate has as its outcome a movement in politics and policy due ultimately to a transformation of elite opinion (if not public opinion more generally). (Cockett and Mirowski both take this view). Others, such as Prasad, make a case for the autonomy of politics and argue that it was political change that led the way with intellectuals responding to this or providing arguments to justify policy shifts after the fact (Prasad 2006). Certain people and groups are thought to have been crucial actors. In particular there is an emphasis on the part played by specific people within the discipline of economics, above all those associated with the Department of Economics at the University of Chicago, most notably Milton Friedman but also including figures such as George Stigler, Gary Becker, Ronald Coase, Aaron Director, and from an earlier generation Henry Simons and Frank Knight (Peck 2010).

The main point however is that the supposed change from one consensus to another and the content of the new consensus are not seen as things that 'just happened'. Rather they are thought of as being the intended outcome of intellectual and political argument and competition and therefore as being produced by specific actors, people with convictions and commitments as well as interests, who made their case and either won or lost. Who the crucial actors were varies from one account to another but the same cast does tend to appear; academics, intellectuals in the wider sense (including journalists), ideologically motivated businessmen and donors, and politicians and administrators. What this means is that for some of the accounts both favourable (e.g. Cockett) and critical (e.g. Harvey), the process and its outcome in intellectual and policy terms are seen as in some sense designed, inasmuch as they were the outcome that was aimed at by self-conscious actors rather than as something that arose as the result of ad-hoc decisions or people stumbling from one position to another with no real sense of being engaged in a project of some kind whether intellectual or political.

In these accounts one of the crucial mechanisms through which these motivated actors brought about intellectual and policy change was the thinktank. These institutions were seen to be in some sense a catalyst, a way of sustaining and developing ideas and arguments and of connecting the worlds of the academy and wider public opinion and ultimately politics and public policy (Abelson 2002). This meant that the intellectual and policy shift took place more rapidly and systematically than it otherwise would have done (McGann and Johnson 2006). The precise form this took depends on whether academics or political actors are seen as the primary movers. If the former, then the main role of think tanks was to take ideas and arguments already articulated in academia and transmit them into the wider public and political domain (Stone 1996; Stone and Denham 2004; Stone 2007; Denham and Garnett 1997). If the latter, then their function was to connect politicians and others looking for rationalisations of and justifications for policies that they had already decided to move towards, with intellectuals who could provide those arguments and rationalisations (Smith 1991). The argument is though that without the part played by think tanks the opponents of the original post-war consensus would not have been able to resist it effectively or to later come up with effective policy alternatives and to finally have these win in the court of opinion.

From the historian's point of view all of this has a strong whiff of hindsight bias. This is the tendency to retrospectively make a historical change or process more deliberate, determinate, directed and inevitable than it actually was and to underestimate the role of individual personality and idiosyncrasy, random chance and fortuitous happenstance, and the unintended or unforeseen outcomes of decisions taken with quite different ends in mind. It also means that actors in a historical process are assumed to have always aimed at the actual outcome of their actions when it may be that they intended something else or, more likely, changed their goal in response to altered circumstances. Hindsight also makes us tend to project later trends and events back into the past to a point well before their actual appearance. All of this can be seen in the accounts of the so-called 'neo-liberal revolution'.

What we need to do is to look much more closely at what it was that specific think tanks actually did, what their intellectual origins were, what kind of project the people involved saw themselves as engaged in at the time they were doing it and how all of these changed over time. Moreover we also need to clearly distinguish between the intellectual leanings or beliefs of actors and what they actually did. Clearly there is a connection between the two but it is dangerous to assume that because particular people had certain beliefs or outlooks that they acted from the start to realize the implications of those beliefs – they may well not have on the grounds that to try to do so was futile. With this in mind I propose to look at what actually happened in the case of British think tanks identified with the 'neo-liberal' shift, most notably the Institute of Economic Affairs. My argument is that the story that comes out of this is more messy but also in some ways more interesting than that of a successful intellectual campaign by a tightly knit group of true believers with a defined alternative philosophy and policy programme that was advocated and then gained success. This story is attractive to both supporters and critics of the eventual outcome but it does not fit the facts.

