

# *The Road to Serfdom after 75 Years*<sup>1</sup>

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## I. Introduction – An Ambiguous Legacy?

The year 2019 marks the 75<sup>th</sup> anniversary of the publication in 1944 of F. A. Hayek's *The Road to Serfdom*. Though I have been investigating Hayek's contributions to economic and social theory for many years, my initial interest was principally in his work on methodology and on the knowledge problem, and only later broadened out to include books like *The Road to Serfdom*. Like many people, I thought I knew what it contained before I read it: basically a defense of what might be termed laissez-faire economics and the idea that any deviations from that path put one on the road to serfdom, under which political, civil, and personal liberty would all be severely circumscribed. This assessment is apparently widely shared. Robert Solow expressed it pithily. He acknowledged that there is a Good Hayek, namely, the person who wrote about how markets when embedded in the right framework coordinate economic activity in a world of dispersed and changing information. But there is also a Bad Hayek, and we should pay attention to the good one, not the bad one (Solow 2012).<sup>2</sup>

The Bad Hayek is the one that unsophisticated non-economists invoke when bashing state intervention of any kind. Perhaps the best example in recent times of the latter was the bizarre spectacle of the conservative political commentator Glenn Beck touting the book on his

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<sup>1</sup> I thank Andrew Farrant and the members of the Center for the History of Political Economy workshop for useful comments on an earlier draft. The author is responsible for remaining errors.

<sup>2</sup> It should be noted that Solow, a careful reader, does not characterize the Bad Hayek as defending laissez faire or as saying that any deviation from it would inevitably lead to serfdom. But he finds him guilty of overreach in trying to convert a wider public, and sees as "perverse" his "implicit prediction" that "the standard regulatory interventions in the economy have any inherent tendency to snowball into 'serfdom'" (Solow 2012).

television program in June 2010 as “like a Mike Tyson (in his prime) right hook to socialism.”<sup>3</sup> (*Road* shot to number one on amazon.com after the broadcast, selling over 100,000 in the next month or so.) Is this apparently populist manifesto the right piece of Hayek’s work to mark, especially in the current rather fraught political environment?

My opinion of the book changed when I became the General Editor of *The Collected Works of F. A. Hayek* and in that role took on the task of editing the *Collected Works* version of the book. It was immediately evident that there were problems with the usual interpretation. For example, Hayek not only did not recommend, he actually decried laissez faire: “Probably nothing has done so much harm to the liberal cause as the wooden insistence of some liberals on certain rough rules of thumb, above all the principles of laissez faire” (Hayek [1944] 2007, p. 71). Whatever meaning one might attach to the phrase “laissez faire,” this does not sound like the rantings of a market fundamentalist. And indeed, much of the economics in the book would today be considered mainstream. Hayek stated clearly that provision of “an extensive system of social services,” of a safety net, and of various forms of regulation (e.g., of poisonous materials, to ensure sanitary conditions, on working hours, to combat what we would today categorize as negative externalities, and to provide public goods), were all compatible with the sort of liberal system he supported (ibid., pp. 86-87). But if he accepted the use of such policies, how could he be guilty of thinking that “the standard regulatory interventions” are so dangerous?

He also did not say that the trends he was warning about were inevitable. Quite the contrary: “Nor am I arguing that these developments are inevitable. If they were, there would be no point in writing this” (ibid., p. 59). Then again, when he talked about planners making decisions for the community about what to produce, he did say that it was “inevitable that they

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<sup>3</sup>For a transcript of a portion of the show which contains the Mike Tyson simile, see <https://www.glennbeck.com/content/articles/article/198/41653/>

should impose their scale of preferences on the community” (ibid., p. 106). What did he mean? Was he simply hopelessly confused?

Another puzzle is why the person who today is everywhere represented as his biggest rival,<sup>4</sup> John Maynard Keynes, congratulated him on its publication, calling it a “grand book” and saying that “morally and philosophically I find myself in agreement with virtually the whole of it; and not only in agreement with it, but in a deeply moved agreement” (Keynes [1944] 1980, p. 385). So at least some people at the time of its publication were willing to read it very sympathetically.

I also found it hard to figure out just what sort of book it was. Hayek called it a “political book.” But it also has elements of economics, history, sociology, as well as some arguments that might be considered logical. How did an economist whose previous work consisted mostly of fairly abstruse explorations of monetary and capital theory come to write such a volume?

