



DEPARTMENT OF ECONOMICS

THE FUTURE OF LIBERALISM

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Working Paper No. 24-20

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We must make the building of a free society once more an intellectual adventure, a deed of courage. What we lack is a liberal Utopia ... truly liberal radicalism ... The main lesson which the true liberal must learn from the success of the socialists is that it was their courage to be Utopian which gained them the support of the intellectuals ... Unless we can make the philosophical foundations of a free society once more a living intellectual issue, and its implementation a task which challenges the ingenuity and imagination of our liveliest minds, the prospects of freedom are indeed dark. But if we can regain that belief in the power of ideas which was the market of liberalism at its greatest, the battle is not lost.

- F. A. Hayek (1949, 433)

F. A. Hayek wrote those words shortly after WWII and the power of liberal ideas had ceased to resonate with the youth. The liberal economics that could be traced from Adam Smith to J. S. Mill to Lionel Robbins and Hayek himself had been discredited in the eyes of many by the long Great Depression from the 1920s through the beginning of WWII. The interwar years had the rise of a multitude of anti-liberal movements both from the left and the right of the political spectrum. Conservative nationalism and an aggressive socialist internationalism both took shape in the aftermath of WWI. The pragmatic political center was impressed by the war-planning by central governments to marshal resources for the allied nations to win the war against the evil of Nazi Germany and Imperial Japan. This included the mobilization of labor, the enlisting of heavy industry to provide armaments, and even the direct control over scientific inquiry to find technologically superior weapons and provide strategic calculations in battle planning. It was government and the good men and women who occupied positions of decision-making power that

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delivered us from the depths of depression and the horror of the totalitarian threat to Western civilization posed by Hitler and his allies.

Who could deny the power of a rational government in the democratic West to do what was right at the time it was right to do it? Anyone who questioned that premise was considered an unreasonable relic of yesteryear. Moreover, anyone who didn't see the potential of government planning for building a better world post-war was a troglodyte better to be ignored than read and listened to. This was the heyday of the promise of socialism, the pragmatic acceptance of interventionism, and the wide scale acceptance of middle of the road policies. During WWII government grew, for example in the US, in terms of both scale and scope, but after the war government involvement in the economic system did not return to pre-war levels. And from the end of the war to the late 1970s, government grew in scale and scope across all the western democracies – including the most studied examples of the UK and the US. But these economies also suffered in terms of performance and by the 1970s they entered into serious stagnation. Economic policy moved to the front and center of discussions about the future of these liberal societies, and first Margaret Thatcher was elected Prime Minister of the UK and Ronald Reagan elected President of the US. Both shared a strong dislike of socialism and Big Government, and at least in rhetoric defended the classical liberal nightwatchman state. A key pillar of their platforms was economic freedom and its intimate relationship with political freedom.

Then in the mid-1980s socialist regimes in Eastern and Central Europe, as well as the former Soviet Union began to crack under the weight of their collective failure to deliver the economic goods to their population and the strain of totalitarian rule over a people was now obvious to anyone who looked with open eyes. Thatcher and Reagan, it appeared, were vindicated as were the intellectual thought leaders that animated their ideological message – F. A. Hayek and

Milton Friedman. After the collapse of communism in 1989 and then again in 1991, the “Age of Milton Friedman” was upon us and we saw countries liberalize their economies not only in Eastern and Central Europe and the former Soviet Union, but in China, India, Latin America, East Asia and even in the Nordic countries as they reckoned with a fiscal crisis brought on by their policies. Trade opened throughout the world, goods and services flowed, capital flowed, labor sought out better opportunities and higher returns, currencies competed, and billions of people were liberated from crushing poverty.

The era of liberalism after Adam Smith delivered in the 19th century amazing improvement in the life prospects of the ordinary citizen in the English-speaking world. And, again, in the era of liberalism in the late 20th century into the 21st century we witnessed billions of people escape from the Malthusian trap and into a period of the Great Enrichment. When I was first studying economics in the late 1970s early 1980s, the percentage of the global population living in extreme poverty (defined as less than \$2/day) was close to 40%, in 2015 despite the great expansion in the world population during the intervening years that figure was less than 10%. That is a miracle, one that was delivered by economic liberalism.

How about political liberalism? Well, we have become in general less violent, less cruel, respectful of the rights of a greater range of individuals than ever before. Nowhere is the ideal realized. There is of course violence, cruelty and denying of basic human rights. By any rational assessment of the measures, no man, woman, or child would take a one-way ticket to a past era of do better for themselves in terms of health and human welfare. It is a fantasy to think otherwise, and it is a dangerous one as I will argue.

