Reaction to The Road to Serfdom

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In 1944 and 1945, as World War II was drawing to a close, F.A. Hayek, the Austrian-born economist, published a "political" book, The Road to Serfdom, which received genteel praise in Europe, but caused quite a stir in the U.S., where it became a best seller. The book rapidly moved outside refined quarters to become a galvanizing force in a rancorous, polarized debate. Leading political scientists like Charles Merriam took to the radio "to mark Hayek 'F' (for flunked) and expunge him from the public record." But others admired the book. Max Eastman called it "the most important book on political economy in our generation."

A close examination of Hayek and his critics reveals that they did not merely clash over how an economy worked, or even about the proper role of government in the economy. Their differences grew out of a disagreement on first principles and a related argument about the nature of history. They argued about the capabilities of human reason, and the meaning and nature of historical change, of freedom, and ultimately of truth itself. A study of the argument between Hayek and his critics provides an instructive episode through which to explore the depths of political debate in the United States.

The debate over The Road to Serfdom went on among people who thought of themselves as "liberals." Alan Brinkley argues that a transition took place in the early twentieth century from classical liberalism, grounded in the belief "in economic freedom and strictly limited government," to a "reform' liberalism," often called "progressivism" or, later on, "New Deal Liberalism," which held that economic liberty was an insufficient goal for policy, and stressed instead the need for a minimum of subsistence as a pre-condition for the human dignity that allowed for the enjoyment of liberty. A study of Hayek and his critics indicates that what actually happened was that one group of thinkers continued to subscribe to classical liberalism, and another group embraced a new theory which they chose to call "liberal." This latter group, "embraced the conviction that the government must play an active role in the economy" in order to protect the individual from coercion by big business, and argued that freedom was impossible when businesses could so easily force people to act in certain ways. The former group, meanwhile, continued to hold that a growing state always threatened liberty.

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Modern Age
Their debate was ultimately about history. In 1944 American economists looked back over the last century and saw great changes in the national and world economy. The large industrial corporation had been invented and entire industries, in steel, railroads, telephones, and automobiles, had sprung up out of literally nothing. New Deal liberals argued that the twentieth century was so radically different from earlier epochs that the maintenance of liberty required a radical redefinition of the state. Classical Liberals, on the other hand, appreciated the grand changes of the last century, but held that times had not changed so much that the role of government in a free society had to be altered.

New Deal liberals criticized Hayek for failing to appreciate that the rise of massive industrial corporations in the late nineteenth and early twentieth century required a large state to keep those firms from squashing the individual. "'[Left]-Liberalism' in mid and late twentieth-century America," Brinkley notes, "has been to a significant extent a conscious repudiation of the anti-statist elements of the classical tradition." Reviewing The Road to Serfdom in The Nation, Reinhold Niebuhr complained that Hayek demonstrated "no understanding of the fact that technical civilization has accentuated the centralization of power in economic society and that the tendency to monopoly has thrown the nice balance of economic forces—if it ever existed—into disbalance." To Niebuhr and his friends, time had passed by Hayek's argument.

Actually, Hayek denied that that much change had occurred. He anticipated and criticized the historical argument that his critics made against him. Drawing on a different understanding of history, the Classical Liberal denied that technological changes demanded economic concentration, and he accused his opponents of post hoc ergo propter hoc reasoning. The chapter on "The 'Inevitability' of Planning" addressed this topic:

The historical fact of the progressive growth of monopoly during the last fifty years and the increasing restriction of the field in which competition rules is, of course, not disputed—although the extent of the phenomenon is often greatly exaggerated. The important question is whether this development is a necessary consequence of the advance of technology or whether it is simply the result of the policies pursued in most countries.... The actual history of this development strongly suggests the latter.

While New Deal liberals asserted that the realities of an industrial economy required a government sufficiently large to monitor the great corporations that would otherwise ruthlessly dominate and exploit markets and individuals, Hayek argued that the laws and political institutions had prejudiced technological development and application, and had influenced the nature and scope of successful corporations. He cited reports finding no evidence that technology has caused the modern concentration of economic power. Hayek, in other words, understood the historic causes of economic change differently from Niebuhr. If the chief reason for the proliferation of monopoly was political not technological, then, the Austrian maintained, the solution was not to accept it as a fact of life which the political structure must accommodate, but rather to undo the political factors which had fed the increase in monopoly in the first place.