In short, whatever we may think of the arguments contained therein, *The Road to Serfdom* is the sort of work that on its 75<sup>th</sup> birthday cries out for an historical explication. The goal of this paper is to show how Hayek came to write the specific book that he did. We will see that elements of it were present in Hayek’s mind when he came from Vienna to England in 1931, and further developed as he sparred with a variety of opponents over the course of the decade. Being Hayek, he hoped to write a grand two volume treatise to answer his opponents, and he toiled on the task as the world went to war. But at some point he changed directions and decided to write a more popular work, the reception of which ended up being something quite different from what he expected.

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<sup>4</sup> As most readers will know, there are two rap videos illustrating their battles. The first episode of the PBS video *Commanding Heights* viewed the development of twentieth century economics as reflecting a conflict between their two visions of how an economy works, or fails to work.

## II. Hayek Comes to England

I shall certainly look for an opportunity to warn British economists from the fate of Austria and Germany. I am afraid, England too, is already at the beginning of this pernicious road which, once one has progressed far on it, seems to make a return impossible (Letter, F. A. Hayek to Lionel Robbins, 21 July 1931, Lionel Robbins Papers, 130, Early 1930s).<sup>5</sup>

In January 1931 F. A. Hayek delivered four lectures on the history of monetary theory and recent developments in its Austrian variant at the London School of Economics, which later that year were published as *Prices and Production* (Hayek [1931] 2012). On the basis of the lectures, he was offered a visiting position that began that fall, which the next year turned into a permanent appointment to the Tooke Chair of Economic Science and Statistics. Upon his arrival he engaged John Maynard Keynes in debate about their competing theories of money and the cycle.<sup>6</sup> The impetus for their exchange was Hayek's review of Keynes' 1930 book, *A Treatise on Money*, to which Keynes replied, in the course of which he criticized Hayek's own *Prices and Production*. Hayek's first year at LSE was taken up with these issues, but very soon his attention was drawn elsewhere. These are reflected in his inaugural address and in a memo he wrote a few months later to the LSE Director, William Beveridge.

Hayek delivered his address on March 1, 1933, and he had a number of concerns as he prepared the lecture. The reaction of the public to what had become the Great Depression was

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<sup>5</sup> As the date shows, this letter was written the summer before Hayek had even arrived in London, while he was working on his review of Keynes' *A Treatise on Money*. He was the director of an Austrian business cycle institute. The Austrian *Creditanstalt* bank, founded by a Rothschild, had collapsed the month before, and Hitler was blaming the building financial crisis on Jewish bankers.

<sup>6</sup> For more on Hayek's debate with Keynes, see the editor's introduction to Hayek 1995, and the papers by Hayek and Keynes reprinted therein.

worrisome. Hayek thought that the downturn had monetary causes, but a much more common reaction was that it signaled the inevitable collapse of liberal capitalism. An accompanying casualty was public confidence in economists and in standard economic reasoning. Keynes's was only one voice arguing that new ideas were needed. Others included the American institutionalists, socialists – LSE had been founded by Fabians – and planners of various stripes, and independent thinkers like Major Douglas with his “A+B Theorem,” or the Americans William Truffant Foster and Waddill Catchings, whose ideas Hayek had criticized in his paper, “The ‘Paradox’ of Savings.”<sup>7</sup> Hayek viewed at least some of these people as cranks, but they were being taken seriously by enough people to cause him alarm.

Hayek's talk directly addressed the question of why so many had lost confidence in the pronouncements of economists. His answer: it was due to the influence of an earlier generation of economists who, by criticizing a theoretical approach to economics, had undermined the credibility of economic reasoning in general. Once their ideas caught on, later generations felt free to offer all sorts of utopian schemes, not simply for dealing with the Great Depression, but for reorganizing society along more rational and just lines. The people who had started all of this were the German Historical School economists (Hayek [1933] 1991).

Hayek had been educated in the Austrian School tradition in Vienna, a tradition that was part of the development of marginalism but that also engaged in a series of methodological debates, most importantly with the economists of the German Historical School.<sup>8</sup> While Austrians emphasized a subjectivist and theoretical approach to the study of economic phenomena, German Historical School economists found theoretical approaches either

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<sup>7</sup> Hayek [1931] 1995. One reason that Hayek had been invited to LSE was that Robbins had read the article in the original German. He liked it so much that he had it translated and published it in the LSE house journal *Economica*.

