

# The Soul of Classical Liberalism

— ◆ —

JAMES M. BUCHANAN

. . . the bizarre fact that alone among the great political currents, liberalism has no ideology.

**Anthony de Jasay**

**D**uring the ideologically dark days of the 1950s, my colleague Warren Nutter often referred to “saving the books” as the minimal objective of like-minded classical liberals. F. A. Hayek, throughout a long career, effectively broadened that objective to “saving the ideas.” In a certain sense, both of these objectives have been achieved: the books are still being read, and the ideas are more widely understood than they were a half-century ago.

My thesis here is that, despite these successes, we have, over more than a century, failed to “save the soul” of classical liberalism. Books and ideas are, of course, necessary, but alone they are not sufficient to ensure the viability of effectively free societies.

I hope that my thesis provokes interest along several dimensions. I shall try to respond in advance to the obvious questions. What do I mean by the soul of classical liberalism? And what is intended when I say that there has been a failure to save that soul during the whole socialist epoch? Most important, what can, and should, be done now by those of us who call ourselves classical liberals?

---

**James M. Buchanan** is the advisory-general director of the Center for Study of Public Choice, George Mason University, and 1986 recipient of the Alfred Nobel Memorial Prize in Economic Sciences.

*The Independent Review*, v.V, n.1, Summer 2000, ISSN 1086-1653, Copyright © 2000, pp. 111–119

## Science, Self-Interest, and Soul

George Bush, sometime during his presidency, derisively referred to “that vision thing” when someone sought to juxtapose his position with that of his predecessor, Ronald Reagan. He meant the “shining city on a hill,” the Puritan image that Reagan invoked to call attention to the American ideal; that image, and others like it, were foreign to Bush’s whole mind-set. He simply did not understand what Reagan meant and totally failed to appreciate why the image resonated so successfully in public attitudes. In a sense, we can say that Ronald Reagan was tapping into and expressing a part of the American soul beyond George Bush’s ken.

The example is helpful even if it applies to a specific, politically organized, temporally restricted, and territorially defined society. 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 sense perceptions is made clear in the comparison. We may extend and apply a similar comparison to the attitudes of and approaches taken by various spokesmen and commentators to the extended order of social interaction described under the rubric of classical liberalism.

Note that I do not go beyond those persons who profess adherence to the policy stances associated with the ideas emergent from within this framework, policy stances summarized as support for limited government, constitutional democracy, free trade, private property, rule of law, open franchise, and federalism. My focus is on the differences among these adherents, and specifically on the differences between those whose advocacy stems from an understanding of the very soul of the integrated ideational entity and those whose advocacy finds its origins primarily in the results of scientific inquiry and the dictates of enlightened self-interest.

The larger thesis is that classical liberalism, as a coherent set of principles, has not secured, and cannot secure, sufficient public acceptability when its vocal advocates are limited to the second group. Science and self-interest, especially as combined, do indeed lend force to any argument. But a vision of an ideal, over and beyond science and self-interest, is necessary, and those who profess membership in the club of classical liberals have failed singularly in their neglect of this requirement. Whether or not particular proponents find their ultimate motivations in such a vision is left for each, individually, to decide.

I have indirectly indicated the meaning of my title. Dictionary definitions of *soul* include “animating or vital principle” and “moving spirit,” attributes that would seem equally applicable to persons and to philosophical perspectives. Perhaps it is misleading, however, to refer to “saving” the soul so defined, whether applied to a person or a perspective. Souls are themselves created rather than saved, and the absence of an animating principle implies only the presence of some potential for such creation rather than a latent actuality or spent force.

The work of Adam Smith, along with that of his philosophical predecessors and successors, created a comprehensive and coherent vision of an order of human interaction that seemed to be potentially approachable in reality, at least sufficiently so to offer the animating principle or moving spirit for constructive institutional change. At the same time, and precisely because it is and remains potentially rather than actually attainable, this vision satisfies a generalized human yearning for a supraexistent ideal. Classical liberalism shares this quality with its 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 those motivating spirits are categorically and dramatically different.

Few would dispute the suggestion that an animating principle is central to the whole socialist perspective. But many professing classical liberals have seemed reluctant to acknowledge the existence of what I have called the soul of their position. They seem often to seek exclusive “scientific” cover for advocacy, supplementing it occasionally by reference to enlightened self-interest. They seem somehow to be embarrassed to admit, if indeed they even recognize the presence of, the underlying ideological appeal that classical liberalism as a comprehensive *weltanschauung* can possess. Although this aloof stance may offer some satisfaction to the individuals who qualify as *cognoscenti*, there is an opportunity loss in public acceptance as the central principles are promulgated to the nonscientific community.