But the 21st century, like the 20th, has thrown a new set of challenges and liberalism is once more in ill-repute in many parts of the world. Even before 9/11, there were grumblings about

globalization and inequality that metamorphized into the Occupy Wall Street protests (99%) a decade or so later. But the aftershock of 9/11 attacks in New York and Washington DC, followed by the July 7th, 2005 bombing in London resulted in the establishment of new centralized powers in the UK and the US and a war-economy to mobilize for the military engagement in Afghanistan and Iraq, as well as the militarization of the domestic life to provide surveillance against another terrorist attack. (see Coyne 2007; Coyne and Hall (2018) These activities, even if we granted that they are necessary, are in fact anti-liberal moves. We must do the mental gymnastics of arguing that we must suspend liberal principles in order to save liberalism in the future.¹ It is not impossible to make such a move, but at least in my mind it is the intellectual equivalent of Simone Biles performing the Yurchenko double pike. As my example should highlight, most morals cannot in fact perform such a task with any proficiency.

Liberalism must mean something, and it is not just whatever governments that claim they as liberal democracies are currently doing. Many of those governments are in point of fact engaged in various acts of illiberalism that they wish to cloak in the language of liberal democracy. Restrictions of the rights of individuals, restraints on their ability to engage in trade, the over criminalization of non-violent daily activities, and the inhumane treatment of individuals in aggressive state action both foreign and domestic are *all* illiberal. Liberalism was born as an emancipatory project to free human beings from the dogma of the Church, the oppression of the Crown, the violence of the Sword, and the special privileges of the Mercantilist class. The

¹ Consider Hayek's discussion in *Law, Legislation and Liberty*, Vol. 3 (1982, 131) where he argues that when an external threat due to either human or natural forces disturbs the self-generating order of the liberal society 'emergency measures' may be necessary to retore the operation of the system. But the reader should remember that just a few pages earlier (124), Hayek had warned that "'Emergencies' have always been the pretext on which the safeguards of individual liberty have been eroded – and once they are suspended it is not difficult for anyone who has assumed such emergency powers to see to it that the emergency will persist." Also see Coyne and Hall (2024) for the sort of mental gymnastics exercise one must engage in and the moral calculations that must be made (or should I say immoral calculations?).

‘weapon’ of choice in this struggle for a better world was ideas, and in particular ideas about the dignity and respect of individuals, and the consequences for unleashing the productive capacity of specialized labor and realizing the benefits of peaceful social cooperation through exchange. The institutional arrangements that make possible the ability to pursue productive specialization and discover opportunities for mutually beneficial exchange are unique, and it was the great discovery of Adam Smith and David Hume to identify them with the institutions of property, contract and consent. The institutions in law, politics and society must promote the stability of possession, the transference of property by consent, and the keeping of promises. If the institutions are weak, not only will prosperity fail to follow, but liberty will be absent. The great classical political economists all understood this interrelationship between economic liberty and political liberty, and in fact, liberty was a cornerstone of British classical political economy from Smith to Mill.

Adam Smith referred to the liberal plan of liberty, equality, and justice. (1776, 664) And his famous book *An Inquiry into the Nature and Causes of the Wealth of Nations* was an aggressive indictment of the existing illiberal practices of the Mercantilist System, including its restraints on trade, its militarism, its colonialism, etc.² The system was not only inefficient to Smith, but it was also immoral. Colonialism, e.g., not only was economically dysfunctional abroad, it was distorting the allocation of resources at home, and the cruelty imposed on local populations under colonial rule was not only inhumane, but in its immorality turned the colonizer into a moral monster. Where there is no liberty, equality or justice there is no liberalism.

Smith’s German contemporary Immanuel Kant boldly envisioned two cornerstones to the liberal project as I am defining it: (1) that we would live in a cosmopolitan order where each of us would nowhere be strangers in his world, and (2) we would work toward a world order of perpetual

² Smith in a letter to Andreas Holt dated 26 October 1780 describes *The Wealth of Nations* as a “very violent attack ... upon the whole commercial system of Great Britain.” See *Correspondence of Adam Smith* (1987, 251).

peace. As liberalism emerged in reaction to the religious wars and the age of violence, the teachings of the emerging science of political economy suggested that the institutions and practices that would have the best chance to live up to Kant's twin aspirational project were private property, freedom of contract, freedom of trade and migration, freedom of association, freedom of thought, all embodied in the rule of law and ensured through a constitutional contract that effectively bound the natural propensity of state rulers. Leviathan had to be constrained, otherwise the liberal project was doomed. On the other hand, the classical political economy argument went, Leviathan had to be empowered to ward off the threat of private predation by the strong over the weak. The constitutional dilemma is that once Leviathan effectively constrains private predation, its very existence threatens to result in public predation. The State is the perennial thorny issue in the liberal project. Security and shared prosperity necessitated empowering and yet constraining the state, and then sustaining those constraints on centralized state power during turbulent times. The future of liberalism ultimately turns on tackling the thorny issue of the state in new and creative ways so humanity in general can experience the peace and prosperity that follows and avoid the bloodshed and misery of the violence of conquest and conquer.³