<sup>8</sup> For more on the debates with the German Historical School economists, socialists, and positivists that helped shape the viewpoint of the Austrian School, see Caldwell 2004, chapters 1-5.

inappropriate or premature, arguing that to understand a given economy one must investigate its history and stages of development, its relationships with other nations, and the complex interactions of its political, juridical, cultural, and ethical institutions. Only then could one assess what policies might be appropriate for it. The Historical School economists saw the British classical school tradition with its emphasis on free trade not as providing a universal theory, but as apologetics that not coincidentally furthered the interests of the British Empire. They saw Austrian marginalism as simply a continuation of the mistakes of the classicals.

If blaming the German Historical School for the decline in public confidence in economics in England seems far-fetched, it should be noted that when the School was at the height of its power, scores of economists from around the world went to Germany to study. Though some of their views fell into disrepute following the war, their antagonism to economic theory could be found among both economists and non-economist critics of economics in Hayek's day. More precisely, Hayek himself experienced what he interpreted as the long reach of the Historical School when he visited the United States in 1923-24. While there he sat in on Wesley Clair Mitchell's class on "Types of Economic Theory" and saw firsthand the similarities in the methodological views of the American institutionalists with those of the Historical School economists. And indeed, the title of Hayek's address, "The Trend of Economic Thinking," evoked the American institutionalist Rex Tugwell's 1924 volume *The Trend of Economics*, a book that was so popular it had recently been reprinted (Tugwell [1924] 1930). At LSE, people like Beveridge and the Webbs also derided theory, arguing instead for a statistical approach to economics that had much in common with what Mitchell was advocating.

Hayek's lecture nicely complemented his friend Lionel Robbins' book on methodology, *An Essay on the Nature and Significance of Economic Science*, which he read before preparing

his lecture (Robbins [1932] 1935). In his *Essay* Robbins argued that the foundations of economic theory were secure, and Hayek offered an explanation in his address of why so many people found that difficult to believe. Institutionalism was also one of Robbins' targets, and comparing it to the Historical School allowed him to offer one of his better put-downs: "The only difference between Institutionalism and *Historicismus* is that *Historicismus* is much more interesting" (ibid., p. 83).<sup>9</sup>

Towards the end of his address Hayek lightly chastised the classical economists. To their credit, they slowly came to recognize the marketplace as a complicated mechanism for coordinating the independent actions of individuals, usually when they saw the adverse results of attempts to interfere with its workings. But this led them too often to view proposals for interference negatively, so that the impression spread that "*laissez-faire* was their ultimate and only conclusion." They failed to articulate the areas "within which collective action is not only unobjectionable but actually a useful means of obtaining the desired ends... To remedy this deficiency must be one of the main tasks of the future" (Hayek [1933] 1991, p. 31). In making his point, Hayek referred to Jeremy Bentham's distinction between the "agenda" and "non-agenda" of government.

Any listener would have immediately realized he was here in conversation with Keynes, who in "The End of Laissez Faire" had also drawn on Bentham's distinction. Originally published in the mid-1920s, Keynes's essay had been reprinted in his popular 1931 collection *Essays in Persuasion* (Keynes [1931] 1972). Hayek was signaling that though he and Keynes

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<sup>9</sup> As Robbins later put it, the book was in part "a reaction – doubtless overdone – against the ridiculous claims of the institutionalists and the cruder econometricians and an attempt to persuade Beveridge and his like that their simplistic belief in 'letting facts speak for themselves' was all wrong" (Robbins 1971, p. 149).

might disagree on many issues, including details of where to draw the line regarding the agenda and non-agenda of the government, both rejected the common complaint that economists were simplistic parrots of the doctrine of laissez faire. And they were in fact on the same side when compared to the opponents of theory, be they socialists, institutionalists, or more popular writers advocating planning.

Hayek's inaugural is important for our story because it laid the groundwork for a later project, a book on *The Abuse and Decline of Reason*, that he would begin at the start of World War II. It was from that larger work that *Road* would emerge. The address also shows his early insistence that his was not an argument for laissez faire. This was meant to counter the common view that that was all that economists had to offer.

Hayek delivered his inaugural the day after the world learned that the German Reichstag building had been set on fire, an act that the Hitler, the new German Chancellor, blamed on communists and socialists. The spring of 1933 was horrific in Germany, the first of many. Following the fire, over four thousand Communist officials and many Social Democrat and liberal leaders were arrested and jailed, or worse. On March 23 the Reichstag, with brown-shirted SA members standing in the aisles to ensure the right outcome, voted for the Enabling Act, granting Hitler all but complete dictatorial power. On April 1 a national boycott of Jewish shops was declared. Trade unions were taken over and their leaders imprisoned. In May, students at a number of German universities held rallies to protest "liberal intellectualism," burning books by authors whose messages they deemed inconsistent with the true German spirit. Nazi propaganda minister Joseph Goebbels gave a speech at the Berlin rally, urging them on. One by one rival parties were banned, so that by summer the Nazi take-over was complete (Shirer 1959, pp. 195-203).



