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The Intellectual Foundations of Liberal Thought

(LIBERALISM)

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What is liberalism?

Dr Razeen Sally explores the intellectual foundations of liberal thought

In the following article I endeavor to identify and explain, as concisely as possible, the main planks of what I consider to be a down-to-earth liberal theory whose orientations and maxims are tailored to the messy realities, and exigencies of policy. In this spirit I quite deliberately reject quixotic or Utopian notions of liberalism, or any other doctrine for that matter, which, although the meat and drink of salon conversation among unworldly intellectuals, are hopelessly ill-equipped to deal with the needs and concerns of millions of ordinary people in our complex world. Such chimeras are the fictions of poets and literati; they have no place in serious discourse that professes to be relevant to the real world.

Different approaches to liberalism

Liberalism is not one simple, undifferentiated doctrine. As with other doctrines or ideologies, there are varieties of liberalism. All liberals agree on the primacy of individual freedom and individual choice, which distinguishes liberalism from, for example, socialism and nationalism. But some liberals argue in favour of these core values by means of highly abstract reasoning.

One line of thinkers holds that individual freedom is "God-given" or corresponds to an original principle, a "law of human nature," from which concrete action can be derived by purely logical reasoning. Natural law doctrine is central to the oeuvre of John Locke, Thomas Hobbes and the philosophes of the French Enlightenment. Another set of writers contend that liberalism is the wave of the present and the future, conforming to the inexorable "laws of history and progress". This is one strand of John Smart Mill's thinking. Then there are those who argue that liberal principles of government and society are founded on an original social contract. This is integral to the thought of Locke and, more recently, John Rawls. And finally, a certain breed of liberals cleaves to the doctrine of utility, undertaking a cost-benefit calculation of individual utilities geared to "maximising" social welfare. This way of thinking, inspired by Jeremy Bentham, is at the heart of neoclassical welfare economics and the work of Rebert Nozick.

I would be rather skeptical of all these theories of liberalism on the grounds that they are too abstract and oversimplified to be of relevance to concrete practice. In their desperate search for simple, universal principles applicable everywhere and in all ages, they neglect the

complexities of history and circumstance, overlooking differences of time and place. Further, the assumption of extreme individualism – the isolated Crusoe who acts egoistically and rationally, integral to the homo oeconomicus of neoclassical economics – is bloodless and unrealistic, unable to account for the embeddedness of the individual in families and wider social communities.

I have one further objection to hyper abstract theories of liberalism. Over ambitious theoretical devices, flying in the face of reality are not exclusive to liberalism; they are sine qua non to the overwhelming bulk of socialist and totalitarian doctrine. Laws of history, natural law and the social contract have been deployed to great effect by Rousseau, Marx, Comte and others to erect their theories of collectivism. Let this be a salutary warning: hyper abstraction, far removed from reality, is beguiling to the intellectual mind; its consequences can be catastrophic for mankind, as is abundantly evident from the practical implementation of the thought of Marx and Rousseau.

Classical liberalism as a realistic alternative

Having expressed reservations about the foregoing versions of liberalism, I now propose to expound a theory of classical liberalism which I believe to be more "realistic" and policy relevant. Classical liberalism has its wellsprings in the moral philosophy and political economy of the Scottish Enlightenment, particularly in the thought of Adam Smith and David Hume, and has resurfaced in the twentieth century in the works of Frank Knight, Jacob Viner, Walter Eucken, Wilhelm Ropke and, not least, F.A. Hayek.

Let us revisit the core value of liberalism, individual freedom. For classical liberalism, individual liberty has positive and negative aspects – two sides of the same liberal coin. In the first instance, liberty is defined negatively and secured by law: binding rules proscribe certain actions which interfere with the individual's delimited private sphere, particularly his property, in order to prevent him from being arbitrarily coerced; but this still leaves the individual free to act in any way not specifically forbidden. This latitude of action dovetails with the individual's positive freedoms for, as long as he stays within the limits of the law, he is perfectly free to "pursue his own interest his own way", according to Adam Smith. Acting in his own interest, or that of his family, friends or acquaintance, he discovers an inestimably vast range of present and future actions, allowing for the powerful expression of his individuality in all departments of life.