Beneath these readings of the effects of technological change lay a disagreement over the ability of individuals to shape history. Hayek thought that industrial technology did not render Classical Liberalism obsolete because he found history more malleable than did his opponents. "The tendency toward monopoly and planning," Hayek wrote, "is not the result of any 'objective facts'
beyond our control.” Writing in *The Nation*, Stuart Chase took the opposite perspective: “if all the planners, from Alexander Hamilton to Lord Keynes, had never written a line, the market would be in much the same state as we find it today.” While New Deal liberals emphasized the technological imperatives that they thought led to consolidation, and rendered historic trends largely inevitable, Hayek stressed man’s ability to shape history, and argued against resignation in the face of conglomeration.

These disagreements drew strength not only from technical reports and economic history, but also from opposed readings of man’s capacity to create new fields of applied knowledge, and yielded opposed conclusions about the job of government. Again, the question was the degree to which the present was different from the past. In fifty years before the Great Depression, the modern university had grown up in America, and with it came an entirely new set of disciplines—the social sciences. Following the modern scholarly model of German universities, American universities had broken subject matter down into a number of specialties and disciplines, each of which strove for scientific standards, progress, and accuracy. Flush with faith in their new sciences, New Deal liberals sought to use their specialized professional skills to manage society fairly and effectively, and to maximize freedom against the encroachments of monopoly and oligopoly. Hayek, meanwhile, downplayed the extent to which these new disciplines actually improved man’s ability to use public power equitably and effectively.

New Deal liberals thus argued that the laissez-faire principles of the nineteenth century were inapplicable in an age of large industrial firms that threatened to dominate the market, and that social scientists could use their training to apply governmental power and tame those corporations to forge a just society. Wesley Mitchell, who many of his peers considered an outstanding American economist of the first half of the twentieth century, was typical. According to historian Mark Smith, Mitchell based his conclusions on his own experience. He “referred to his experiences on the War Industries Board [in World War I] as proof of man’s ability to plan and mold society for the common good.” With such an understanding of the role of scientific management, Hayek’s critics responded harshly to his skepticism of the ability of government to manage the economy and society.

Ironically, their certainty in their own inability to alter the shape of sweeping historical trends freed New Deal liberals to try to maximize the role that they would play in the economy. If economic planning could not alter the nation’s general economic structure, then it could only affect the relative justice of the historic situation in which the nation of necessity sat. New Deal liberal titan and *The New Republic*’s founder, Herbert Croly, gave this system its slogan: achieving Jeffersonian ends through Hamiltonian means. Croly held that, given the inevitability of the large scale changes in the American economy and social structure in the twentieth century, the democratic state could best secure freedom and equality with the assistance of men and women trained in the social sciences to plan the economy. Political liberty and democracy, he argued, would benefit from the sacrifice of some economic liberty.

Contrariwise, because he emphasized man’s ability to shape the regime under which he lived and to fashion the life that he led, Hayek dwelled upon the inability of planners to control the actions of men and women making the decisions which constitute economic activity without resorting to a tyrannous use of force. As his remarks contradicting the inevitability of consolidation indicate, Hayek argued...
that people who sought to plan the economy worked without the safety-net of historic inevitability. They produced that which they tried to control because Jeffersonian ends could not be achieved through Hamiltonian means, and because no one was smart enough to plan effectively and justly.\textsuperscript{14} He maintained that, unfortunately, well-intentioned efforts to control both the economy and the large economic actors to the benefit of the society as a whole inevitably eviscerated freedom.

The modern university and social science, Hayek thought, had not made much difference in man’s ability to use political power for benevolent ends. Planners, he wrote, tried to confine their intrusion into “only” the economic sphere, and they suggested “that by giving up freedom in what are, or ought to be, the less important aspects of our lives, we obtain greater freedom in the pursuit of higher values.” He found that their argument:

is largely a consequence of the erroneous belief that there are purely economic ends separate from the other ends of life. Yet, apart from the pathological case of the miser, there is no such thing. The ultimate ends of the activities of reasonable beings are never economic. Strictly speaking, there is no ‘economic motive,’ but only economic factors conditioning our striving for other ends.