How did the British intelligentsia interpret the rise of the Nazis? A common narrative, one that Hayek first heard from Director Beveridge, was that the rise of fascist groups to power in Italy and Germany reflected the last dying gasps of a failed capitalist system. Capitalists, realizing that the system was doomed, supported the rise of thugs like Hitler in a desperate attempt to preserve their own power. Hitler's persecution of communists and social democrats, and the fact that certain prominent industrial leaders in Germany, fearing the communists, had initially supported Hitler, while many others acquiesced, gave purchase to the view.

The book-burning incident was probably the occasion for Beveridge's remarks about the Nazis, for Hayek refers to it in a private memo to him, one titled "Nazi-Socialism." Three points made in the memo are salient. First, recent events in Germany were not a reaction to their having lost the last war, but rather the culmination of tendencies that began well before, dating to the anti-liberalism that had emerged in the Bismarck era – leaving unsaid the obvious, that German Historical School economists were Bismarck's chief advisers. Next, the persecution by the Nazis of the communists and social democrats obscured the fact that national socialism was a genuine socialist movement, and that their opposition to other socialist groups had more to do with the latter's liberal cultural values and internationalism than with their economic policies. Hayek presented as evidence the avowedly socialist elements in the economic proposals of the Nazis, their antagonism towards capitalism and liberalism, the fact that many of their leaders began as socialists, and the irrationalism that was part and parcel of their rejection of liberalism. Hayek closed the memo with a dire warning about where the enthusiasm for socialism that was so widespread in England and elsewhere would lead:

...the anti-liberalism which, when confined to the economic field, today has the sympathy of almost all the rest of the world, leads inevitably to a reign of universal

compulsion, to intolerance and the suppression of intellectual freedom. The inherent logic of collectivism makes it impossible to confine it to a limited sphere. Beyond certain limits collective action in the interest of all can only be made possible if all can be coerced into accepting as their common interest what those in power take it to be (Reprinted in Hayek [1944] 2007, p. 247).

That both the Soviet Union and the Nazi regime regarded liberalism as an enemy, and that as such, their respective economic policies shared similarities, is evident today, but would have been unpopular among many in 1930s Britain.<sup>10</sup> Even more controversial, though, was the claim that the collectivism that was becoming so popular in countries like England would inevitably lead to the same sort of repressive regimes that they were witnessing emerge in Germany. Here, in thumbnail form, was the warning that Hayek previewed in his letter to Robbins and which would become a theme in *Road*. Note that even in this first formulation Hayek states that the *logic* of collectivism leads *inevitably* to compulsion, suppression, and intolerance.

The culpability of the German Historical School economists in weakening confidence in both economic reasoning and liberalism, the insistence that the defense of liberalism and of standard economic reasoning did not reduce to the simplistic nostrum of *laissez faire*, and the notion that the logic of collectivism somehow led inevitably to repressive regimes, were all in Hayek's mind in the early 1930s.

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<sup>10</sup> Goebbels himself in the 1920s published an open letter to a communist leader saying that the two groups should stop bashing in each other's heads because Nazism and Communism in the end came to the same thing, a position that he later dropped because it horrified Hitler (Shirer 1959, p. 126). As one chronicler of the evolution of anti-liberal thought put it, "In Europe during the 1920s and 1930s implacable hostility to liberalism was the one attitude on which extreme rightists and extreme leftists could agree" (Holmes 1993, p. xi).