Individual freedom, negative and positive, is the bedrock of the free market economy. The freedom to produce and consume engenders a division of labour and increasing occupational and geographical specialization, which facilitates a much improved employment and allocation of existing resources.

The division of labour is only one aspect of the case for a free market economy; it is complemented by the existence of a "division of knowledge". A major component of individual freedom is the ability to use "own knowledge for own purposes" in the language of Hayek. Knowledge in a complex society is localized and embedded in a myriad of skills and traditions, and is highly fragmented and dispersed. No person or group of persons is fully aware of relevant facts to make "correct" decisions; everyone is partially and perpetually ignorant. The genius of the market economy is that it allows individuals to freely use what partial knowledge they have in everyday activities of production and consumption. Countless individual decisions, based on partial and highly fragmented knowledge, are coordinated through the "signals" of the price mechanism and within the rules of law. Only such a decentralized mechanism of coordinating existing knowledge and generating new knowledge is effectively capable of catering for the wants and needs of millions of individuals in complex societies.

In contrast, a centrally planned economy, or even a "mixed economy" with widespread government intervention, prevents individuals from acting in "their own interest their own way" or using "their own knowledge for own purposes", especially by interfering with private property and the freedom of production and consumption. Government "planning" of the allocation of resources is far inferior to the nimble coordination mechanism of decentralized market exchange, for a centralized authority cannot possibly have access to, or control of, sufficient knowledge to "efficiently" decide on what is to be produced and consumed in complex orders.

Therefore, individual freedom is essential to provide material benefit for all, and especially the poorer sections of society. The lesson of theory and history is that it is, in this respect at least, far superior to the clumsy and pernicious coordination of economic activity by government fiat. But this is not the sole argument for liberty in classical liberalism. Indeed any theory of liberalism would be poor, incomplete and ultimately indefensible, if it rested exclusively and complacently on a "material" foundation. The freedom of the individual is not only about the creation of material wealth; it is more generally about the freedom of expression in all aspects of life, political, economic, social and cultural, which is the essence of the "Open Society" of Sir Karl Popper. Government intervention with individual freedoms

cramps and even cripples such "openness" and leads to a "closed society". It is as Hayek puts it, "the road to serfdom."

To recapitulate, the normative core of classical liberalism is a belief in individual freedom as the most effective means of catering for the material requirements of society, as well as individual freedom for its own sake that is to say, as the vehicle for the expression of individuality. This combination corresponds to what David Hume calls public utility. To Hume, liberalism as a system of individual freedom displays utility, or proves itself "useful", to individuals who exercise choice and to society at large; and this system has been of greater utility over the long-run – to innumerable individuals, wider social groups and the progress of civilization itself – than any viable alternative system of social coordination.

Freedom and order

Liberalism is habitually upbraided for preaching an impossibly extreme form of individualism, considering only "atomistic" persons pursuing their self-interest. This is simply not true as far as classical liberalism is concerned. Adam Smith and David Hume, in common with Edmund Burke, Alexis de Tocqueville and, more recently, Bertrand de Jouvenel and Michael Oakeshott, have the utmost respect for morals, traditions and conventions, embodied in families, religion, small communities etc., that surround and condition individuals. Smith's *Wealth of Nations* and Hume's *Treatise of Human Nature* do not have a trace of atomistic or anomic individuals fighting it out in a war of each against all. To the Scots, society cannot function on a tabula rasa and purely on the basis of exchange and contract. Indeed, exchange and contract can only be sustained by supporting norms of social cooperation that emerge "bottom-up", or "grow" informally and historically, though a cornucopia of "natural communities" [eg. families, the church, local communities] and voluntary associations – the corps intermediaries sandwiched between the individual and government.