II

The February 2023 edition of *Harper's Magazine* contains a symposium on "Is Liberalism Worth Saving?" with contributions from Patrick Deneen, Francis Fukuyama, Deirdre McCloskey and Cornell West. The symposium starts by explaining that the "long standing global consensus about the value of liberalism as a political and economic order has begun to erode." And the participants are asked to consider "Has liberalism failed in its promise to deliver stability and shared

³ For a classic discussion of these thorny issues see Anthony De Jasay's *The State* (1985).

prosperity?” (23) Deneen, Fukuyama and West for various reasons answer the original question of the symposium in the negative, only McCloskey answers in the positive, and in fact, enthusiastically so. I stand with McCloskey.

In fact, I find some the arguments used to assert the negative judgement that liberalism isn't worth saving to be extremely intellectual weak ones, which if followed through would entrap humanity in the very living hell it so desperately tried to escape with the Enlightenment Liberal project. Deneen, for example, in his effort to reassert the pre-liberal and ancient virtues reveals several fundamental misunderstandings of the positions he is both embracing and criticizing. Liberalism, he asserts is antagonistic toward the ancient tradition that tied telos and nature. (25) Of course, liberalism was antagonistic to that ancient project. It is a project destined to produce hierarchies and a political system of being *governed over* and not one of *governing with*. Also, that individuals have a telos, no liberal thinker would ever deny. What they deny is that there is one over-arching telos for the society. What is at stake is whether in a society of free individuals one can find ends upon which we can all agree. Similarly, claiming that classical liberalism decoupled rights and duties (or responsibilities) is also grounded in a fundamental confusion about the liberal argument which is in fact about a society of free and *responsible* individuals.

The concern of the Scottish Enlightenment in contriving a liberal government was to make sure that freedom could be granted to all, rather than as in other systems of government where only the wise, the good and the anointed were to be granted freedom. To achieve that Hume (1777, 42) suggested that in our efforts to think through an effective system of government we must presume that all men are knaves and then build in the constraints to guard against the downside risk of knavery. For Hume that knavery is expressed in the human capacity to engage in opportunistic behavior with guile. The institutions of government must check the ambitions of the knaves, and

this intellectual thought experiment eventually led to a variety of counter-veiling power strategies. For Smith (1776, 456), on the other hand, not only did knavery come in the form of crafty opportunism, but the arrogance of the conceited. The thought experiment for the liberal then is how can we conceive a system of governance that guards against the downside risk caused by opportunistic and arrogant knaves. The resulting argument was various checks and balances and the establishment of a polycentric order where contestation at each decision node would hold the knaves at bay by compelling them to confront other knaves so they cancel out each other's opportunism and arrogance.

If there is to be pessimism about the internal operation of liberalism then, it will be because the countervailing mechanisms fail to sufficiently bind the bad behavior of individuals in decision-authority. But optimism follows if we can find that set of institutional arrangements that are robust enough so that bad men can do least harm. Fukuyama and West both see the liberal project as outliving its purpose either due to internal contradictions or circumstances of our times (or some mix of both). According to West, the weakness of liberalism is due to the doctrine turning a blind eye to the oppression of economic power, and its blindness (and silence) to militarism and imperialism. (25-26) As mentioned above, I think this is a misreading – or an example of misplaced concreteness – where the meaning of the Smithian liberal plan (or the Kantian aspirations) are lost in the rhetoric of politics and public policy. Fukuyama points to the rise of right-wing populism in the form of Viktor Orban and also Narendra Modi as evidence of the failure of liberalism to prevent illiberal democracies. Deneen counters that we must now all agree that liberalism has little to say about the preventing of centralized political power.