A focus on the individual combined with an appreciation of the complexity of human motivation to ground Hayek’s argument that economic liberty was inseparable from political liberty. Planning for freedom, therefore, was an oxymoron.

Against the New Deal liberals’ optimism about the capacity of planners, Hayek argued that social science had not and could not advance far enough to serve its appointed end. He held that planning failed on two counts. While advocates of the new state argued that planning could be conducted objectively and fairly, he maintained that such planning was impossible because the effort to use political power to guide the economy would force the state to employ a casuistry of values to choose towards what end it ought to plan. Hayek also argued that science could not know enough to plan effectively. His logic went as follows: planning was the effort by government to oversee the economic activity in the nation. To do that, the state first had to decide what the society ought to make. Once the state made that decision, it had to ensure that people entered the industries making the desirable goods, and did not enter the industries making undesirable goods. Such an effort, he reasoned, required the state to force people to enter certain jobs, and buy certain products. Planning by definition required that the state decide how many people entered each industry.

As Hayek saw it, unless people gravitated naturally into the right industries in the right numbers, planning required forcing some people into certain jobs. He also argued that coerced buying would be necessary and that there would be no waste if science could determine how many pigs to raise, how many cars to build, and how many apartments to construct.\textsuperscript{15} Everyone would then have exactly what he wanted. Not surprisingly, Hayek was certain that would not happen. Because planners could never know enough to figure out exactly what people want to have and to do, they would inevitably make frequent errors. Planning, which New Deal liberals regarded as the enlightened combination of modern science and pragmatic government, Hayek believed, inevitably led to tyranny.

Again, opposed readings of history underlay the dispute about planning. New Deal liberals, of course, maintained that they sought not a fully planned state, but only a partially planned (“mixed”) one. To Hayek no stable middle ground be-
tween a free state and a totalitarian state existed; a state could not have both planning and freedom. As New Deal liberals saw it, Hayek defended an order that, fed by technological imperatives, degenerated into a new, nastier dependency on unrestrained corporations. As Classical Liberals saw it, their opponents' concession of the historical inevitability of monopoly and oligopoly led to a reliance on planning to combat corporations that, despite their best intentions, only exacerbated the disease. A mixed economy, they thought, was a concession that did not have to be made, and could not function.

Each side built its argument on a different understanding of the primary concern of the state. New Deal liberals upheld democracy as the fundamental pre-requisite of liberty; Classical Liberals upheld liberty pure and simple. "The democratic faith and ideal," Croly wrote, "will be the only "permanent element in the life of the community." Responding to Hayek from his perch at Harvard, Herman Finer gave perhaps the best example of the Liberal identification of democracy with freedom: "If a dictatorship were democratic in form, it would not be a dictatorship." Hayek, by contrast, wrote that "democracy is essentially a means, a utilitarian device for safeguarding internal peace and individual freedom. ...as such it [democracy] is by no means infallible or certain. Nor must we forget that there has often been much more cultural and spiritual freedom under an autocratic rule than under some democracies." Hayek implied that his opponents had rejected Jefferson in their efforts to save him. Whereas the sage of Monticello argued that "175 despots would surely be as oppressive as one," Finer, Croly, and friends argued that any limits on democracy by definition restricted freedom. Hayek agreed with Jefferson by making the maximization of liberty the first goal of the state.

Underlying these disagreements were the opposing epistemologies. While Classical Liberals stood with Jefferson and embraced certain eternal truths, New Deal liberals stood with the pragmatists and embraced an historically contingent and developing understanding of an elusive and evolving truth. Many of the intellectual giants upon whom New Deal liberals relied, such as Croly and his right-hand man at The New Republic, Walter Lippmann, studied pragmatism at Harvard and elsewhere. Others, perhaps most importantly John Dewey, preached pragmatism themselves. Croly grounded his influential Promise of American Life in the pragmatic philosophy. Pragmatism denied the existence of fixed truths, and emphasized the scope of historical change to highlight the impossibility of using a set of unchanging principles to guide one's actions and ultimately to guide public policy. Fitting perfectly with their stress on historical imperatives shaping political transformations, they argued that times change and political philosophy must move to suit those changes. In practice, New Deal liberals held that Americans had to jettison their fetish of constitutional restraint because it ceased to serve the paramount ideal of democracy.