### **Every Man His Own Economist**

In this respect, 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 persuasive argument that comes from the genuine conviction that can be possessed only by those who do understand the soul of classical liberalism. True, every man thinks of himself as his own economist, 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.

It is critically important to understand why classical liberalism needs what I call a soul, and why science and self-interest are not, in themselves, sufficient. Hard scientists, the physicists or the biologists, need not concern themselves with the public acceptability of the findings of their analyses and experiments. 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, the organizing principles of their

operation. I do not personally know or need to know the principle on which the computer allows me to put the words on the page.

Compare this stance of ignorance and 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 is, in itself, artifactual, that it emerges from human choices made within a structure that must somehow be subject to deliberative change through human action. And even if a person might otherwise remain quiescent about the structure within which he carries out his ordinary affairs, he will everywhere be faced with pervasive reminders offered by political agitators and entrepreneurs motivated by their own self-interest.

It is only through an understanding of and appreciation for the animating principles of the extended order of market interaction that an individual who is not directly self-interested may refrain from expressive political action that becomes the equivalent of efforts to walk through walls or on water (for example, support for minimum wage laws, rent controls, tariffs, quotas, restrictive licensing, price supports, or monetary inflation). For the scientist in the academy, understanding such principles does, or should, translate into reasoned advocacy of classical liberal policy stances. But, for the reasons noted, the economic scientists by themselves do not possess either the formal or the informal authority to impose on others what may seem to be only their own opinions. Members of the body politic, the citizenry at large, must also be brought into the ranks. And they cannot, or so it seems to me, become sophisticated economic scientists, at least in large enough numbers. The expectation that the didactic skills of the academic disciplinarians in economics would make scientists of the intelligentsia, the “great unwashed,” or all those in between was an expectation grounded in a combination of hubris and folly.

## **When Political Economy Lost Its Soul**

What to do? This challenge remains even after the manifest collapse of socialism in our time. And it is in direct response to this challenge that I suggest invoking the soul of classical liberalism, an aesthetic-ethical-ideological potential attractor, one that stands independent of ordinary science, both below the latter’s rigor and above its antiseptic neutrality.

I am admittedly in rhetorical as well as intellectual difficulty here, as I try to articulate my intuitively derived argument. Perhaps I can best proceed by historical reference. Classical political economy, in the early decades of the nineteenth century, particularly in England, did capture the minds of many persons who surely did not qualify even as amateur scientists in the still-developing science of economics. The

“soul” of classical liberalism somehow came through to provide a vision of social order that was sufficient to motivate support for major institutional reform. The repeal of the Corn Laws changed the world.

After midcentury, however, the soul or spirit of the movement seems to have lost its way. The light did not fail in any manner akin to the collapse of the socialist ideal in our time. But the light of classical liberalism was dimmed, put in the shadows, by the emergent attraction of socialism. From the middle of the nineteenth century onward, classical liberals retreated into a defensive posture, struggling continuously against the reforms promulgated by utilitarian dreamers who claimed superior wisdom in discovering routes to aggregate happiness, as aided and abetted by the Hegel-inspired political idealists, who transferred personal realization to a collective psyche and away from the individual. The soul of socialism, even in contradiction to scientific evidence, was variously successful in capturing adherents to schemes for major institutional transformation.

### **Vision and “Social” Purpose**

What I have called the soul of a public philosophy is necessarily embedded in an encompassing vision of a social order of human interaction—a vision of that which might be, and which as such offers the ideal that motivates support for constructive change. The categorical difference between the soul of classical liberalism and that of socialism is located in the nature of the ideal and the relation of the individual to the collective. The encompassing vision that informs classical liberalism is described by an interaction of persons and groups within a rule-bound set of behavioral norms that allow each person or agent to achieve internally defined goals that are mutually achievable by all participants. And, precisely because those goals are internal to the consciousness of those who make choices and take actions, the outcomes produced are not either measurable or meaningful as “social” outcomes. There is, and can be, no social or collective purpose to be expected from the process of interaction; only private purposes are realized, even under the idealized operation of the structure and even if collectivized institutions may be instruments toward such achievements. To lay down a “social” purpose, even as a target, is to contradict the principle of liberalism itself, the principle that leaves each participant free to pursue whatever it is that remains feasible within the limits of the legal-institutional parameters.