### III. Hayek's Opponents – Socialists, Men of Science, and Some LSE Professors

At the end of his inaugural address Hayek promised to reveal “recent additions to knowledge” that would raise questions about the feasibility of planning. He did this in his 1935 book, *Collectivist Economic Planning: Critical Studies on the Possibilities of Socialism*.<sup>11</sup> The volume contained translations of articles by Ludwig von Mises and others, as well as an introduction and conclusion in which Hayek surveyed past work and discussed the current state of the debate. This drew a response from the market socialist Oskar Lange, which was later reviewed by Hayek (Lange [1936-37] 1938; Hayek [1940] 1997, chapter 3). This English-language socialist calculation debate was important in its own right, as well as in the development of Hayek's ideas about limits of equilibrium theory, especially in understanding a world in which knowledge is dispersed and subjectively held, and about the role of the competitive market process for coordinating the use of knowledge in such a world.<sup>12</sup>

These debates among academic economists did not figure much in *Road*, however. The arguments of the market socialists received only a single mention, and that in a footnote, much to the chagrin of people like Hayek's LSE colleague Evan Durbin, who had by then written a book on it.<sup>13</sup> More important for *Road* were the popular treatments of socialism that one would encounter every day, in the press, in books, on the wireless, and in discussions with (non-economist) colleagues in the senior common room. To see why Hayek wrote the book that he

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<sup>11</sup> Hayek, ed. [1935] 1975. Hayek's contributions to the book are reprinted in Hayek 1997, chapters 1 and 2.

<sup>12</sup> The literature on the centrality of this debate for the development of Hayek's thought and that of the Austrians more generally is large; for some representative examples, see Vaughn 1980, Lavoie 1985, Kirzner 1988, Caldwell 1997, and Boettke 1998.

<sup>13</sup> Durbin 1940. Hayek did not see the discussion of “competitive socialism” that had taken place in “learned journals” to be of much practical relevance, but Durbin in his review of *Road* demurred. See Hayek [1944] 2007, p. 88; Durbin 1945.

did, it is essential to understand the pervasiveness of the arguments he faced. Many of them touted socialist planning as a cure-all, others stressed its inevitability.

A common argument was that, with the advent of economies of scale and widespread technological change, the days of small firms engaging in atomistic competition were long gone, never to come back, as large scale industrial producers, cartels, and monopolies took their place. Such growth was both inevitable and desirable, because large scale producers had lower costs. But any cost-saving benefits of competition were lost, because monopolists and cartels could restrict output and raise prices to gain monopoly profits. In the new world of monopolies and cartels, with market power concentrated in ever fewer hands, the control of business in the interests of society rather than of profit-making became a self-evident imperative.

There were additional arguments for why the new environment demanded social control of business. Monopolistic capitalism led to great inequalities in wealth, which caused the market to produce goods demanded by the rich while leaving social needs unmet. Since Marx capitalist production had been characterized as anarchic, with firms single-mindedly pursuing profits with no knowledge of what other firms might be producing, leading to wasteful duplication. Now that firms were larger, even larger mistakes would be made. Finally, the vast inequalities of circumstance that capitalism had always produced were exacerbated by an ever-worsening business cycle. The brutal and senseless realities of factories sitting empty while idled men wanted only to work, of people going hungry even as crops were plowed under, gave the lie in the eyes of many to the “sublime and now incredible theology” of a self-regulating system of market competition (Mumford, in MacKenzie 1937, p. v).

The solution recommended by Fabian socialists was simplicity itself. In place of the anarchy of a marketplace inhabited by mammoth firms, Fabians favored the rational and

scientific reorganization of production via a gradual nationalization of the production process. Fortunately capitalism itself had done much of the work, by creating huge firms run by bureaucratic managers. All that was needed was to replace them with carefully trained administrators whose goal would be to maximize production to meet social needs, generating surpluses rather than profits that could then be redistributed to the community. The Fabians thus favored nationalization as much on efficiency as on equity grounds. Theirs was a technocratic vision of the efficient administration of nationalized production and distribution by an elite team of experts. It was not the only vision, of course, but from their inception and particularly after the perceived mistakes of the second Labour government in 1931, Fabians became active in writing position papers, in organizing clubs and conferences that they hoped, ultimately, would guide government policy in that direction once Labour came to power again.<sup>14</sup>

The so-called “men of science” lent supporting arguments.<sup>15</sup> This was a group of natural scientists, men famous in their own fields (many were Fellows of the Royal Society), highly-respected individuals who insisted that a move from a capitalist to a planned socialist society was necessary if science was to perform its intended function. Some of the most prominent included J. B. S. Haldane, J. D. Bernal, Joseph Needham, and Lancelot Hogben. Equally brilliant at debate and written exposition, they spoke for and with the authority of science, and their public agitation was everywhere heard. They wrote popular books, gave public lectures and interviews,

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<sup>14</sup> The Labour Party had nationalization of the means of production as a plank in its platform. For more on the varieties of British socialism, and the various groups, organizations, committees, and so on that formed in the 1930s, see Marwick 1964, Durbin 1985, Thompson 2006, and the editor’s introduction to Hayek 1997.

