

Eugenics and the Moral Majority: a History of Neoliberalism

Economists created neoliberalism to embrace the interventionist state, but only so long as it intervened on behalf of the rich and powerful.

Riley Clare Valentine

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Neoliberalism emerged as a dynamic ideology from the “crisis of liberalism” of the 19th and 20th centuries. Born in the aftermath of the First World War and ensuing economic crises, neoliberalism addressed a rift between liberalism and capitalism. Neoliberals came together repeatedly to define *what* it was in the context of liberalism—first during the Walter Lippmann Colloquium, and then at the Mont Pèlerin Society. The ideology they created has shifted based on context, at times embracing eugenics, then turning to a moralistic project. Its founders never intended to hide the fact that it was a created philosophy, yet contemporary discourse on neoliberalism frames it as an organic theory that came to fruition as a natural response to economic crises. Nothing could be further from the truth.

Neoliberalism is a project. Walter Lippmann’s idea for neoliberalism was structural. Friedrich Hayek re-envisioned neoliberalism as an ideology that would reshape collective morality. The ideology evolved from a response to Keynesianism into a political belief system in which state interference with the market is amoral and where citizens are expected to support and adhere to these moral boundaries.

The first large meeting of neoliberals, the Walter Lippmann Colloquium of 1933, sought to define neoliberalism and establish how it differed from competing economic theories. However, the debates over neoliberalism focused more on neoliberalism’s purpose—was it to revive classical liberalism or was it a reform of Keynesianism? Walter Lippmann, the creator of the conference, viewed new liberalism as an apologetic, reformatory movement. In a controversial move that set the path of neoliberalism, Lippmann argued that neoliberalism was a reconstruction of liberalism. Neoliberalism would take from liberalism what it needed and build something new.

In *Drift and Mastery*, a text Lippmann wrote in 1913, he describes a need for economics and society to be ruled in a scientific and legalistic manner. His goal in creating a united understanding of neoliberalism developed from this drive to create a theory that, due to being grounded in science and legality, would be unassailable. Lippmann’s development of neoliberalism as a scientific theory divorced it from what the competing theories had gotten wrong—economic crises occurred when moral questions entered the politico-economic realm. Keynes’ focus on the *duty*

of the state to redistribute resources and help citizens get in the way of stabilizing the market because morality focuses on subjective experiences. Neoliberalism's success, according to Lippmann, hinged on rejecting this.

Early neoliberals struggled to define their ideology in part because they disagreed over what caused the "crisis of liberalism." Lippmann believed that the chaos of 19th century capitalism came out of classical liberalism itself, whereas Friedrich Hayek believed that the chaos came from the betrayal of classical liberalism. These two lines of thinking were heavily debated within the Colloquium; however, Lippmann's perspective became the predominant discourse after the Colloquium. Early neoliberalism held that the market was scientifically and socially constructed. This meant that the economic and political realms were intimately connected—the entire system of property, enterprise, and contracts developed under the state.

Lippmann and the early neoliberals presented a radical notion—that the economic and political realms were one and the same. Thus, the origins of neoliberalism rejected not just Keynesianism but also naturalism. By rejecting naturalism, neoliberalism separated itself from the classical liberal notion that if the law and the economy were not working cohesively it was a misunderstanding of the laws of the nature. Neoliberals embraced the interventionist state, but one which intervened on behalf of the rich and powerful.

Lippmann's work centered around the notion of *adaptability*. According to him, the history of economics clearly showed a constantly-changing economy that should be controlled by state regulation—adaptation. The changes in laws to support the economy would need to change humans to make them fit into this new economic model, or as Lippmann put it, "When the social heritage and the economy do not form a seamless web, there must be rebellion against the world or renunciation of the world."¹ Neoliberalism required a social transformation because without one, the ideas of the old world would prevent a the new one. Neoliberalism should act as a guiding force via legalistic measures to encourage individuals into rejecting their old liberal principles. To facilitate this change, Lippmann recommended eugenics and reeducation. Together, these would promote the creation of a "new man." The economy would not better itself through natural evolutionary principles; instead, good economic actors had to be *made*.