2 The origins and background of the IEA

The Institute of Economic Affairs, was one of the very first think-tanks and one of the very first to have a broadly free market orientation – only the Foundation for Economic Education, which was in some ways a model, preceded it in that regard. (For the early history of FEE see Nash, 2006 and Phillips-Fein 2010.) The story of how the idea for the Institute arose from a conversation in 1948 between Friedrich Hayek (then at the LSE) and Antony Fisher is well known as is the later story of how Fisher having made a fortune in chicken farming then went on to found the IEA and hired Ralph Harris and Arthur Seldon to run it, in 1955. From Fisher's own account some years later and the retrospective ones given by Harris and Seldon the goal was to advocate a market based approach to public policy and to do so by education and research and above all by seeking to influence Hayek's "second hand dealers in ideas" such as academics and journalists. The target was the consensus on economic public policy that had solidified in Britain by the early to middle 1950s – 'Butskellism' as it was called. All this is true enough but needs fleshing out in order to understand how the form this took marked a shift from what had gone before.

The various individuals who came together to set up the IEA and resist the policy consensus came from slightly different starting points. In Fisher's case the standard story

is that he was moved to action and arranging the fateful meeting with Hayek by reading the Reader's Digest version of *The Road to Serfdom*. Certainly this was a crucial event, mainly because of the sense of urgency it imparted to Fisher. However he was already active in what was perhaps the main group campaigning at the time against the emergent post-war consensus and the policies of the Attlee government. This was the Individualist movement of Sir Ernest Benn. Benn was an indefatigable and long time campaigner against large and active government. As well as writing a succession of books and much journalism he had organised a number of institutions to spread and advocate the ideas of individualism and limited government, notably the Individualist Bookshop in 1927 and the Society of Individualists in 1942 (still around as the Society for Individual Freedom). The latter was set up in the first instance to campaign against the Beveridge Report and other aspects of the consensus already starting to emerge within the wartime coalition as to the appropriate course for post-war policy (Abel and Benn 1960).

Fisher was thus already involved in a particular intellectual and political tradition before he met Hayek or read his work. He was also not the only person involved in the IEA to have a background of this type; W. H. Hutt, an important early author for the IEA, had been hired by Benn to run the Individualist Bookshop and was an active Individualist until his departure to the University of Cape Town in 1928.

The second important backstory was that of the remaining traditional liberals within the Liberal Party. These were a significant group within the party throughout the 1950s and early 1960s. The key figures here for the IEA were Oliver Smedley, the almost forgotten founder who helped Fisher to set up the IEA, and Alfred Suenson-Taylor (Lord Grantchester), who was the first chairman of the trustees of the Institute (Cockett 1995). Associated with them were the figures belonging to the Unservile State Group within the Party, such as Elliot Dodds. Most importantly this was the background of Arthur Seldon, who took from it a number of interests, most notably that of opposition to the kind of welfare state created by the Beveridge Report and other reforms of the immediate post-war period (Robinson 2009).

The third starting point was that of Ralph Harris and several other figures in the IEA's early history. This was what we may call the business or market friendly wing of the Conservative Party, which had been dominant while Neville Chamberlain was the party leader but had lost that position during the war time coalition and after 1945 (although Churchill still broadly supported this approach). This element within the party had organized itself during the war in the shape of the National League for Freedom which merged in 1944 with Benn's Society of Individualists (something Benn regretted but saw as inevitable). After the party's return to power in 1950 the few surviving representatives of the tendency found themselves isolated and with little influence but were still to be found. Harris himself was a paid lecturer for the Conservative Party and it was while working in that capacity that he met Fisher, who seems to have decided at that moment that he was the man to run the Institute once it was set up.

These three traditions and the people who came from them shared a common hostility to much postwar economic policy and a broad support for market economics as opposed to central planning and resistance to extensive government. There were also however differences of emphasis and content. The 'market conservatives' combined support for markets in macro economic policy with cultural and social conservatism, which was not the case with the other two traditions. The surviving 'old liberals' were more socially liberal and egalitarian and more concerned with free trade and the reform

of state welfare while the Individualists were the most radical, opposing not just the drift of post-war policy but the whole development of British politics since at least the 1920s. This meant that from the start there were different emphases among those involved with the IEA over which areas of policy to concentrate on and with time this worked out in a particular way.