<sup>15</sup> The term “men of science” is one that the principals used themselves. C. P. Snow, most remembered today as the author of *The Two Cultures* (Snow 1965), was a physical chemist who also wrote fiction. His “Lewis Eliot” series explored Cambridge college life and its academic (and other) politics. The college especially in the 1930s was populated by left wing scientists, and one of them (Crawford) would often preface his views on any particular topic with the authoritative phrase, “Speaking as a man of science...” (Snow 1960, p. 241; cf. p. 13; 1951, pp. 96, 190, 252).

and organized series on the BBC; by the end of the decade they were so prominent that a later historian of the movement dubbed them collectively “the Visible College” (Werskey 1978).

A representative example was the experimental physicist P. M. S. Blackett, who in March 1934 addressed the BBC audience on the topic of “The Frustration of Science.” Blackett argued that the collapse of liberalism had dire consequences for the future progress of both science and society, and indeed made it impossible to take advantage of the great scientific advances that had already been made. Attempts to remedy the failures of capitalism at home had been ineffective; meanwhile on the continent an anti-scientific doctrine (fascism) had taken hold. If that outcome was to be avoided in Britain, scientists needed to become more politically engaged, to lead society on the road to a new future. In his peroration he offered a stark choice:

I believe that there are only two ways to go, and the way we now seem to be starting leads to fascism; with it comes restrictions of output, a lowering of the standard of life of the working classes, and a renunciation of scientific progress. I believe the only other way is complete Socialism. Socialism will want all the science it can get to produce the greatest possible wealth. Scientists have not perhaps very long to make up their minds on which side they stand (Blackett, in Hall, et. al. [1935] 1975, p. 144).

Blackett’s address became the title piece for the popular 1935 book *The Frustration of Science*, which contained essays by six other natural scientists and whose main theme was that scientific advance would continue to be frustrated as long as the capitalist system was maintained. But another path was possible. As one of the authors, J. D. Bernal, summarized:

There can be no doubt that it lies within the immediate capacity of physical science to solve completely the material problems of human existence. In an organized world it

should be possible for every present need of man to be satisfied with something between one and three hours work a day, and beyond that lie possibilities for extending the capacity of enjoyment and activity indefinitely.... The present direction of economic and political forces holds out no hope that physical science can realize its possibilities, or even escape from being used for the destruction of the world that it has helped to create. If science is to help humanity, it must find a new master. (Bernal, in *ibid.*, p. 69, p. 78).

Science if unleashed from the irrational and failed capitalist system could show the way forward.

For many, the Soviet Union provided the example of what was possible, a society in which science was rationally planned, organized and promoted. Trips there were organized, for men of science and other public intellectuals.<sup>16</sup> Some, including Sidney and Beatrice Webb, went on their own. They spoke glowingly of the “Cult of Science” that they found on their visit, noting pointedly that, “No vested interests hinder them from basing their decisions and their policy on the best science they can obtain.... The whole community is eager for new knowledge” (S. and B. Webb 1937, p. 1133).<sup>17</sup>

Two of Hayek’s colleagues at LSE, political scientist Harold Laski and sociologist Karl Mannheim, added still further arguments. If Blackett was worried that England would end up under fascism if it failed to embrace socialism, Laski would use the principles of Marxian analysis to show how it would all unfold unless action was taken now. For his part, Mannheim would show how social psychology could be used to construct the planned society of the future.

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<sup>16</sup> See the accounts in, e.g., *Twelve Studies in Soviet Russia* (Cole, ed. 1933), sponsored by the New Fabian Research Bureau, which lauded the collective purpose that allowed the Russians to accomplish so much. Its publication was followed by a series of public lectures by the authors. The editor of the volume was the wife of Guild Socialist G. D. C. Cole.

<sup>17</sup> The quote is from their book, *Soviet Communism: A New Civilization?* With rather bad timing, they dropped the question mark in the second edition of 1937. For Hayek’s review of the first edition of the book, see Hayek [1936] 2010, pp. 239-42.

Laski was the best known public intellectual at LSE.<sup>18</sup> Immaculately dressed, hugely popular with students, a self-promoting conversationalist and fabulist extraordinaire, he rivaled the men of science in his ability to catch the public's attention. In 1936 he joined with Victor Gollancz and John Strachey to run the New Left Book Club, which chose a book to send to subscribers each month and provided a magazine, the *Left Book News*, which included a review of the book by Laski. By 1939 they had nearly 60,000 subscribers and 1200 affiliated study and discussion groups, with huge rallies organized to bring together supporters. He was sufficiently prominent that one historian dubbed the interwar period in England "the Age of Laski" (Kramnick and Sheerman 1993, pp. 2, 364-69).