The second major notion to arise from the Lippmann Colloquium was that laws are *relational*.² Drawing on classical liberalism, neoliberals conceived of laws as the byproducts of the social interaction of individuals. The legal system would have to be as adaptable as the individuals within it to can preserve order. According to Lippmann, neoliberalism, by virtue of relationalism, was also judicial. As Lippmann conceived it, neoliberalism became embedded in the two defining aspects of modernity—capitalism and democracy. As an ideology, it sought to control the relationships of individuals as market actors. To facilitate that control, there needed to be a strong state. Built upon this foundation, neoliberalism became a highly judicial economic and political system that relied on a strong state to enforce adherence to market principles of change. This definition would go on to be refined in the Mont Pèlerin Society's meeting in 1947.

The time until Friedrich Hayek called together the first meeting of the Mont Pèlerin Society, occurring in 1947, in a small Swiss village of the same name, was heavily shaped by World War II. Hayek, a supporter of the opposition to Lippmann's conception of neoliberalism, brought together a group of economists, historians, and philosophers to discuss the possible fate of liber-

¹ Walter Lippmann, *An Inquiry*, 212.

² *Ibid.*, 265.

alism. Leading up to this Swiss meeting, neoliberalism was considered a fringe response to the crisis of liberalism. Lippmann and Hayek's contention that economic policy could be informed and written by individuals outside of economics remained a radical notion.³ Neoliberals found themselves on the outskirts of politics and economics. The Mont Pèlerin Society became a space where neoliberals were able to come together and articulate a more refined definition and plan for neoliberalism than had come out of the Lippmann Colloquium.

Nearly a decade before the meeting of the soon to be neoliberal leaders, Hayek presented a paper, "Economics and Knowledge," to the London Economic Club.⁴ This paper laid out a principle of hyper-individualism that Hayekian neoliberals would highlight in their refinement of neoliberalism. "The spontaneous actions of individuals' will," he theorized, "bring about a distribution of resources which can be understood as if it were made according to a single plan, although nobody has planned it."⁵ Since the Lippmann Colloquium, Hayek had developed an analysis of the market based on the classical liberal idea that individuals maintain a stable market without state interference. Hayek imagined a tendency towards equilibrium which based on "that knowledge which people will acquire in the course of their economic activity."⁶ Economic participation should be encouraged so that an individual's knowledge and economic activity would become more perfect with the passage of time.

Two years after the end of World War II, the Mont Pèlerin Society had their first meeting. Hayek and his fellow neoliberals did not see neoliberalism as something that would spontaneously come to be. They viewed neoliberalism as an economic and political project that could only be produced through political power.⁷ But the post-war attitude was hostile to individualism. America in particular had redefined national culture to one that stressed the interdependence of its citizens. Women left the home to hold industrial jobs that were traditionally held by men to help the army and the wartime economy. This new life was focused on an interdependent society and was more skeptical of the hyper-individualism of Hayekian neoliberalism. Having seen change in economic policies across the globe during World War II, neoliberals were well aware that a "free market" change in America would require political power.

Coming together in Switzerland, the Mont Pèlerin Society crafted a "Statement of Aims" that summarized their goals in the following major points:

1. The analysis and exploration of the nature of the present crisis so as to bring home to others its essential moral and economic origins.
2. The redefinition of the functions of the state so as to distinguish more clearly between the totalitarian and the liberal order.
3. Methods of re-establishing the rule of law and of assuring its development in such manner that individuals and groups are not in a position to encroach upon the freedom of others and private rights are not allowed to become a basis of predatory power.

³ Philip Mirowski and Dieter Plehwe, *The Road*, 14.

⁴ Friedrich Hayek, "Economics and Knowledge," *The Mises Institute*, <https://mises.org/library/economics-and-knowledge>.

⁵ Ibid.

⁶ Ibid.

⁷ Timothy Mitchell, "How Neoliberalism Makes Its World: The Urban Property Rights Project in Peru," In *The Road from Mont Pèlerin: The Making of the Neoliberal Thought Collective*, ed. Philip Mirowski and Dieter Plehwe (London: Harvard University Press, 2015), 386.