3 Intellectual influences – Not Chicago or Vienna but LSE

The main intellectual influence on the IEA in its early years, that is until at least the 1970s if not longer, is clear from both the reminiscences of the participants and the early publications. Surprisingly in view of the generally accepted narrative, neither Chicago nor Vienna figured largely and Friedman and Hayek were not central figures for many years despite their later associations (and in Hayek's case early impetus and continuing interest). The main influence was the LSE and specifically the tradition of scholarship at that institution that went back to Edwin Cannan. The key figures, all of them important influences on Arthur Seldon, were people who had been pupils or associates of Cannan. The most notable were Sir Arnold Plant, Sir Theodore Gregory, Lionel Robbins, the young Ronald Coase (who had taught Seldon at the LSE before departing for Chicago), and later on Harry Johnson. Apart from having been taught by Cannan the other crucial connection was Plant's seminar at the LSE (Coase 1995). Hayek's influence was as much due to his having taught Seldon at the LSE as anything else. The other influence from the LSE came from some of the more socialist academics there, including Hugh Dalton but above all Evan Durbin who before his early death had been an advocate of a form of social democracy that had a major role for competitive markets (Durbin 1940 and 1949). There was also an influence from Cambridge, most notably in the person of Sir Dennis Robertson (Fletcher 2000).

One common feature of these people was that they had all been critical of Keynes and Keynesianism and so did not support the kind of macroeconomic thinking and associated public policy that developed from Keynes's thought after the early years of the war - this was true as much for Dalton and Durbin as the others. This explains a striking feature of the IEA's output at least up to the early 1990s. The major target was not socialism as such, much less Marx – anti-Communism is strikingly absent as a major theme. Rather it was Keynes and his legacy in public policy that was the object of criticism. The thrust of criticism was against macro-economics as an approach and consequently the idea and practice of a managerial and dirigiste kind of state that had macro-economic management as one of its principal roles.

4 Early publications – Themes and absences

What then can be learned from looking at the early publications produced by the IEA, up to the middle of the 1980s, by which time several other think tanks had arrived on the scene and the Thatcher administration was in office? One point to grasp is that they marked a significant departure from earlier efforts at advocacy of limited government and reliance upon competitive markets rather than planning. Since as far back as the 1870s there had been a succession of organizations and movements that had aimed at

this. They had typically done so by producing and disseminating works of popularization that defended capitalism, individualism and free markets in general and then as a consequence drew conclusions as to matters of current debate. This was as true for Sir Ernest Benn's *Society of Individualists* in the 1940s as for the *Liberty and Property Defense League* in the 1880s.

In contrast early IEA publications did not mount general arguments of this kind, either defenses of capitalism or critiques of socialism or interventionism. (See the prefaces collected in Seldon 2002). Instead they produced explorations of the specific ways in which markets and personal choice might be used and applied in particular areas of public policy, reflecting the Institute's stated goal of exploring how markets could be used to solve social problems. There was no advocacy of a general systemic transformation but rather one of shifts and adjustments within the existing way of organizing affairs in the direction of personal choice and reliance where possible on competitive markets. (For examples see Macrae 1960; Lees 1961). Taken together all of the proposed changes would have amounted to a significant movement in the centre of gravity of public policy but there was no explicit advocacy of a general view of politics and economics. This was cumulatively inferred from the publications rather than being explicitly spelt out – the reverse of the method followed by earlier Individualist groups. The model, so far as there was one, was rather that of the early Fabians (perhaps due again to the influence of the LSE).

One very important similarity to Fabian arguments was the idea that there was a general drift of society and economy in a particular direction although the nature of that direction was the exact opposite of the one identified in Fabian thinking. The notion, which recurs repeatedly in Seldon's early prefaces, was that as economic growth continued and the standard of living and average earnings rose, so the scope for personal choice and provision by competitive private enterprise grew while the need for state supply, provision and control correspondingly diminished (e.g. Seldon 1960). The specific reforms advocated by IEA authors were thus presented as being small parts of a more general movement brought about by the continued process of economic growth and the rise of mass affluence. The major exception to this was the question of macro-economic management by the state. There is no inherent reason why an active role for government in macro-economic management should not be combined with a move towards market and private provision in areas such as welfare, housing, and education – the outcome would be a government that was active and powerful but not very large in terms of its share of GDP. (This had been Durbin's view). Consequently criticism of an active macro-economic role for government could not be justified in the way that proposals for introducing market forces into things such as welfare were, as being part of an evolutionary process. Instead it had to reflect a more profound intellectual disagreement within economics.

