

# Saving the Soul of Classical Liberalism

By James M. Buchanan Jr.

*The Wall Street Journal*, January 1, 2000

James Buchanan was Professor of Economics at George Mason University  
and winner of the 1986 Nobel Prize in Economic Science.

The 1950s were dark days for classical liberals. Big Government was an idea tolerated across the political spectrum in Western nations. In those years my colleague Warren Nutter often used to say that "saving the books" was the minimal objective of classical liberals. At the very least we had to keep liberal ideas in print. Friedrich von Hayek, the free market's great advocate, broadened Nutter's notion to "saving the ideas."

Both of these objectives have been achieved. Today liberal, free-market books are still read, and the ideas they advance are more widely understood than at midcentury. Today, for example, most thinking Americans know that the core of classical liberalism lies in an understanding that the advancement of the individual can bring more good than any project that focuses on the collective. Many intuitively understand, too, that classical liberalism bears little relation to the postwar "liberalism" advanced by the American left.

Despite these successes, we true liberals are failing to save the soul of classical liberalism. Books and ideas are necessary, but alone, they are not sufficient to insure the viability of our philosophy. No, the problem lies in presenting the ideal.

Thus, for example, George Bush, during his presidency, derisively referred to "that vision thing," when someone sought to juxtapose his position with that of Ronald Reagan. The "shining city on a hill," the Puritan image that Mr. Reagan invoked to call attention to the American idea, was foreign to Mr. Bush's mind-set. Mr. Bush did not understand what Mr. Reagan meant and failed to appreciate why the image resonated in public attitudes.

In a sense, we can say that Ronald Reagan was tapping into a part of the American soul about which George Bush remained illiterate. The critical distinction between those whose window on reality emerges from a comprehensive vision of what might be, and those whose window is pragmatically limited to current perceptions, comes clear in this comparison.

My larger thesis is that classical liberalism cannot secure sufficient public acceptability when its vocal advocates are limited to this second group of "does it work?" pragmatists. Science and self-interest do indeed lend force to any argument. But a vision, an ideal, is necessary. People need something to yearn and struggle for. If the liberal ideal is not there, there will be a vacuum and other ideas will supplant it. Classical liberals have failed, singularly, in their understanding of this dynamic.

Not that we liberals don't have material to work from. The writings of Adam Smith and his peers did, for example, create a comprehensive and coherent vision of an order of human interaction. What can be more persuasive than Smith's description of the "invisible hand," or his "simple system of natural liberty"? These powerful arguments for liberty and the primacy of the individual still have the power to resonate today.

Precisely because it remains potentially rather than actually attainable, the classic vision of individual liberty satisfies a generalized human yearning for a supraexistent ideal. Classical liberalism shares this

quality with its newer archrival, socialism, which also offers a comprehensive vision that transcends both the science and self-interest that its sometime advocates claimed as characteristic features. That is to say, both classical liberalism and socialism have souls, even if their motivating spirits are categorically and dramatically different, one from the other.

No, the problem here lies in the leading thinkers. Few socialists dispute the suggestion that an animating principle, an ideal, is central to the whole socialist perspective. But many who profess to be classical liberals have seemed reluctant to acknowledge the existence of what I have called "the soul" of their position. They often seem to seek exclusive "scientific" cover for advocacy, along with occasional reference to enlightened self-interest.

Today's classical liberals seem somehow embarrassed to admit the underlying ideological appeal, even romance, that classical liberalism as a *Weltanschauung*, can possess. While this stance may offer some internal satisfaction to the individuals who qualify as *cognoscenti*, it is terribly damaging when it comes to winning public acceptance for liberalism.

Here, as elsewhere, political economists are plagued by the presence of the "every man his own economist" phenomenon. Scientific evidence, on its own, cannot be made convincing; it must be supplemented by conviction and ideals. Every man thinks of himself as his own economist, yes, but every man also retains an inner yearning to become a participant in the imagined community, the virtual utopia that embodies a set of abstract principles of order.

Classical liberals must understand that their work is more difficult than that of the hard scientist. The physicist or biologist need not concern himself with public acceptance of his experimental findings. The public necessarily confronts natural reality, and to deny this immediately-sensed reality is to enter the room of fools. We do not observe many persons trying to walk through walls or on water.

Also, and importantly, we recognize that we can utilize modern technological devices without any understanding of their souls, or organizing principles of their operation. I do not, personally, need to know the principle upon which the computer allows me to put the words on the page. Compare this stance—awed acceptance before the computer with that of an ordinary participant in the economic nexus. The latter may, of course, simply respond to opportunities confronted, as buyer, seller, or entrepreneur, without so much as questioning the principles of the order of interaction that generates such opportunities. At another level of consciousness, however, the participant must recognize that this order emerges from human political choices.

It is only through an understanding of, and appreciation for, the animating principles of the extended order of the market that an individual may refrain from nonsensical political action. Those who advocate minimum wage laws, rent controls, price supports, or monetary inflation simply do not have an understanding of the individual or the marketplace. For the scientist in the academy, understanding such principles should translate into advocacy of classical liberal stances. But economic scientists alone do not possess the authority to impose their own opinions, the citizenry at large must also be brought into the fold.

## The Rise of the Collectivists

Classical political economy, as taught in the early decades of the nineteenth century, and in England particularly, did capture the minds of the masses. The advocates of classical liberalism were able to present a vision so compelling, so soulful, that it motivated support for major political reform. Think of the repeal of England's Corn Laws, surely a difficult step. Why, after all, ought England to give up protection of its farmers? Only by presenting the larger vision of a free-trade England could

the Corn Laws' opponents prevail with lawmakers. When the reformers succeeded, the repeal's passage changed the world.