Again, only McCloskey sees the power and promise of liberalism. It is an ongoing project in constant need of reconstruction and renewal with each age to build the institutional

infrastructure and cultivate the cultural norms of a system of, as she puts it, equality of permission. Ordinary individuals are empowered to “give it a go” as McCloskey has argued elsewhere. They are given the elbow room to pursue their projects as they see fit, unencumbered by the need to ask permission from political overlords. Ordinary individuals in society can achieve extraordinary things if given the freedom in McCloskey’s telling of the economic history of liberalism, while the alternative story told is that only extraordinary can achieve extraordinary things if given power. The liberalism that McCloskey has so much optimism about, and which I share with her, is one that affords dignity and respect to all, and demands not only formal legal and political institutions but cultural norms that impact the way we speak to one another and ultimately interact with one another. As McCloskey put it: “There’s a lot of evidence that a society of equal permission and increasing equality makes for better people. ... “Prudence is not the only virtue in the marketplace. Hope and faith and justice and courage: these are all fostered by bourgeois capitalism.” (28)

Fukuyama reluctantly admits that liberalism should get credit for planting the seed of universal human rights, but its shortcomings are due to the inability to translate those ideas into sustainable institutions. Deneen and West find the idea of liberalism fundamentally lacking because we need greater purpose.⁴ But it is McCloskey’s position that liberalism is not only aspirational – a system to strive for however far we are from achieving its perfection – but also grounded in the empirical reality that each step toward the liberalization of humanity from the bonds of slavery and the violence of imperialism has produced unprecedented periods of improvements in the human condition. She is right.

⁴ For Deneen that purpose is a return to the pre-liberal tradition which ties telos and nature with the modern twist of defending the family unit and community against the corrosive force of the market economy. For West, the greater purpose is a society of equality and justice. For both, the state must be less constrained so it can assume a central role in establishing a more just and humane society.

In a 2021 essay, “The Future of Liberalism,” Timothy Garton Ash argues that liberals must face the challenges of our age much more effectively than we have to date. Those include the problems presented by the nation state, the challenges of globalization, the issues of identity and redistribution, etc. He has a point. We have already discussed the issue of the nation state and the puzzle of empowering and constraining. But liberal thinkers from Adam Smith onward are most consistent when they conceive of their project as the economic, legal, political, and social theory of natural equals. As Smith put it, the difference between the Street Porter and the Philosopher is in primarily in the mind of the Philosopher. We are one another’s dignified equals.⁵ And that doesn’t stop at artificial national borders and it certainly applies within those borders and the communities that constitute a people. But the critical concept is liberty. The freedom of the individual to be the architect of their own life, and to pursue their projects as they see fit provided they do not infringe on the ability of others to do so as well. The future of liberalism is tied to the future of liberty.

More recently, Cass Sunstein (2023) has provided a list of the proposition that constitute the liberalism he believes in. The key aspect of this exercise by Sunstein is that he firmly believes that liberalism is not only coherent and viable, but the key to social progress. It is a liberalism grounded in public reason, and foundational institutions of law, politics, and commercial society. But it is also a liberalism, in Sunstein’s hands, that is grounded in freedom, human rights, pluralism, security, the rule of law and democracy. Again, the question is can we build the right institutions to establish those core principles, and can we cultivate the social attitudes and virtues to sustain them. The future of liberalism is about building and cultivating.

⁵ See Levy and Peart’s *Towards an Economics of Natural Equals* (2019) to see the sort of economics and political economy paradigm that results from following consistently and persistently Smith’s analytical egalitarianism.

III

Liberalism was born in the effort to escape the religious wars. The critical concept of that era that moved away from violence and bloodshed was toleration. The goal of liberalism was peace – both domestically and internationally.⁶ The mechanisms to achieve such peace was toleration and trade. There is admittedly a tension in the project – can we tolerate those who are intolerant? Can we trade with those who do not freely trade with us? If liberalism is to be robust, those mechanisms of toleration and trade must be allowed to soften even the hardness of the intolerant and the protectionist. Intolerance and protectionism have the same root in the moral intuitions that were perhaps hard-wired in our evolutionary journey from small bands and tribes into larger groups of kinship and eventual into alliance across great physical and social distance. To put it simply, our moral intuitions are at odds with our moral demands, and the key to the origin and evolution of liberalism is the successful supplanting of our moral intuitions with ideas, values and beliefs more aligned with the moral demands of the great society.⁷ Abstract cosmopolitanism as depicted in Kant's proposition that human beings become strangers nowhere in this world requires a different set of norms and conventions than the social ordering a kinship network.

In a historical sense liberalism has fought an intellectual battle against tribalism, nationalism, xenophobia since its emergence. In its long evolution through the centuries, where the accumulation of liberties through various struggles against these odious forms of illiberalism made adjacent possible the next stage of development until Liberty was in fact achieved. (see

⁶ As Ludwig von Mises wrote in his classic work *Liberalism* (1927, 76): "The goal of the domestic policy of liberalism is the same as that of its foreign policy: peace. It aims at peaceful cooperation just as much between nations and within each nation."