4. The possibility of establishing minimum standards by means not inimical to initiative and functioning of the market.
5. Methods of combating the misuse of history for the furtherance of creeds hostile to liberty.
6. The problem of the creation of an international order conducive to the safeguarding of peace and liberty and permitting the establishment of harmonious international economic relations.⁸

This statement revolves around the belief that international politics has failed Western civilization. The totalitarianism of the Nazis and the beginning of the Soviet Republic challenged the values of freedom of thought and expression which neoliberals espoused as necessary for a healthy world. They viewed any state that suppressed these things as fundamentally dangerous. Neoliberals saw their task as developing a movement that would prevent totalitarianism's spread, and they looked to political practices to do so.

The third, fourth, and sixth points in their "Statement of Aims" draw on Lippmann's early definition of neoliberalism and also signal an awareness of how the Nazi party in Germany had used political and economic instability to rise to power. These points are affirmations of neoliberalism as interconnected with a strong state and healthy market, establishing the goal of the first meeting as being to find a practical way to implement neoliberalism. "Liberty" in this document referred classical liberals' linkage of democracy and capitalism. Hayekian neoliberalism at this moment did not attempt to create firm rules of engagement, but to create an intentionally flexible philosophy that would allow it to become international.

To separate themselves from the other economic movements which were deeply political, they begin their list of goals by saying that they met an ideological argument with an intellectual one. By distancing themselves from the notion of "ideology," the neoliberals could discuss matters which were deeply ideological while claiming that their responses were intellectual and not ideological. Their discussions of what a state *should* be, and how they were interested in finding a way to create a new order which included changing politics and economics, were somehow non-ideological. Though the "Statement of Aims" couches the post-World War II crisis as being directly linked to economics and morality, neoliberals rejected the notion that this was ideological in any capacity. In so doing, they presented their political goals as apolitical and their ideology as non-ideological to prevent their "intellectual" claims to power from being challenged.

The major conclusions from this initial meeting were that neoliberalism is an international project, separate from political affiliations, and that it engages with social aspects of life, primarily through morality. This development of neoliberalism as something which grappled with morality departed from Lippmann's more eugenic form of neoliberalism. The Mont Pèlerin Society signified a split within neoliberalism. Scholars of neoliberalism generally agree that the Hayekian school of thought has been more successful and that Lippmann neoliberals waned because of the widespread adoption of morality as an aim of the movement.⁹

In a 1961 address titled "The Moral Element in Free Enterprise," Hayek summarized the connection between the market and morality as, "so long as we keep within the accepted rules, moral

⁸ The Mont Pèlerin Society, "Statement of Aims," *The Mont Pèlerin Society*, <https://www.montpelerin.org/statement-of-aims/>.

⁹ *The Road from Mont Pèlerin*, ed. Philip Mirowski and Dieter Plehwe; Pierre Dardot and Christian Laval, *The New Way*.

pressure can be brought on us only through the esteem of those whom we ourselves respect and not through the allocation of material reward by a social authority.”¹⁰ In other words, we engage in the market freely and conduct business *only* with people we respect, and those people can impact us morally. The state has no role in shaping our morality, which was Keynes’ greatest oversight. Instead, it is our economic peers who develop our moral compass. If the state becomes involved as a moral actor—it could repeat totalitarian efforts to reconstruct humanity. It is an imperative to keep the state *out* of the market so that our moral compasses remain as they

Neoliberalism remains an economic and political philosophy which relies upon a strong state to enforce and protect market principles. The neoliberal market is a space in which all individuals have equal knowledge and skills to pursue their goals, and it is unjust for the state to attempt to control these actions. It is deeply important to recognize the Hayekian influence of integrating morality into neoliberalism as an economic and political philosophy because it is essential to contemporary neoliberalism.

Neoliberalism as an economic and political philosophy is a project that is not just political—it requires a moral and cultural change. A challenge to neoliberalism is not simply a challenge of it as an ideological project, but also as a challenge to the reformation of human beings beginning with Lippmann’s eugenics and continuing in the Hayekian moral economy. Neoliberalism has always been a philosophy of transformation of human being, from the physical to the metaphysical. Any significant ideological response to neoliberalism needs to move beyond the economic and political program and present a reimagining of what it means to be human.

¹⁰ Friedrich Hayek, “The Moral Element in Free Enterprise,” FEE, <https://fee.org/articles/the-moral-element-in-free-enterprise>.

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