Hayek admitted quite frankly that he drew upon fixed truths: "...all I shall have to say is derived from certain ultimate values." He complained that, in his opponents' arguments, "not merely nineteenth- and eighteenth-century liberalism, but the basic individualism inherited by us from Erasmus and Montaigne, from Cicero and Tacitus, Pericles and Thucydides, is progressively relinquished." Hayek believed that the definition of a free state could not change over time because freedom was the same to both a resident of Periclean Athens and a resident of Harold's England. Moreover he placed himself self-consciously in an ancient tradition of liberalism which tran-
scended the recent history of the West.

The Austrian also took aim directly at the pragmatists' rhetorical methods, and accused them of cheating the people that they claimed to serve:

The most effective way of making people accept the validity of values they are to serve is to persuade them that they are really the same as those which they, or at least the best among them, have always held...to transfer their allegiance from the old gods to the new under the pretense that the new gods are really what their sound instinct had always told them but what before they had only dimly seen. And the most efficient technique to this end is to use the old words but change their meaning.

A few sentences later, he added, "the worst sufferer in this respect is, of course, the word, 'liberty.'" Earlier in the book he singled out Dewey for criticism on this subject, calling the philosopher "the most explicit defender of this confusion." Hayek found the effort to contextualize political concepts in historical time flawed at the outset. For him, it was little more than a sneaky way to undermine liberty. In effect he accused his opponents of logocide. Their efforts to define liberty to suit their age actually undid liberty because the true definition of the term was unchanged and unchangeable. New Deal liberals thought that confining "liberty" to what they thought of as its old definition rendered it useless; Classical Liberals thought that "liberty" freed from what they considered its eternal meaning was not liberty.

These opposed understandings of truth shaped the debate. Building on their fundamental presupposition of the centrality of context, New Deal liberals mocked Hayek's belief that his abstract arguments based on fixed standards and enduring truths made sufficient counter-arguments against a program designed to meet historically contingent circumstances. Henry Steele Commager complained that Hayek "dealt not only in generalizations; he dealt in absolutes. He had no understanding of the Anglo-American talent for progress by evolution, for practical and even opportunistic procedure, for compromise and concession." Perhaps Alvin Hansen's philippic against The Road to Serfdom in The New Republic offered the best summary of the arguments against Hayek. Chided Hayek as a "Boy Scout leader," Hansen asked, "Can you think of any piece of legislation that is 100-percent good?" Interestingly, Hansen instinctively drifted to a Hamiltonian critique, quoting the great Federalist on the need to evaluate all policies on a scale of relative worth rather than according to one of absolute principles. He even maintained that, according to Hayek's reasoning, Hamilton "was our first socialist." Finally, Hansen listed specific programs and complained that Hayek's book gave no indication of whether he considered them legitimate exercises.

The arguments in The Road to Serfdom threatened the class interest of the modern intelligentsia in the broadest sense. It is easy to stereotype arguments based on class interest as narrow Marxist tropes. Properly used, it is essential to understanding human behavior. The social scientists whom Hayek criticized had chosen their careers because they sought to use knowledge and power to help society cope with the special problems of modernity. The Road to Serfdom attacked the ability of social science to do what it said it could do. But perhaps more fundamentally, it attacked the notion of modernity itself as intellectuals of the era understood it. Hayek combated the belief that the economic realities of the twentieth century required a breed of knowledge and a set of methods newer than and different from those of the classical tradition. In so doing, he took dead aim at the modern academy's array of specialized disciplines, each of which

314 Fall 1999

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sought to build a progressively expanding field of knowledge upon which future generations of scholars can draw, and instead put forth the notion that the basic truths about man and society were fixed and unchanging. Hayek, in other words, threatened the entire value system upon which his critics depended to justify their careers.