⁷ Hayek (1982, Vol. 2, 63) argues that: "It is a sign of the immaturity of our minds that we have not yet outgrown these primitive concepts and still demand from an impersonal process which brings about a greater satisfaction of human desires than any deliberate human organization could achieve, that it conform to the moral precepts men have evolved for the guidance of their individual actions."

Boettke and Candela 2017) To put this simply, there is no liberal tribalism, no liberal nationalism, no liberal xenophobia – those are illiberal.

Unfortunately, the highwater mark of modern liberalism in the late 20th century brought on by the collapse of communism and the advent of a new era of globalization has been followed in the 21st century defined by a new era of anger, hatred and distrust. Adam Smith (1759, 37) wisely taught us that anger and hatred are poison to our minds. But the new populism on the left and the right is in fact fueled by this anger and hatred. (see Lonergan and Blyth 2020) It has manifested itself in political life by a populism that pulls to one or the other to the extreme polls. Can liberalism respond?⁸

As I have declared throughout, I believe it can, but only if we stop demonizing the other side in our conversational engagement. Civility in public discourse must take precedent. We must learn once more how to see the world through one another's eyes, to cultivate our imaginative projection into the life situations of others and to suspend moral judgement but seek to exercise moral sympathy. This is how we will cultivate the norms of treating others with dignity and respect. Our militaristic impulses must be checked, and perhaps this might be best done by looking soberly at what must be the attitude adopted and the consequences to both our enemy and ourselves when we pursue military solutions to our political problems. This might instead lead us to think more creatively and resourcefully about exploring the cultures of peace in our everyday existence that minimize conflict and maximize cooperation. (see Coyne 2023)

What these cultures of peace demonstrate is that we have at our disposal experiences with conflict resolution that work. The question is one not of existence, but of scalability. Can we scale these different cultures of peace to address social problems that are traditionally responded to only

⁸ One recent effort from an explicitly classical liberal perspective is Nils Karlson's *Reviving Classical Liberalism Against Populism* (2024).

with the use of violence? Liberalism as a practical guide demands that we must. Otherwise, we are back in the difficult mental gymnastics of suspending liberal principles to save liberalism. It may sound romantic to believe that the only way to save liberalism is to stick to liberal principles even when they are most threatened, but history I believe teaches us it is not romantic but exceedingly pragmatic because the move from suspending liberalism to illiberalism to tribalism, nationalism and xenophobia has been a quicker decent than envisioned in that original moment of suspension. The downside risk is great, and benefits of a true radical liberalism are great. This calculation should not be as ambiguous as many who profess to be liberals claim.

IV

The future of liberalism is not bright at the moment. We live in a world with war in Europe, war in the Middle East, political violence in every region of the world, divisive discourse rather than productive in our communities (including college campuses), and a pull in the democratic countries to a form of populism on the left and the right. George Orwell in *1984* said that if we wanted a picture of the future of humanity it would be a giant boot stamping on it's face. It is critical to remember that it doesn't matter if it is the left foot or the right foot that is doing the stamping, it is the boot on the face that matters. But true radical liberalism can provide a counter vision to that image, one characterized not by boot stamping but by handshaking in mutual cooperation in exchange, in discourse, in shared humanity.

Hume (1739) long ago told us that social cooperation required the consistent application of the principles of property, contract and consent. To engage in productive specialization and peaceful social cooperation through exchange we must have stability of possession, transference of those possessions through consent, and the keeping of promises. What Adam Smith helped us

understand what the consequences of that system were, and the impact of alternative institutional arrangements on our ability to realize the consequences for human betterment that a system of property, contract and consent delivers. It is my sincere hope as a scholar, but actually more importantly, to be honest, as a father and grandfather that a new generation will have their imaginations ignited by the liberal project for the 21st century. (see Boettke 2021) To make these timeless arguments their own and apply them in creative ways to resolve the social tension that exist in our broken world. My optimism is an act of faith, but I hope a faith grounded in good reasons and not blind faith. Good reasons provided by the lessons we have learned from history, and the tools and techniques of reasoning we have learned from political economy and social philosophy from Hume and Smith to Hayek and Buchanan. I am optimistic about the future of liberalism because otherwise the only choice is to despair about a world at war. My professor James Buchanan always liked to quote his professor Frank Knight: “To say a situation is hopeless is to say its ideal.” We would work out the logic behind that sentence. But Buchanan would then add his own wrinkle, ‘But since the world is not ideal, then it must not be hopeless.’ We can change the equilibrium. We can build the institutions and cultivate the attitudes and virtues that sustain liberalism for our era and our children’s and grandchildren’s eras.

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