The soul about which I am concerned here does involve a broad, and simple, understanding of the logic of human interaction in an interlinked chain of reciprocal exchanges among persons and groups. As noted previously, however, this logical understanding need not be scientifically sophisticated. It must, however, be basic understanding accompanied by a faith, or normative belief, in the competence of individuals to make their own choices based on their own valuation of the alternatives they confront. Can a person properly share the soul of classical liberalism without sharing the

conviction that values emerge only from individuals? In some ultimate sense, is classical liberalism compatible with any transcendental ordering of values? My answer is no, but I also recognize that a reconciliation of sorts can be effected by engaging in epistemological games.

Classical liberals themselves have added confusion rather than clarity to the discussion when they have advanced 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, because we know, of course, that the extended market does indeed produce the relatively larger bundle, by *any* measure. But attention to any aggregative value scale, even as modified to Adam Smith’s well-being of the poorer classes or to John Rawls’s share for the least advantaged, conceals the uniqueness of the liberal order in achieving the objective of individual liberty. To be sure, we can play good defense even in the socialists’ own game. But by so doing we shift our own focus to that game rather than our own, which we as classical liberals must learn to play on our own terms, as well as getting others involved. Happily, a few modern classical liberals are indeed beginning to redraw the playing fields as they introduce comparative league tables that place emphasis on measuring liberty.

## Heat and Light

As I recall, it was A. C. Pigou, the founder of neoclassical welfare economics, who remarked that the purpose of economics and economists was that of providing heat rather than light, presumably to citizens-consumers as ultimate users. What I understood Pigou to be saying was that the economist’s role is strictly functional, like the roles of dentists, plumbers, or mechanics, and that we could scarcely expect either ourselves or others to derive aesthetic pleasure from what we do. He seemed to be suggesting that nothing in economics can generate the exhilaration consequent upon revelation of inner truths.

Empirically, and unfortunately, Pigou may have been correct, especially in relation to the political economy and economists of the twentieth century. The discipline as practiced and promulgated has been drained of its potential capacity to offer genuine intellectual adventure and excitement in the large. This characteristic was only partially offset during the decades of the Cold War, when the continuing challenge of socialism offered Hayek and a relatively small number of his peers a motivation deeper and more comprehensive than that of the piddling puzzle-solving that economics has become. Absent the socialist challenge, what might evoke a sense of encompassing and generalized understanding? And, further, what may be required to bring forth such a sense in those who, themselves, can never be enrolled among the ranks of the professionally trained scientists?

Let me return to Ronald Reagan and his “shining city on a hill.” What was the foundational inspiration that motivated that metaphor for an idealized American society? Reagan could not solve the simultaneous equations of general-equilibrium economics. But he carried with him a vision of a social order that might be an abstraction but which embodied elements that contained more light than heat. This vision, or that of classical liberalism generally, is built on the central, and simple, notion that “we can *all* be free.” Adam Smith’s “simple system of natural liberty,” even if only vaguely understood, can *enlighten* the spirit, can create a soul that generates a coherence, a unifying philosophical discipline, that brings order to an internal psyche that might otherwise remain confused.

A motivating element is, of course, the individual’s desire for liberty from the coercive power of others—an element that may be almost universally shared. But a second element is critically important: the absence of desire to exert power over others. In a real sense, the classical liberal stands in opposition to Thomas Hobbes, who modeled persons as universal seekers of personal power and authority. But Hobbes failed, himself, to share the liberal vision; he failed to understand that an idealized structure of social interaction is possible in which *no* person exerts power over another. In the idealized operation of an extended market order, each person confronts a costless exit option in each market, thereby eliminating totally any discretionary power of anyone with whom such a person might exchange. Coercion by another person is drained out; individuals are genuinely “at liberty.”

Of course, this characterization is an idealization of any social order that might exist. But, as an ideal, such an imagined order can offer the exciting and normatively relevant prospect of a world in which all participants are free to choose.

Much has been made of the American spirit or soul as influenced by the availability of the territorial frontier during the first century of the United States’ historical experience. Why was the frontier important? The proper economic interpretation of frontier lies in its guarantee of an exit option, the presence of which dramatically limits the potential for interpersonal exploitation. There has been a general failure to recognize that the effectively operating market order acts in precisely the same way as the frontier; it offers each participant exit options in each relationship.