In fact, up until the early 1970s the IEA did not focus so much on issues of macro-economy, with the significant exception of money and monetary policy. (For money see for example Haberler 1965; Johnson and Nash 1969). Instead the emphasis was on very specific areas of policy such as resale price maintenance, pensions, public libraries, housing policy and rent control, blood donations, rates and local government finance, and land markets. (Yamey 1960; Canes 1966; Jervis 1966; Caine 1968; Cooper and Culyer 1968; McKie 1971) If the period is widened to extend from 1960 to the mid to late 1970s then a clear pattern does emerge and with it a very interesting story.

In this longer period the IEA's output and advocacy came to have a number of foci: first welfare reform and a significant move away from state provision of these services or at least to a situation where government charged for services rather than providing them free at the point of use (Seldon 1977); secondly, housing and the housing market; and thirdly, education where the central argument from an early date came to be advocacy of a voucher system so that a state funded education system would employ market mechanisms and be supplied primarily by non-governmental actors (Peacock and Wiseman 1964; West 1968). Economic history and particularly the history of poverty and living standards also became an important interest. Alongside all of this was the general emphasis alluded to earlier, of looking at ways to extend the role of competitive markets in very specific areas of public policy, from libraries to broadcasting. The final area of interest was money and monetary policy widely defined, of which more in a moment.

In view of both the antecedents of the participants and later developments in public policy there were a number of interesting absences from the list. Although an early paper did call for private supply in the telephone sector, systematic advocacy of privatization was strikingly absent. Another significant gap was fiscal policy – there were papers about specific taxes but no general account of public spending or taxation policy. (For the one partial exception see Clark 1961, 1964). Another notable feature was a lack of works on the traditional market liberal policy of free trade – there were several papers on the question of British entry to the Common Market but these were cautious and ambivalent and trade policy, while part of them, was not the only concern (Meade 1962). Social policy and particularly family policy, which was to become a major concern of IEA authors in the later 1980s, was not touched on at all. The structure of government both local and national and matters of constitutional reform were completely absent.

5 Politics, academics, and a shift in emphasis 1969–74

What this partly reflected was developments in politics during the 1960s. That decade had seen the effective demise of the remaining classical liberals within the Liberal Party, with an influx of younger and more social democratic minded figures whose main goal was a 'realignment of the left'. By contrast the same period had seen a revival of the more market oriented wing of the Conservative Party with the emergence of a number of politicians such as John Biggs-Davison, Nicholas Ridley, Jock Bruce-Gardyne, John Biffen, and above all Enoch Powell. There were also sympathizers among more mainstream Conservative politicians, notably Keith Joseph, Margaret Thatcher and Geoffrey Howe, all of whom of course were to be key figures subsequently. As a result of this, during the 1970s and 1980s it was issues and ideas that were of more interest to Conservatives that tended to get attention, simply because that was where people were most likely to listen.

Powell in particular had begun to put forward a distinctive mixture of traditional conservatism, market economics, and nationalism. While his most remembered intervention from the 1960s was the famous (or infamous) 'rivers of blood' speech with its warning of dire consequences from immigration, the argument he was most associated with at that time was what later became known as the 'monetarist' one, that inflation

was essentially a monetary phenomenon and that consequently it could not be dealt with by wage and price controls of the kind first tried by the Macmillan government and then on a more extensive scale by the Wilson one (Powell 1969, 1972, 1973). He also, in his Morecambe speech of 1968, put forward a coherent programme of tax and spending reductions and privatization, with the catchy title of "Income Tax at 3/6 in the Pound" (Powell 1970). By 1969 there was a much larger and more coherent body of pro-market conservative politicians although they were still very much a minority in the party as a whole.

When we look at the publications of the IEA over the 1960 to 1985 period, as well as the pattern identified above we can see that the early 1970s saw a clear change in the direction and focus of the IEA as reflected in its activities and output. This was not a straightforward movement in a more radical direction and it was connected to the political developments described in the previous paragraph. While the gradualism and piecemeal change approach of the early publications implied a moderate approach of seeking reform within the established consensus, the early publications on welfare and education in particular were radical and suggested a major departure from the policies put in place by the Beveridge Report and the 1944 Education Act. The same was true of the various papers on money with early advocacy of both floating exchange rates as an alternative to the Bretton Woods system and the abolition of exchange controls.