Like many others, Laski became increasingly radical as the 1930s progressed, and Marxist ideas began to infuse both his public pronouncements and academic work. This was evident in his 1936 book, *The Rise of European Liberalism*, which was intended as both a history and a post-mortem. Marx believed in dialectical materialism, that conflicts between the structure and relations of production, not ideas, are what determine the course of human history. In Laski's portrayal of the development of liberalism, it was conflict in the underlying economic conditions and class relations that led the liberals of the 17<sup>th</sup> and 18<sup>th</sup> century to embrace such things as parliamentary forms of government, constitutional constraints on political authority, religious tolerance, and freedom of conscience. Though its advocates typically defended liberalism using the universalistic language of human rights, their real end was to defend the sanctity of property and freedom to contract and to foster the accumulation of capital.

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<sup>18</sup> Laski was well-known on both sides of the Atlantic. H. G. Wells named a "utopian" character in a 1922 book after him, and Ayn Rand, who saw him lecture at the New School, took him as the model for Ellsworth Toohey, the anti-individualist villain of her book *The Fountainhead* (Kramnick and Sheerman 1993, pp. 1-2).



Another important bow to standard Marxist analysis was the assertion of the inevitable collapse of liberalism which, “like all social philosophies...contained in its birth the conditions of its own destruction” (Laski [1936] 1997, p. 17). As the inner contradictions of liberalism began to manifest themselves in the late 19<sup>th</sup> century some social amelioration followed, with a “social service state” being the ransom paid by capitalists to keep things going. The system depended on continuing scientific advance and material progress to pay for the social services that had been introduced to placate the masses. When the supposedly self-adjusting system stopped working, the owners of property closed ranks. On the continent this resulted in Fascism:

Fascism, in its essentials, is the destruction of liberal ideas and institutions in the interest of those who own the instruments of economic power.... What it has done, wherever it has gained power is, above all, to destroy the characteristic defenses of the working class – their political parties, their trade unions, their cooperative societies.... Fascism, in short, emerges as the institutional technique of capitalism in its phase of contraction (Ibid., pp. 247-48).

Laski, then, provided a Marxian foundation for the argument articulated by Beveridge, itself widely-held, that the rise of fascism signaled the (for a Marxist, inevitable) collapse of liberalism, and the claim of Blackett that England now faced a choice: embrace socialism so science can flourish, or do nothing and end up with fascism.

The Hungarian émigré Karl Mannheim, already famous for his work on the sociology of knowledge, accepted Laski’s premise that liberalism was dead and that planning was necessary; the only question was, would it be good planning or bad planning? In *Man and Society in an Age of Reconstruction* he showed how the tools of “psychological sociology” could be employed to

build a successful and benign planned society of tomorrow. What was needed was nothing less than the creation of “a new type of man who can see the right thing to do” and of new political structures that would enable him to do it (Mannheim 1940, p. 15). Mannheim outlined a variety of methods and techniques of social control that would assist in the transformation of man and society. These included violent coercion, non-violent coercion (withdrawal of love, sabotage, cold-shouldering, and indifference), and positive inducements like praise, flattery and persuasion. The last had the advantage of creating an illusion of free choice (ibid., p. 280). He also discussed managing expectations (for example, if a society cannot produce enough wealth, then it “can make a virtue of renunciation or create satisfaction in economy itself”) and various forms of re-education, including training people to develop “creative imagination” so that society will not lack for innovation (ibid., pp. 281-85).

In his new envisaged world, consumption would be planned to match production, so consumer choice would need to be guided (ibid., p. 315). He reassured his reader that the “renunciation of absolute freedom of choice – if it should become necessary – should not weigh too heavily on the consumer” because only the rich are able to exercise such freedom of choice now, and in any case, the “unbridled craving for variety is not ingrained in human nature” (ibid., p. 348). Advertising and persuasion will enable us to create a “comparative uniformity of taste” that will facilitate linking production of a smaller set of goods to consumption. The planners will also need to control and guide the motives for work, better to channel people into socially useful occupations. When wealth has been more evenly distributed and the trade cycle vanquished, there will be more time for leisure. But there are even dangers here, because studies have shown that “a higher position, larger income, and increased security do not necessarily lead to culture”

(ibid., p. 317). Leisure, then, would also need to be controlled, through education, persuasion, and the setting of proper examples, presumably by those possessed of good taste.