The classical liberal can be philosophically self-satisfied, because he has seen the light, because he has come to understand the underlying principle of the social order that might be. It is not at all surprising that those who seem to express the elements of the soul of classical liberalism best are those who have experienced genuine conversion from the socialist vision. I entitled my lecture in the Trinity University series “Born Again Economist.”<sup>1</sup> In that lecture I tried to summarize my experience in 1946 at the University of Chicago, where exposure to the teachings of Frank Knight

---

1. “Born Again Economist,” in *Lives of the Laureates: Ten Nobel Economists*, edited by William Breit (Cambridge, Mass.: MIT Press, 1990), pp. 163–80.

and Henry Simons converted me to classical liberalism from the ranks of flaming socialism, and in a hurry. For me, there was light not heat on offer at Chicago. I cannot, personally, share in an experience that does not include the creation of my classical liberal soul. I remain puzzled by how it would feel never to have seen the light, to have understood all along what the liberal vision embodies but without the excitement of the experience.

## Constitutionalism Again

A necessary critical step is to draw back from a stance of active advocacy in the discussion of policy alternatives as confronted in ordinary politics. There is, of course, a liberal position on almost any of the alternatives. But classical liberals do, indeed, “get their hands dirty” when they engage with the policy wonks within the political game as played. Again, the distraction of debate works against focus on the inclusive structure—“the constitution”—within which the debates are allowed to take place and from which decisions are forthcoming.

Political “victory” on a detail of legislative policy (for example, rent control) or even electoral success by those who, to an extent, espouse the relevant principles (for example, Thatcher or Reagan) is likely to produce an illusion that classical liberalism, as an underlying philosophical basis for understanding, informs public attitudes. Classical liberals who do have an appreciation of the soul of the whole two-century enterprise quite literally went to sleep during the decade of the 1980s, especially after the death of socialism both in idea and in practice. The nanny-state, paternalist, mercantilist, rent-seeking regimes in which we now live emerged from the vacuum in political philosophy.

The task of the political economist as classical liberal is not that of demonstrating specifically to the citizenry that coercively imposed price and wage controls cause damages that exceed any possible benefits. Of course, such specific demonstration is strictly within recognized competence. But a distinction must be made between exemplary use of the analysis and its use merely as a contribution to the ongoing political argument.

I am not suggesting that attention should be limited to the design and presentation of all-inclusive political packages whose implementation would amount to major and dramatic changes in the basic constitutional structure. Politics, for the most part, proceeds in a piecemeal fashion. What I am suggesting is that the relevant arguments in support of particular proposals for change are those that emphasize conformity with the integrating philosophy of the liberal order, that locate the proposals in the larger context of *the constitution of liberty* rather than in some pragmatic utilitarian calculus. The italicized words, which served as the title of F. A. Hayek’s magnum opus, call to mind Hayek’s own behavior. To my knowledge, Hayek did not engage his intellectual enemies, whether in America, Britain, Austria, or Germany, on particu-



lar policy matters. Instead, his emphasis was always on grounding the arguments in an internally coherent philosophical position. In effect, Hayek was, from the outset, engaged in constitutional dialogue.

In establishing the Mont Pelerin Society in 1947, Hayek called for a return to first principles, for a renewed discourse in political philosophy—a discourse that would preserve and recreate what we may properly call the soul of classical liberalism.

The organizational and intellectual bankruptcy of socialism in our time has not removed the relevance of the Hayekian imperative. At a certain level, the public and the intellectual elites may indeed now possess a somewhat better abstract understanding of the organizing principles of extended market order. Hayek and other classical liberals have “saved the ideas.” But an awesome gap continues to separate such abstract and generalized understanding from philosophical coherence in practical political reform. There must emerge a public awareness of the continuing relevance of the limits of collective action, even in the absence of any integrated ideological thrust toward social control.

If politics is allowed to become little more than a commons on which competing coalitions seek mutual exploitation, potential value is destroyed and liberty is lost just as surely as in the rigidities of misguided efforts at collective command. Who, indeed, can be expected to be motivated to support such “politics as competition for the commons”? Where is the dream? Perhaps resurrection of the soul of classical liberalism is beyond realistic hopes for the twenty-first century. But those of us who think that we have glimpsed the shining city have a moral obligation to proceed as if that society, of which Adam Smith, James Madison, and F. A. Hayek (and, yes, Ronald Reagan) dreamed, can become reality.

---

**Acknowledgments:** A previous version of this article was presented at the Mont Pelerin Society Regional Meeting, Potsdam, Germany, October 1999. A revised and shortened version was published as “Saving the Soul of Classical Liberalism,” *Wall Street Journal*, January 1, 2000, p. 29. I am indebted to Yong J. Yoon for helpful comments.