These institutions of civil society, many of which lie "beyond supply and demand", to borrow the very fitting words of Wilhelm Ropke, are vital bridges that link freedom and order. Freedom bereft of the "order" of civil society is precarious and ineluctably degenerates into anarchy and license, which in turn usually generates a tyrannical reaction that quashes freedom itself. The informal mechanisms of civil society, in conjunction with the formal rules of law, provide for a minimum of order and stability, which are preconditions for the gradual extension and long-term sustenance of individual liberty. As Hayek has remarked: "There

probably never has existed a genuine belief in freedom, and there has certainly been no successful attempt to operate a free society, without a genuine reverence for grown institutions, for customs and habits. Paradoxical as it may appear, it is probably true that a successful free society will always be in large measure a tradition – bound society."

This unbreakable bond between freedom and order does shed some "sociological" light on the process of transition in Russia and other countries. It has to be underlined that the economic freedoms of the West could not possibly have taken root, sprouted and flowered, without nourishment in the fertile soil of civil society. In sharp contrast, Russia had hardly a semblance of civil society before 1917, and what little it had was extirpated in the long night of totalitarianism. Therefore its point departs for transition in the 1990s totters on a weak foundation, lacking the structural supports of civil society. The long-term success of economic transition [macroeconomic stabilization, microeconomic liberalization and institutional transformation] political democracy, and the securing of individual liberty itself, will only be gained if the institutions of civil society emerge and very gradually become established. These institutions include a solid middle class, a bourgeois ethic of hard work and self-responsibility, respect for property and the law, adherence to conventions of trust and reputation in business dealings, a plethora of voluntary associations, decentralized decision-making, inter alia.

On the other hand, the outlook for the East Central European countries [Poland, the Czech Republic, Slovenia, Hungary] is somewhat better, at least in part because they had a pre-communist heritage of "Western" civil society to which they can now reconnect. For all the transition countries, to varying degrees, there is an inescapable mutual dependence between "technical" measures of policy and the enveloping informal institutions of civil society. It would be folly indeed to overlook the fact that their fortunes are inextricably entwined.

Psychological assumptions

Liberalism, particularly its "economic" component, is also accused of relying excessively on the homo oeconomicus of neoclassical economics. This rational actor model assumes that man makes correct or "optimizing" decisions in adjusting means to ends under given conditions, that he has perfect knowledge of relevant facts as well as a perfect information processing capability. With such rational action, competition for goods and services is "perfect": markets clear at equilibrium prices, there is no monopoly power, and

resources are fully utilized and “efficiently” allocated. In effect, homo oeconomicus is an outgrowth of the homo faber of the French Enlightenment: there is a mechanical optimism in the ability of “rational” human beings to master and control their environment, or “design” their social arrangements, at will.

Admittedly, much of liberal doctrine is tainted by this rather primitive and simplistic Cartesian rationality, the unfortunate and baleful legacy of la pensee francaise. [but not only French thought] in our modern world. Once again, however, classical liberalism adopts a strikingly different approach, for the legacy of the Scottish Enlightenment is a skeptical or critical view of human rationality in social orders of unbounded complexity. To Smith and Hume, man is governed largely by his “passions”, not his reason; he is fallible in his decision – making processes and has imperfect knowledge of relevant facts. Given “the slow and uncertain determinations of our reason” [Smith] or “the narrow bounds of human understanding” [Hume], markets are far from “perfect”. The lasting advantage of markets, however, is that they provide an appropriate framework in which men are goaded into becoming more “rational” in adjusting means to ends: rationality, and with it the utilization of existing resources and the grasping of new opportunities, improve by slow degrees and by force of circumstance.

Thus, classical liberalism has a hardboiled, realistic appraisal of human nature, a word away from the abstractions of homo oeconomicus. Its case for a free market economy is not dependent on rational men in perfect markets; rather it holds that fallible and capricious men are still better at making their own decisions in real-world situations than having decisions made for them by stupid, ignorant and profligate governments. According to Hayek, this is not a system reliant on “good” men; rather one in which “bad men can do least harm”. Hence the classical liberal argument in favour of free markets is practical, empirical and perhaps even rough-and-ready, with complex assumptions of man in a complex world. By steering clear of over-rigid, unrealistic abstractions, it remains steadfastly relevant to the requirements of public policy.