After the middle of the nineteenth century, however, the soul of the liberal movement lost its way. In 1848, Karl Marx published his Communist Manifesto, and the powerful attractions of socialism made liberalism seem a weak light. From that time onward, classical liberals retreated into a defensive posture, struggling continuously against the reforms promulgated by utilitarian dreamers. Individual liberty was no longer the focus.

The collectivists claimed superior wisdom; life became the pursuit of happiness in the aggregate. Aided and abetted by the Hegel-inspired political idealists, these new intellectuals shifted away from the notion of personal realization to that of collective psyche. The ideal of socialism was so successful that it led to major political and institutional changes - even when the experience of history showed it to be deeply flawed. What else but the power of the socialist ideal can explain its longevity in Russia or even parts of Western Europe?

So what differences are we actually parsing here? The categorical difference between the soul of classical liberalism and that of socialism is that one idealizes the individual, the other the collective. The individual is indeed at the center of the liberal vision: he or she strives to achieve goals that are mutually achievable by all participants in society. Precisely because these goals are internal to the consciousness of those who make choices and take actions, the outcomes they produce are neither measurable nor meaningful, as "social" outcomes. Yet most aggregate numbers that we use are designed with the "social" in mind: think of the distribution tables that American tax analysts use to depict the nation's tax burden, or the standard unemployment figure that governments issue periodically.

As soon as we lay down a "social" purpose, even as target, we contradict the principle of liberalism itself. Yet classical liberals succumbed. They themselves have confused the discussion by advancing the claim that the idealized and extended market order produces a larger "bundle" of valued goods than any socialist alternative.

To invoke the efficiency norm in so crude a fashion as this, even conceptually, is to give away the whole game. Almost all of us are guilty of this charge, since we know, of course, that the extended market does indeed produce the relatively larger bundle, on any measure. But attention to any aggregative value scale conceals the uniqueness of the liberal order in achieving the objective of individual liberty.

To be sure, we classical liberals can play good defense even in the socialists' own game. But by so doing, we shift our own focus to their game rather than to our own, which we must learn to play on our own terms, as well as get others involved. Happily, a few modern classical liberals are beginning to redraw the playing fields as they introduce comparative league tables, as in sports, that place emphasis on measuring liberty itself.

### Piddling Puzzles

The scholarly field of economics as practiced and promulgated in this century has done its share of damage. Rather than allow the study of economics to offer genuine intellectual adventure and excitement, we have converted it into a complex mathematical and empirical science. This trend was only partially offset during the decades of the Cold War, when the continuing challenge of fighting communism offered motivation to liberals such as Hayek and a relatively small number of his peers. But since then, the discipline has become piddling puzzle solving. How can we make economics come alive again, especially for those who will never be professionally trained economists?

The beginning of the answer lies with Ronald Reagan and his "shining city on a hill." Mr. Reagan could not himself solve the simultaneous equations of general equilibrium economics. His economics education was confined to undergraduate courses at Eureka College. But he carried with him a vision of a social order that might be. This vision was and is built on the central, and simple, notion that "we can all be free." Through Mr. Reagan we see that Adam Smith's "simple system," even if only vaguely understood, can enlighten the spirit, can create a soul that generates a coherence, and unifying philosophical discipline.

What else is there to know about the nature of liberalism's soul? A motivating element in the liberal philosophy is, of course, the individual's desire for liberty from the coercive power of others. But a second element in the liberal soul and spirit is critically important. It is the absence of desire to exert power over others. In the idealized operation of an extended market order, each person confronts a costless exit option in each market. Coercion by another person is drained out; individuals are genuinely "at liberty."

Of course, even today, markets are not entirely free. But, as an ideal, this imagined order can offer the exciting and relevant prospect of a world in which all participants are free to choose.

There are plenty of images from our history to draw from. Much, for example, has been made of the American frontier spirit. Yet why was the frontier so important, particularly in the first century of the American experience? It was important because it symbolized liberal freedom. The proper economic interpretation of the frontier lies in its guarantee of an exit option, the presence of which dramatically limits the potential for interpersonal exploitation. Today, the territorial frontier is closed. But the operating market order acts in precisely the same way as the frontier; it offers each participant exit options in each relationship.

To restore the soul of liberalism we must step back a bit. Small liberal "victories" on details of legislative policy are not enough. Nor, even, are electoral successes by those who, to an extent, espouse the liberal principles. Just because we manage to ban rent control in our locality, or to elect a Ronald Reagan as President, does not mean that classical liberalism can be said to inform public attitudes. Classical liberals quite literally "went to sleep" during the decade of the 1980s, and kept sleeping after the death of socialism. The result is that public attitudes today are more shaped by the nanny state, or by paternalist, rent-seeking, mercantilist regimes than they are by liberal ideals.

Creating a new vision, a new soul for liberalism, is our most important task now. I am not here suggesting that attention should be limited to the design of all-inclusive political packages. Politics, for the most part, proceeds in piecemeal fashion, one step at a time. What I am suggesting is that we, those who teach liberalism, focus on the vision, the constitution of liberty, rather merely on pragmatic utilitarian calculus that shows liberalism to yield quantifiably better results than politicized economies.

In other words, liberals should not lean back and say, "our work is done." The organization and the intellectual bankruptcy of socialism in our time has not removed the relevance of a renewed and continuing discourse in political philosophy. We need discourse to preserve, save, and recreate that which we may, properly, call the soul of classical liberalism. Without public understanding of its organizing principles, the extended market order will not survive.

Source: *The Wall Street Journal*, January 1, 2000