

THE STORY OF THE  
MONT PÈLERIN SOCIETY

By

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It was in November, 1945, almost 13 years ago, that Professor Hayek, who has become world famous through his book, The Road to Serfdom, was on a lecture tour through America and Europe. In the course of this tour, he addressed the students of the University of Zürich and was afterwards invited to a reception given by a group of distinguished Swiss industrialists and representatives of the banking and insurance business. After dinner they discussed the possibilities of regenerating the ideas of classical liberalism in order to refute the growing danger of socialism in the period following the Second World War.

When asked by one of the participants of the party what Professor Hayek would recommend should be done to propagate an economic system which would be compatible with our free political system, the Professor wisely responded that it was not his job to make propaganda - that he could only concentrate on the search for truth. It would be the task of other men to publicize these ideas to other people but there were certain things, Professor Hayek continued, about which intellectuals share the same conviction, and which could be done, and even should be done. On his tour through the United States, and through the different countries of Europe, he had met so many men who entirely agreed with his views that it would be an enormous help if these people - only two or three dozen outstanding personalities - could come together and meet for about a week somewhere in a Swiss Hotel in order to discuss basic problems of an economic order and erect the foundation of a new liberalism in the western world.

Only one year later, the author of this article was able to raise sufficient money from Swiss business men to pay free board for about fifty people for ten days in a Swiss Hotel. Professor Hayek, then staying in Chicago, succeeded in raising the necessary funds for the travelling expenses of a dozen Americans to Switzerland and we both agreed to send out invitations to about one hundred economists, sociologists, historians, journalists and social philosophers, mainly first-rate scholars at American and European universities.

We had chosen a Hotel on the top of the Mont Pelerin, situated above Vevey on the Lake of Geneva, and just a week before Easter, 1947, about fifty people from all over the world met on a Sunday evening for the first time - an extraordinary and unique gathering - on the top of this Swiss mountain.

Three years later, Professor Schumpeter, a few days before he died on January 8th, 1950, delivered a lecture before the American Economic Association in New York. In this speech he made a sarcastic remark about the Mount Pelerin Group, by telling the audience that the best proof for his thesis that liberal ideas no longer played any role whatsoever in public life was this meeting of liberal economists "on the top of a Swiss mountain of which I have forgotten the name ...."

Was Schumpeter right in his prophecies, and would he have said the same if he had been invited to join the group meeting above the Lake of Geneva? If we look at the world today, and if we ignore the threatening intellectual situation at many American Universities, and especially at Harvard University, the cradle of Schumpeter's activities, it would be easy, even for less clever people than this brilliant and eloquent Austrian Economist, to appreciate the enormous change, both in the ideological field and in policy-making which has since taken place in the Western World, especially in Germany.

Of course, none of these fifty people who first met eleven years ago in Switzerland, and later in France, in Holland, in Italy, in Germany and in the United States, and who will have the next conference in September 1959 in Oxford, would dare to pretend that all this change was the fruit of their activities. But there can still be found some traces of the influence exercised by the only German who had the privilege of attending the meeting, Walter Eucken. He and Wilhelm Röpke must be considered as the chief architects of the liberal market economy introduced in July, 1948 by Professor Erhard, who is also a member of the Mont Pelerin Society.

It was Eucken who first published in "Fortune" magazine, July, 1947 under the title The Paper War in Germany, an account of how German planning in the immediate post-war period had forced those Germans who were not willing to die from starvation to violate the law of the planning state and to concentrate 50 per cent or more of their activities on getting food from the black market.

It would be a most thrilling story to describe in detail how the views of Eucken and Röpke penetrated the minds of the policy-makers, and thus led to the so-called German "economic miracle" which was, in fact, no miracle at all to all those who still believe in the functioning of the price mechanism. The mere mention of the three names, Eucken, Erhard and Röpke - the former died five years ago while delivering lectures at the University of London - are sufficient to illustrate the great influence this group has had on the restoration of the German economy. Professor Erhard undoubtedly will go down in economic history for his revolutionary abolition, at one single blow, of price control in Germany. But the men who prepared the ideological ground for this undertaking were Walter Eucken and Wilhelm Röpke.