In Europe, social scientists began to assert their place in planning the economy at the end of the nineteenth century, but in the United States, it was only during the Great Depression that the New Deal gave them an opportunity to try their hand at managing American society. In 1944, most American intellectuals were still flush with pride in their first successful (as they saw it) efforts to help. Experience in the New Deal had chastened some of them to a certain degree. They realized that programs did not always run according to expectations, but they remained confident in their own ability to use their training to serve their country. In that context, when Hayek’s book came out, arguing that planning was inherently flawed, and inevitably a step to totalitarianism, most of the American intelligentsia reacted with surprise, outrage, and haughtiness. So sure were they of their position, that New Deal liberals had not been discussing his Classical Liberal concerns. Assuming the necessity of the basic change in government’s role in the economy, and in the size and composition of the bureaucracy, they debated among themselves not whether planning was desirable, but to what degree it was, and what was the best way to do it. In short, Hayek flanked them, and they turned on him with their guns blazing.

Perhaps a closer look at Hansen’s quip that Hayek would consider Hamilton America’s first socialist will clarify the extent of their differences by showing how their opposing fundamental beliefs intertwined with their readings of history to shape their reaction to each other. Hayek did not consider Hamilton America’s first socialist, he considered him, as did Jefferson, America’s last great feudalist (or perhaps seignorialist). Whereas New Deal liberals saw historical change from an historicized perspective, and assumed that the present was alien to the past, Hayek argued that the past was more similar than his critics thought. He evaluated their support of governmental intervention into individual lives on an absolute, non-historicized scale. Neither age nor nation altered his perspective. Hamilton’s effort to run the economy from the nation’s capital was little different from Colbert’s in seventeenth century France, or Sweden’s in the twentieth century—hence the title “The Road to Serfdom.”

For New Deal liberals, however, changed circumstances made all the difference. They based their doctrine on the belief that all truths existed only in contingent historical time, and that the only relevant policy-arguments examined the circumstances of society at the time a policy would be implemented. While New Deal liberals argued that in certain times and places laissez-faire threatened freedom, Hayek thought such a circumstance, by definition, an impossibility.

Herman Finer’s characterization of The Road to Serfdom as “The Reactionary Manifesto” aptly summarized the debate. New Deal liberals resented Hayek’s dismissal of the claim that economists could be trained to plan for the nation. They saw Hayek’s arguments as state of the art eighty years earlier, but thought that to maintain such ideas in the twentieth century was little more than an effort to turn back the clock. Any argument not tailored to its time was hopeless. Hayek argued that truth was fixed as was the definition of a free state. In any effort to make the idea of liberty time-bound, he saw an attack on liberty itself. From his historical perspective, the effort to resurrect the big state was reactionary, re-
regardless of the reasons given for it. Moreover, because the book's popularity suggested to New Deal Liberals that their beliefs were not necessarily as dominant as they had assumed and hoped, the argument grew intense, and in their fury, they revealed their first principles and suppositions.

Opposed philosophies thus bonded with the opposed readings of history that Hayek and his critics held. Because they used Pragmatism as their philosophical base, New Deal liberals tended to emphasize contingency and circumstance, and therefore to play up the need for new solutions to new situations. Pragmatists emphasized the value of the new sciences for the same reason—they dwelled upon man's ability to adapt to changing circumstances. Hayek, on the other hand, tended to emphasize the similarities in the economies of different ages because he used a transhistorical tradition as his philosophical base, and therefore downplayed both man's need and ability to develop new methods of grappling with the major problems of political economy. *The Road to Serfdom* set off such a wild debate in America that it forced to the surface two camps that conceived of the world in radically different terms, that read history differently, and that came to differing assessments of modern social science.