What happened in the early 1970s was that a number of interlinked issues became a major concern of the IEA and its authors in a way that they had not been before. This is not to say that as individuals Harris, Seldon and the rest had not had an interest in them but they had not made them a major part of the publishing or events programmes. The questions were the interlinked ones of monetary policy, labour relations and macro-economic management, in particular the commitment to full employment achieved by demand management as a central goal of policy. These became the central questions in British politics at the time because of the increasing difficulty experienced in trying to simultaneously have price stability, free collective bargaining for wages, and full employment (Jay 1976). It was this interlocked set of issues that Powell had begun to address in the middle of the 1960s.

From 1971 onwards the IEA became clearly associated with the approach to these issues that Powell had begun to articulate, and its authors developed this further. The arguments had the following elements and proposals: that inflation was a monetary phenomenon and should be addressed by control of the money supply through a regime of targets; that the explicit commitment to full employment was wrong anyway (because it led to over-full employment) and should be abandoned; that the legal position of trade unions with their immunity from civil action for actions taken as part of a trade dispute was wrong and unsustainable and should be cut back or abolished; that price and wage controls were futile and harmful and should be scrapped; and that government in general should abandon macroeconomic management whether demand control through fiscal policy and credit control or active industrial policy aimed at directing investment and 'picking winners'. This was all connected to the existing advocacy of dealing with the UK's chronic balance of payments problems by moving to floating exchange rates and also the abolition of exchange and capital controls.

Where had these arguments come from? Were these things that Harris, Seldon and their authors had always believed but previously not bothered to write about? The evidence of both publications and their own reminiscences suggests not. Early papers

on wages policy were skeptical about detailed controls but did not mount the kind of fundamental critique of the idea that emerged in the publications of the very late 1960s and early 1970s. The evidence is clear that this particular set of analyses came from the United States and in particular from the University of Chicago, in the person of Milton Friedman. Indeed it was Friedman's Wincott lecture in 1970 that marked the clear advent of this kind of analysis in the IEA's work (Friedman 1970). Harris and Seldon had become acquainted with Friedman and other Chicago economists in the early 1960s through the Mont Pelerin Society but it was only from the very late 1960s onwards that this influence crossed the Atlantic in a significant way.

Another crucial figure in transmitting the ideas and applying them to UK conditions was Alan Walters, whose 1969 IEA paper *Money in Boom and Slump* was one of the first systematic academic expositions of this argument in Britain (Walters 1969). At the same time Frank Paish, who had earlier been a sceptic about incomes policies without completely rejecting them, came out with a strong rejection in *The Rise and Fall of Incomes Policy* (Hennessy and Paish 1964; Paish 1969 – compare with Smith 1962).

6 Success or limited gains?

In intellectual terms what had happened was the growing impact of economists at the Chicago department such as Friedman and Stigler on the academic economics profession in the US. This had made the jump over the Atlantic at the end of the decade partly due to seemingly mundane factors such as the advent of cheap mass air travel but also because of a number of intellectual 'conduits' of which the IEA was one. Not however the only one – the Conservative politicians such as Powell who picked up these ideas got them not just from IEA events but from other sources such as connections between the Conservative and Republican parties after the 1964 election, and in fact for politicians these were more important. (One of the aspects of UK politics that is taken for granted today and seldom commented on is the way that after 1970 American influences became predominant on both the left and right in a way that had not been true before).

The agenda that the IEA and a number of conservative politicians were pushing proved to be very successful politically. There were a number of reasons for this. One was the success of the long term IEA strategy of working as much with journalists and communicators as with politicians and academics. A number of very influential journalists became important advocates of these specific ideas. The most notable were Samuel Brittan at the Financial Times, Andrew Alexander at the Daily Mail, and Patrick Hutber at the Sunday Telegraph. (Brittan 1971, 1973; Hutber 1977, 1978) They gave these specific analyses a prominence in public debate that other parts of the IEA's published advocacy did not, even when people such as Brittan also supported them.

This was because of the second reason for the success, which was that this set of policy ideas filled a gap in what we may call the political marketplace, that of providing an alternative answer to an increasingly intractable set of policy problems associated with labour relations and inflation which did not involve the increasingly discredited option of wage and price controls (which were unpopular with the left as well as the right). Moreover as a connected programme it fitted into an emerging argument within the Conservative Party over its identity and direction following the Labour Party's apparently decisive electoral victory in 1966 and continued success in the 1970s.