The economic framework

The advantages of individual liberty have been set out in the foregoing discussion. Their upshot in the “economic” world of market exchange is the freedom to own property, the freedom of occupation, movement and association, and the freedom to strike contracts and engage in trade. Many commentators tend to downplay these basic economic freedoms

and place greater emphasis on so-called political and civic freedoms, for example, the freedom of thought and speech, the freedom of the person [from arbitrary arrest, torture etc.] and the freedom to participate in politics. Joseph Schumpeter, in common with many socialists and social democrats, considers “political” freedoms to be inviolate but “economic” freedoms subsidiary, thereby legitimating government intervention in private property and the freedom of trade and contract.

This socialist or social democratic stance classical liberalism rejects out of hand. First, it is difficult to imagine how civic or political freedoms can be efficaciously safeguarded in the long-term without the defence of economic freedoms. And second, economic freedoms are at least as important as political freedoms. It is all too easy for the intellectual, closeted in his unreal rarefied world [and these days showered with public subsidies of various kinds in the name of “education” or “culture”] to wax eloquently on the subject of human and political rights while at the same time denigrating economic freedoms. What he conveniently and blithely overlooks is that the bulk of the population, that is to say, “practical” people, mostly engage in the mundane, quotidian “economic” activities of buying and selling, producing and consuming, using their property and making transactions. Only an infinitesimally tiny proportion of their everyday lives is taken up by political or civic activity. The latter is not to be underestimated, but the vital fact remains that economic freedoms are basic and primary; they vivify individual liberty. Without the life-blood of economic freedoms, individual liberty would be empty a mere sham.

Russia and the other transition countries had both economic and political freedoms eviscerated by communism. Now they should disregard the dangerous advice of many well-meaning Western social democrats to privilege political over economic freedom. To reiterate, the latter is at least as important as the former.

The spontaneous order and the law

The free market economy is the exchange of goods and services mediated by prices and by contracts voluntarily entered into by producers and consumers freely disposing of their own property. The market order is a byproduct of the interactions of millions of individuals, without any central planning or deliberate coordination. Thus it is, according to Hayek, a “spontaneous” [or unplanned] order. Indeed it is this element of “spontaneity” that is signified by Adam Smith's famous Invisible Hand: individuals act and interact out of self-interest [comprehending the interest of their families, and perhaps even friends and close

acquaintances] which, as an unintended byproducts, creates all around material benefit and thus serves the public interest. The unplanned, decentralized order that results from market exchange is a vast and intricate system of competition and cooperation, for individuals "cooperate" by striking contracts and performing reciprocal services in the allocation of resources.

However, classical liberals are very careful not to take this argument to dogmatic extremes. There is no intrinsic, preprogrammed harmony between individual and public interests; the spontaneous order does not maintain itself "automatically"; and the Invisible Hand is definitely not all-pervasive and all-powerful. The economic order, far from existing in a vacuum, is crucially dependent on a framework of rules, which takes this discussion onto the Rule of Law.

Classical liberalism realizes full well that individual interests can easily clash and that group interests, for example, of producers and trades unions, do not necessarily correspond to the public good. This is why Smith, Hume and their successors place such great importance on procedural justice, consisting of general rules of conduct that apply equally to all individuals. These rules protect the individual's private sphere, especially his property, from the encroachment of others. They are intended to ensure the necessary minimum of security, stability, predictability and fair play for social arrangements to function effectively. In short, justice is the Rule of Law: it keeps order in society and is indispensable to the survival and success of the market economy.