1. In the second sentence of his preface, Hayek admits, "this is a political book." F.A. Hayek, *The Road to Serfdom* (Chicago, 1972), xvii. 2. C. Hartley Grattan, "Hayek's Hayride," *Harper's Magazine*, July 1, 1945, 46. This article is a good (6 page) summary of the initial American reaction to Hayek's book. 3. Theodore Rosenof, "Freedom, Planning, and Totalitarianism: The Reception of F.A. Hayek's *Road to Serfdom*," *Canadian Review of American Studies*, V (1974), 151. 4. It is more proper to call the debate one between two groups competing for status as the rightful heir to the liberal tradition than to call it one between liberal and conservative. "The defense of liberty, the preservation of individual freedom," Alan Brinkley notes, "has been as central to much of American conservatism in the twentieth century as it has been to American liberalism." Alan Brinkley, "The Problem of American Conservatism," *American Historical Review*, 99 (1994), 415. Hayek in particular always refused the moniker "conservative." In his Foreword, Hayek confessed that "I am puzzled why those in the United States who truly believe in liberty should not only have allowed the left to appropriate this almost indispensable term but should even have assisted by beginning to use it themselves as a term of opprobrium." 5. Brinkley, *Age of Reform: New Deal Liberalism in Recession and War* (New York, 1995), 8-10. I am indebted to Brinkley's book for pointing out this debate between Hayek and his critics (pp. 157-160), and for digging up many of the primary sources which I consulted in this essay. I do, however, interpret them from a rather different perspective. 6. Brinkley, *AHR*, 415. 7. *The Nation*, October 21, 1944, 478. 8. Niebuhr probably would have disagreed with Hayek's rebuttal, but a fairer review would have acknowledged it. 9. Stuart Chase, "Back to Grandfather," *The Nation* May 9, 1945, 566. 10. Mark, Smith, *Social Science in the Crucible: The American Debate over Objectivity and Purpose, 1918-1941* (Durham, 1994), 63. 11. For example, Alvin Hansen's lengthy (3.5 p.) critique of Hayek in *The New Republic* was entitled, "The New Crusade Against Planning." *TNR*, January 1, 1945, 9-12. 12. Indicating their embrace of Croly's formulation, many of Hayek's critics, such as Alvin Hansen and Stuart Chase used Hamilton as a club with which to beat Hayek. See Hansen, 11, Chase, 566. 13. As Theodore Rosenof notes in his study of the reception of *The Road to Serfdom*, Hayek and his critics contested "the very nature of the liberal tradition." "To the Hayekians," he argues, "the [liberal] tradition was unitary; it was one of political and economic freedom. These freedoms were indivisible.... To Hayek's critics this view of the liberal tradition constituted an arbitrary linkage of discrete traditions." (151). 14. In *The Road to Serfdom*, Hayek does not quote Croly, Hamilton, or Jefferson on this subject, but he does criticize the effort to use government planning to secure freedom. When I argue that Hayek criticized the effort to achieve Jeffersonian ends with Hamiltonian means, I am simply using tropes for freedom and planning, and not being literal. 15. New Deal liberals countered that the monopolies' hegemonic place in the market had the same effects that Classical Liberals saw in government planning. 16. "Most people," he correctly noted, "still believe that it must be possible to find some middle way between "atomistic" competition and central direction" (*Serfdom*, 43-43). Hayek, needless to say, thought such pursuits vain. 17. James Kloppenberg, *Uncertain Victory: Social Democracy and Progressivism in European and American Thought, 1870-1920* (New York, 1986),
Reviewing Finer's book in the New York Times, Seymour Harris commented: "Professor Finer, a world authority, is especially convincing—and trenchant—in the sections covering political science." New York Times Book Review, December 9, 1945, 3. Elsewhere in the book, however, Hayek defends democracy as the system most likely to ensure freedom. His fifth chapter argues that planning is the true threat to democracy, 56-71. On page 25 he quotes Tocqueville, "Democracy and socialism have nothing in common but one word: equality. But notice the difference: while democracy seeks equality in liberty, socialism seeks equality in restraint and servitude." Jefferson, Notes on the State of Virginia, in Merrill Peterson, ed., Thomas Jefferson: Writings (New York, 1984), 245. Hayek does not quote this statement of Jefferson's here, but he does pick it up in The Constitution of Liberty (Chicago, 1960), 474, n. 34. One ought to make a distinction between theory and practice. While they upheld democracy as their highest ideal, New Deal liberals' embrace of bureaucracy and centralization actually undermined the power of the people to influence the state. Had he chosen to, Hayek could also have criticized his opponents for playing with the definition of democracy, their presumptive ideal, similarly.

The Cardinal's Song

Here in the falling darkness I
With my five and only senses note
The music from this careless cardinal
That whistles red the winter's tree.

The sky beyond is changing violet
That seems to change within this song
And turns in shades of hues and tones
And gathers at the cold day's end.

The rest I take to hear this bird
Repeats time's closes in my mind,
And in this light it shapes the song
That does not need the senses. So

Fall the dark and gather sky,
Time that murders must create:
I saw him bring notes to my sleep.
Sing on, good cardinal, sing.

—V.P. Loggins