In the mid-1970s the set of policies outlined above were adopted by the Conservative party along with others that the IEA had advocated, particularly in the area of housing. The shift followed the largely fortuitous capture of the party's leadership by Thatcher in 1975 (she would not have stood had Joseph run and her victory was in many ways not what the Parliamentary party wanted or anticipated and owed much to astute work by her campaign manager, Airey Neave). They were then put into effect in the early 1980s.

At the same time a number of other think-tanks were created. The first of these, the Centre for Policy Studies, was created in 1974 by Thatcher and Joseph specifically as an alternative to the official Conservative Research Department and was an example of the kind of think tank mentioned at the start, set up directly by political actors to draw on the work of sympathetic academics to provide specific policy ideas. The CPS produced a stream of pamphlets and after 1979 worked closely with the Number 10 Policy Unit created by Thatcher. Consequently its output tended to reflect the policy concerns and interests of the administration and it produced a lot of work in areas that the IEA tended to ignore such as local government. Slightly later came the creation of the Adam Smith Institute by Madsen Pirie and Eamonn Butler. This was in some ways more self-consciously based on an explicitly worked out ideology than the IEA was but at the same time its focus was much more on addressing topical and specific policy issues and less on academic research.

While this was going on the IEA began to publish in several new areas of policy and its range of interests and influences widened in important ways. One very important feature was the increasingly prominent place given to the arguments of James Buchanan and Gordon Tullock and the emerging sub-discipline of public choice (the Virginia School as it was known at the time), with the publication of Tullock's *The Vote Motive* and the pushing by Seldon of *The Calculus of Consent* (Tullock 1976). Another was the reappearance of Hayek as an important influence and author. His major contribution was to associate the IEA from the early 1980s onwards with much more radical thinking about money and monetary policy, thanks to his published advocacy of the denationalization of money, an argument further developed by later IEA authors such as George Selgin and Larry White. (Hayek 1977; Hayek and Shenoy 1979) Meanwhile the actual implications of the earlier more general critique of state welfare were elaborated in greater detail.

In fact from the early 1980s onwards the IEA, in both its publications and its activities became more clearly radical, and the philosophy and world view that inspired its publications became more explicit and coherent. The major qualification to this was that it also began to publish extensively in the area of social policy and this often involved a social conservatism that was implicitly at odds with the economic and social liberalism found elsewhere (although this particular combination of views proved to be very popular in Conservative politics at the time). Another feature of the output that had perhaps been implicit earlier but was now more openly spelt out was a skepticism about the very nature of macro-economics as an intellectual enterprise, with some publications mounting an explicit attack (e.g. Simpson 1994).

Was this a matter of a pre-existing ideology now finding fuller expression? In one sense yes, inasmuch as a predilection or general tendency of thinking was now finding expression and application in a wider range of areas. However it is clear from their own recollections and the accounts of other authors who participated in this process that

what was rather going on was a process of discovery and definition in which a research project (or actually several) was being pursued and a way of thinking worked out. What took place at the IEA and also within academia in the 1980s and 1990s should be thought of as the working out and creation of a way of thinking and an intellectual analysis and therefore a creative research project, rather than as being the articulation and presentation of an already worked out world view.

However, the important thing to realize is that the success of the IEA and its authors in changing thinking in these areas of macro-economic policy was not matched by success elsewhere in other policy areas. The proposals that were made from an early date for a radical move away from monopoly state welfare did not have any purchase on the policy formation process for example. The kinds of reforms made to government welfare that were introduced later by the Blair government owed little to IEA thinking and were in fact criticised by people associated with the Institute. The most dramatic ‘failure’ was in the area of education policy. Despite a stream of publications arguing the case for a voucher policy this line of argument had no success whatsoever (Seldon 1986). Instead the Thatcher government embarked on a course of centralization and government regulation which completely ignored the arguments made by Seldon and others. (It was in fact the failure to influence government policy in this area that inspired Seldon’s initial interest in public choice economics as this seemed to provide an explanation for his failure in this area).

Some of the other major policy innovations of the Thatcher administration such as privatization were supported but not generally advocated by the IEA – here it was other think-tanks such as the ASI that took a leading role. Here the initiative was often taken by the politicians who deliberately sought policy proposals so that organizations such as the ASI and CPS were providing justification and detailed proposals for something political actors had already decided upon in principle rather than persuading people to a course of action they had not previously considered, which was what the IEA authors tended to do.