Human beings are self-interested and have only a very confined benevolence [or altruism]. Benevolence is a chimerical ordering principle in modern societies in which most people are strangers to each other. Hence it is too much to expect a general benevolence or a Christian "love of thy neighbor" to hold a complex society together. Justice or the Rule of Law is, therefore, the only principle "by which the bulk of mankind are capable of directing their action", as Adam Smith puts it. Without it, as Smith goes on to say, "the great, immense fabric of human society – must in a moment crumble into atoms."

Furthermore, the classical liberal notion of justice or the Rule of Law is to be strictly demarcated from popular modern notions of "social" or "distributive" justice. The former consists of general rules of conduct to ensure "liberty under the law". The latter is concerned with redistribution from one group [or set of groups] to another group [or set of groups]. It requires government to interfere with private property in order to make discriminatory interventions in favour of some groups and at the expense of others. This classical liberalism rejects, for, by privileging some over others on the basis of arbitrary political decisions, it

offends against the Rule of Law, whose general rules of conduct are supposed to uphold equal, ie. non-discriminatory, treatment before the laws.

The lesson here is that there will be no functioning market economy unless a comprehensive framework of transparent and precise general rules of conduct is put in place and effectively enforced by an impartial judiciary. It is now widely recognised that this lack of “justice” is one of the cardinal weaknesses of the transition process, given the paucity of clear rules of private [or civil] law governing property and contract, and the glaring inadequacy of the judicial system. The legal dimension of transition – perforce a gradual, long- haul process of institution-building – is as vital as the economics of transition. The two must proceed hand –in–hand.

The role of government

Following Adam Smith, classical liberals believe in three main functions of government: 1] the defence of the nation in international relations; 2] the administration of justice, upholding general rules of conduct protecting property and contract and preventing force and fraud; 3] the provision of “public goods” such as a minimum safety net for those who cannot provide for themselves, all of which the private sector would be unwilling or find too costly to provide on its own. Classical liberals affirm that the state has a role in part-financing the provision of public goods, but they argue that this leaves ample room for private financing as well as competitive and decentralized private management of the services delivered.

Many ill-informed commentators hold that classical liberalism advocates an unqualified laissez faire and a minimalist “night watchman” state – “anarchy plus the constable” in the derisory words of Carlyle. This is false. The stress on justice or the Rule of Law shows that classical liberalism advocates a qualified, not an absolutist, laissez faire or what one could term “liberty under the law”. And the three functions of government outlined above go well beyond the restricted panorama of the “night watchman” state, encompassing broad and significant areas of public activity. Even the main function of economic policy, the formulation and implementation of general rules of conduct to protect property and enforce contracts, is far from being a simple, minimal and cut-and-dried task. A framework of legal rules is infinitely complex in modern societies, differing between countries and constantly changing over time. This presupposes unwavering attention, great deliberation and not insignificant capacity on the part of the executive, the legislature and the judiciary. The

Scottish moral philosophers ----- David Hume in particular ----- were very attentive to this fact, and the complexity, as well as the supreme importance to the economy, of the rules of property and contract have been highlighted recently by Ronald Coase and his followers in what is called the New Institutional Economics.

To repeat, the classical liberal does believe in important functions for government, but contrary to socialists or social democrats, he also contends that these functions should be circumscribed. The classical liberal, following Jeremy Bentham, draws a sharp distinction between the government's legitimate and limited agenda [the three functions mentioned above] and its illegitimate and unlimited non-agenda. The latter ----- what government should not undertake ---- primarily refers to [non-interference in] private property and the freedom of production and consumption. To put it another way, this time in the formulation of the German economist Walter Eucken, the government is charged with supplying the institutional-regulatory framework of the free market economy, but it should not intervene in the market process itself, particularly in making decisions on prices and production in the allocation of resources. This is or should be, the exclusive domain of private actors.

Thus the classical liberal would characterise the office of government in terms of an impartial "umpire" or "referee", upholding "the rules of the game", but government, like an umpire or referee, should not get involved in the "game" itself, let alone pre-program or doctor the results of the game.

It can also be said that the classical liberal conception of government activity in modern societies is composed of an amalgam of positive and negative functions: positive in the sense of active engagement, such as providing public goods and modifying and improving the framework of general rules; negative in the sense of refraining from doing certain things, such as interfering with private property and prices.