Let us now come back to this first meeting of the Mont Pelerin group. What were their aims and what had they in mind when they decided to incorporate themselves in a "General Non-Profit-Making Corporation" in Illinois, U. S. A. in November, 1947? Instead of going into details

of all the deliberations of the last eight meetings of this group and analyzing all the works of the members of the Society (now 250 in number) written in the last twelve years - an undertaking which would easily fill a series of books, let alone a short article like this - it may be permissible to reprint the following Statement of Aims to which all the participants of the first meeting in April, 1947, unanimously agreed, a statement which is still worth reading today.

A group of economists, historians, philosophers and other students of public affairs from Europe and the United States met at Mont Pelerin, Switzerland, from April 1st to 10th, 1947, to discuss the crisis of our times. This group, being desirous of perpetuating its existence for promoting further intercourse and for inviting the collaboration of other like-minded persons, has agreed upon the following statement of aims.

The central values of civilization are in danger. Over large stretches of the earth's surface the essential conditions of human dignity and freedom have already disappeared. In others they are under constant menace from the development of current tendencies of policy. The position of the individual and the voluntary group are progressively undermined by extensions of arbitrary power. Even that most precious possession of Western Man, freedom of thought and expression, is threatened by the spread of creeds which, claiming the privilege of tolerance when in the position of a minority, seek only to establish a position of power in which they can suppress and obliterate all views but their own.

The group holds that these developments have been fostered by the growth of a view of history which denies all absolute moral standards and by the growth of theories which question the desirability of the rule of law. It holds further that they have been fostered by a decline of belief in private property and the competitive market; for without the diffused power and initiative associated with these institutions it is difficult to imagine a society in which freedom may be effectively preserved.

Believing that what is essentially an ideological movement must be met by intellectual argument and the reassertion of valid ideals, the group, having made a preliminary exploration of the ground, is of the opinion that further study is desirable inter alia in regard to the following matters:

1. The analysis and explanation 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.
4. The possibility of establishing minimum standards by means not inimical to initiative and the 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.

The group does not aspire to conduct propaganda. It seeks to establish no meticulous and hampering orthodoxy. It aligns itself with no particular party. Its object is solely, by facilitating the exchange of views among minds inspired by certain ideals and broad conceptions held in common, to contribute to the preservation and improvement of the free society.

After the First World War the spiritual tradition of liberalism was dead. Although most of the politicians and industrialists, and even the conservative wing of the intellectuals, were liberals, a strong ideological movement was attracting a great majority of the youth. Now, thirty years later, we can see where this thinking has led mankind; Socialism in almost all countries of the European continent, Socialism even in the country which has been considered as the cradle of economic liberalism, Great Britain; Socialism in New- and Fair-Deal America - and we cannot even be sure that this wave has yet reached its peak, since many experts on the American scene tell us that the collectivist infiltration in America has not yet entirely reached the practical field of economic policy, as it had done in Germany thirty years ago and in England fifteen or twenty years ago. The wishful thinking of all New-Deal Democrats about a new depression in America and their hope of coming back into power to strangle the American economy once again with their bureaucratic policies of regimentation, is perhaps only one of the signs of these dangers. Beside this rather gloomy outlook, however, we can find some ray of hope, especially when we look at the young people of Continental Europe who are becoming more and more aware that the re-awakening of liberalism<sup>1</sup> is not the same thing as "reaction," and that there are still great possibilities of realizing at last the ideas of our great liberal ancestors which failed to root themselves firmly even on the good ground in the 19th century.

The liberal intellectuals are no longer ridiculous figures, neglected by the world and overlooked by the flow of our time. The young generation, glutted with the socialist ideas of their University Professors, are now eager to learn about liberalism both in its economic and its political aspects, having realized that the liberal economic order is the only order compatible with a free society. Both systems, the political and the economic order, have their roots in the great liberal philosophy founded almost 200 years ago by Adam Smith in a country which is today also awakening to the deadly danger of Socialism.

Professor Bayek, who has been President of the Mont Pelerin Society since its foundation in 1947, has dedicated his famous book The Road to Serfdom to "The Socialists of all Parties." In doing so he makes it clear that Socialism is not to be found exclusively within the boundaries of Socialist political parties, but that similar ideas,

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1. Liberal is always used here in the classical European sense and not in the sense it is used in America where it has become identical with "left-wing."

based on the Socialist outlook, are to be found as well within the political parties of the middle and even of the right wing. It is not only the task of the Mont Pelerin group to work out a basic doctrine for liberalism, but also to analyze the different forces within the political parties with a view to finding a way out of the ideological chaos which still exists in many of the countries of our Western World.