In general though the IEA had a number of major ‘hits’ which tended to cluster around a specific set of policy issues but also a number of ‘misses’. In the case of the ‘hits’ an analysis and the associated policy went from being marginal to the extent that few were aware of its existence, to being a recognised position in public debate albeit a minority one, to being adopted as a policy position and finally to being realized. In the ‘misses’ things did not progress beyond the second stage. This though should not be underestimated as an achievement: an idea that is unknown and never raised in public debate will by definition have no chance of being adopted while if something does become a recognized argument there is always the possibility that circumstances will create an opportunity for it to become more widely accepted, as happened with macro-economic policy and labour relations in the early 1970s.

7 Conclusions

What conclusions can we draw from all of this and what are the implications for the kind of narrative of the ‘rise of neo-liberalism’ set out earlier? Several things seem clear. In the context of the 1950s when a very clear consensus seemed to dominate public policy people from quite different traditions and backgrounds came together via Antony Fisher and others with a particular project in mind. This was simply to keep

a broadly defined approach, the details of which had not been worked out, on the publicagenda. The aim was to argue over the range of public policy for an approach to specific policy issues that emphasized personal choice and markets as an instrument or way of dealing with social problems. There was no effort made to set out a systematic philosophy and argue from that to specific conclusions. Rather a public philosophy or political economy was inferred and implied as the basis for the specific analyses that were made. (This partly reflected an intellectual move in the twentieth century to professional economics rather than political economy).

In fact, I would argue that a more self-conscious and systematic way of thinking was something that the circle around the IEA worked out and articulated over time rather than being there from the start. To assume, as authors like Harvey do, that there was such a coherent philosophy from the beginning is to commit the error of projecting later developments backwards into the past. In fact rather than the kind of semi-conspiratorial activity argued for by the critics of 'neo-liberalism' something much more interesting took place, which was the development and articulation of a political economy (much of this involved either the reinvention of the wheel or rediscovery of past arguments but that is another story).

One conclusion to draw from this is that many of the accounts of 'neoliberalism' are in fact something of a paranoid fantasy. (Both Harvey 2007 and Mirowski 2009 are classic examples of this). Not only was there not a designed 'project' to transform public ideology – the actual initial aim was much more modest – to the extent that there was a shift in both public debate and actual policy, the outcome was much more limited than many suppose. While in some areas there was indeed a dramatic shift, in others (such as welfare transfers) there was no such change and actual policy went, if anything, in the opposite direction. We should beware of the tendency of the politically engaged and committed to exaggerate both success and failure for their own perspective which produces typically the perception that one side has enjoyed total success (if this is the side one disagrees with then the outcome is a bleak view that everything has gone to the dogs, if the side one likes is seen to have won then manic triumphalism results).

Looking at what happened with the IEA and other British think tanks as it happened and trying to avoid hindsight also makes one realize the importance of the early to middle 1970s both intellectually and politically. What actually happened at that time was that a perceived or actual crisis in public policy provided an opportunity for intellectual and policy entrepreneurship that was taken. It is important to realize again though that this was responsive rather than initiative. The breakthrough was limited inasmuch as it took place in one particular area of public policy rather than across the board but it had extensive implications for other areas of public policy because of the nature of the area in question (macro-economic policy).

Two other insights that come from looking in detail at that period are firstly that the role of politicians was more active and independent than many would suppose. People such as Enoch Powell were as important for pushing an agenda and giving ideas prominence as intellectuals or think-tanks – the flow of ideas and analysis was not simply in one direction. The second is the degree to which it was the US academy and in particular places such as the University of Chicago and the University of Virginia (or latterly George Mason) that produced and developed the research project alluded to earlier. Initially the intellectual underpinnings of the IEA's work were primarily British, deriving from what had been the losing side in intellectual argument at the LSE and

Cambridge during the 1920s and 1940s but with time this was transformed by a transfer of ideas from the other side of the Atlantic (something similar happened with social democratic thinking as well so this was a general phenomenon). What intellectual think-tanks such as the IEA have done successfully since their establishment is to keep an approach and a general set of intellectual principles in the public eye by applying the implications of that approach to current questions and issues. We should not overstate the importance or extent of this achievement but should also not underestimate it, inasmuch as this means that if a crisis driven opportunity should arise a successful response for the underlying position is more likely than would otherwise be the case. Intellectually these kinds of institutions provide an important route by which analysis that would otherwise languish in the academy becomes available to educated laypeople and people in politics and government who in their turn can work through them to provoke thought on the part of academics.

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