In the West, the positive agenda of government is fairly well developed, especially in the supply and enforcement of a comprehensive framework of rules of property and contract; but the negative side has been willfully ignored as the public sphere has strayed into arbitrary interference with prices and production, and engaged in rampant redistributive activity in the dubious name of "social justice". In developing countries, paradoxical though it may seem, there is an insufficient appreciation of both positive and negative functions: on the one hand, there is far too much arbitrary interference in the private economic activities of individuals, with massive disregard for the individual's "negative" liberties; on the other hand, broad swathes of the positive agenda are underdeveloped, ranging from the supply of private law to the provision of public goods. One could say much the same thing about the situation in the

transition countries. Their task is to rein in government so that it does not trespass on negative liberties, as well as sharpen its positive profile by concentrating on general rules of conduct and the provision of public goods.

Democracy or “government by discussion”

Thus far I have discussed the various facets of individual liberty in the classical liberal canon. Now I broach the subject of democracy. Limited government, not democracy, was the governing political preoccupation of the Scottish political economists of the latter half of the eighteenth century. Since the nineteenth century, however, the phenomenon of democracy and its problematic relation to limited government has engaged, even consumed, the attention of classical liberals, just as it was the leitmotif of Alexis de Tocqueville’s tour de force, *Democracy in America*.

Notwithstanding important differences, politics is in some respects analogous to economics, as the recent literature on public choice has quite rightly underlined. Politics, like economics, is characterized by competition, especially in the electoral vying of politicians for the votes of citizens. Nevertheless, just as the economic system is a dense network of cooperation to cater for material requirements, politics is, to some degree, a cooperative quest in the making and enforcement of laws which are supposed to conduce to the public good. It presupposes an “intelligent” collective debate or discussion on the functions or office of government and how it can serve the common weal. Hence Lord Bryce’s dictum that democracy is “government by discussion”.

It is Frank Knight, the founder of the Chicago School, who emphasises that “government by discussion” can only take place within the confines of limited government. Providing the office of government is restricted to a number of discrete but important functions [the agenda previously mentioned], an intelligent collective discussion on the framework of general rules, and its constant modification and improvement, can occur, drawing in the legislature, executive and a variety of elites and interests. In this way a broad-based consensus can be established to entrench the Rule of Law and the free market economy, and adapt them to changing circumstances.

If, however, government ventures beyond its delimited agenda and engages in an array of particularistic and arbitrary interventions, then there is no possibility for the conduct of an intelligent collective discussion. This is precisely what has transpired in the last fifty years or so of Big Government in the West. Governments have vastly expanded their

activities and, as a result, administrative discretion has assumed gargantuan proportions; legislatures have diminished in importance, unable and unwilling to control executive discretion; and the courts have virtually given up the oversight function of "constitutional due process", by which they used to check the implementation of economic policy to make sure it did not interfere with private property rights.

Alongside and in combination with Big Government has arisen a kaleidoscope of well-organised interest groups, with the intention not to produce extra wealth but to redistribute existing wealth. Redistribution, involving inefficient enterprise seeking protection from more efficient competitors, trade unions attempting to keep out competition in labour markets, middle class professions doing likewise, is a massive and opaque process contingent on the political power of organized interests. It privileges the latter, as well as vote-seeking politicians and power-seeking bureaucrats, at the expense of consumers, the unskilled, the unemployed and, ultimately, the general interest. The collusion between government and organized interests, much of it well-concealed from public scrutiny has become the common currency of political activity, just as it used to be in the days of mercantilism, circumventing and abridging an intelligent discussion of the laws in the legislature and their effective oversight by the judiciary.

This is the political malaise of the West, but it also rears its ugly head elsewhere. Responsible people in developing and transition countries are only too well aware of how politics is in reality a cartelized racket of Big Government and privileged interests. The solution to the problem is to "downsize" government and limit it to a qualitatively more effective agenda thereby shrinking the scope for feverish redistribution to satisfy the ravenous appetites of organized interests. Only then can legislatures and judiciaries [re]gain their rightful importance, and only in such a manner can "government by discussion" be [re]established. This is partly a question of ideological and policy change, but, perhaps, also a question of constitutional reform introducing binding constitutional rules that prevent government from overstepping its agenda.

International economic order

Implicit in the discussion up to this point has been a consideration of national or domestic order. The protective casing of individual liberty, whether in the form of civil society or legal rules or the office of government, is only really to be found within the nation-state in the absence of world government, an international Rule of Law and a world civil

society. This very fact leads Utopian liberals to make ringing calls for progress in the direction of world government, international law and the "global village" of world society. Classical liberals, from Adam Smith onwards, have kept their feet firmly on the ground and not ascended to the ethereal heights of Utopianism. They realize that the nation-state is here to stay and that the citizen's attachment to the civitas is, first and foremost at the national level. Blueprints of world government are arrant nonsense – just another Cartesian will-o-the-wisp.

Nevertheless, classical liberals appreciate the huge potential for conflict and strife in an international system of nation-states, which can easily reduce or even extinguish the prospects for individual's liberty within nation-states. Much of the twentieth century has been plagued by conflictual international relations leading to, or used as pretext for, the imposition of tyranny at the national level.

Classical liberalism argues that basic economic freedoms within the nation-state ----- private property, the freedom of contract, trade, association etc. ----- must be flanked by "international" economic freedoms ----- the freedom to trade across borders, the freedom of cross-border capital transfers and the freedom of converting one currency into another. Without a reasonable approximation of these international economic freedoms, their domestic counterparts cannot realize their full potential and, moreover, cannot survive in any meaningful form.

Securing free trade, capital mobility and currency convertibility requires both legal and political backing. At the level of the law, this necessitates, inter alia, the enforcement of the Most-Favoured-Nation and National Treatment principle, guaranteeing the non-discrimination of the goods, services, property and contracts of the foreigner. At the level of politics, government policy must orient itself in line with these legal and economic principles.

On the subject of law and policy, classical liberalism does not, in the first instance, look to action at the international level through international organisations and complex mechanisms of intergovernmental cooperation. International agreements can help bring about a more liberal international economic order. They can, for instance, promote the institutionalisation of the Most-Favoured-Nation and National Treatment principles; but they are not of first order priority.

As Wilhelm Ropke has forcefully and pithily stated: "Internationalism, like charity, should begin at home." Of primary importance is national law and policy: policy measures to introduce international economic freedoms, and firm rules of law to anchor and implement them, are most effective when they are put into place "from within and beneath" [Ropke], i.e.

within nation-states; they are tenuous at best if they are only or merely discussed, diluted and compromised in faraway international fora dominated by time-consuming and financially wasteful bureaucratic procedures, of which the organisations of the United Nations are the most egregious examples. The classical liberal message is, therefore, that a liberal international economic order is not the product of international agreements; it is preponderantly the by-product of sound liberal policies and a requisite legal framework within nation-states.

In a discussion such as this of an explicitly normative character, it is pointless to talk about how a liberal international economic order can be achieved without saying something about why it should be achieved. A liberal international economic order is, in essence, the extension of negative and positive liberties to the international sphere. Increasing international economic interdependence not only reinforces the individual's negative liberties by providing some additional protection from arbitrary government intervention in his economic activity; it also "positively" widens and amplifies his means of discovering new actions, utilizing new knowledge and grasping opportunities previously unavailable to him. Thus a liberal international economic order displays utility, in the sense of David Hume, by magnifying the vistas of individual choice. It also displays utility by redounding to the collective benefit of people and nations in catering for material requirement better than any conceivable alternative means of international cooperation, including protectionism and autarky. The extension of the division of labour across the globe into an "international spontaneous order" raises the possibilities of technological innovation and economic growth, improving the life-chances of the generality of mankind, especially in the poorer regions of the world.

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