Mannheim realized that all this might sound rather like enslavement to those who value freedom. But this was why man as well as society required reconstruction. People needed to be reeducated to understand that planning is the means for coordination, for harmonization, and for the rational mastery of the irrational. A “real understanding of freedom” will reveal that it depends on acting in ways that will create a better society for all. A fully planned society is, he concluded, the highest stage of development, and as such, in such a society freedom can only exist *within* the plan.

To many readers today, Mannheim’s work sounds like something one might find in a bad dystopian novel, and Laski’s relentless use of Marxian categories seems dated, tedious, and ultimately unconvincing. The concerns of the men of science were more reasonable, though their gullibility in the face of Soviet propaganda, and their (not altogether unrelated) confidence in the ability of science under socialism to solve all of the world’s material problems, reveals an unattractive combination of naiveté and hubris. These people, though, were the thought leaders of their day, and they had a very clear message. Liberalism had failed and there was no going back. Attempts to preserve it on the continent had resulted in fascism. *That* was the road to serfdom. Britain must embrace socialist planning to avoid their fate and move forward to a better future.

A final point: Hayek knew most of the people making these arguments, and some of them he knew well. Some were colleagues, others were people whom he would have met in some academic setting, when they visited LSE or gave public lectures, or later, when LSE evacuated to Cambridge and he engaged in combination room or high table banter with them. In many ways

*Road* was his response to this group, or as he later put it, “it was adjusted to the moment and wholly aimed at the British socialist intelligentsia” (Hayek 1994, p. 102). His goal was to show them that they had it exactly wrong, that their solution (socialist planning) was the real road to serfdom.

#### IV. Hayek’s Initial Response: The Abuse of Reason Project

But writing a popular book like *Road* was not Hayek’s initial response. He tried out a few other ideas first. After reading the first half of Walter Lippmann’s *The Good Society* in installments in *The Atlantic Monthly*, Hayek began a correspondence with the famous American newspaperman that in due course led to the publication of a French translation of the book and a conference that would both celebrate the event and inquire into the prospects for liberalism. The famed Colloque Lippmann in August 1938 brought liberals from across the continent to Paris, and may be thought of as a precursor of the Mont Pèlerin Society that Hayek founded after the war. At the Colloque there was active discussion but also plenty of disagreement about various key issues.<sup>19</sup> To continue the conversation, a center was set up in Paris, and Hayek also had hopes of starting a journal. The war put an end to the center, and the journal never came about.

Hayek also tried his hand at more popular writing. In 1938 he published a small piece titled “Freedom and the Economic System” in a monthly magazine. This attracted the attention of Harry Gideonse, then at the University of Chicago, who commissioned Hayek to do an expanded version of it as a Public Policy Pamphlet in a series he was editing (Hayek [1939] 1997). The articles are significant for two reasons. They are the first place that Hayek offered a public statement of the arguments that had appeared in the Beveridge memo and which would be

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<sup>19</sup> For more on the Lippmann Colloque and its role in the development of liberalism, see Burgin 2012. For a translation of the transcript of the meeting, with a description of the background of the participants and other pertinent information, see Reinhoudt and Audier, 2018.

repeated in *Road*. Second, it further strengthened his links to like-minded academics in America. He had already engaged Chicago economists Frank Knight and Henry Simons in correspondence. Simons responded to the Public Policy Pamphlet with words that ended up being prophetic (or alternatively, planted a seed in Hayek's mind): "I welcome your contribution to discussion here and, hoping that you will again write for American readers, I suggest that this may be the most useful contribution you can make toward the cause of liberalism in England and elsewhere" (Simons to Hayek, 14 April 1939, Henry Simons Papers, 3.40).

By the time the war began in September 1939, Hayek seems finally to have settled on a plan. He would write a grand two volume work, titled "The Abuse and Decline of Reason," which in one early outline carried the subtitle "The Reflections of an Economist on the Self-Destructive Tendencies of our Scientific Civilization."<sup>20</sup> He would show there how what he called the planning or engineering mentality, a faith in the ability of science to transform society, and socialism grew from the same soil in post-revolutionary France in the writings of Henri Saint-Simon, August Comte and their followers, many affiliated with the Ecole Polytechnique. Their ideas then spread to Germany, England and the US, in each country taking on very different forms but sharing certain common characteristics. In Germany the ideas found expression in the theories of Marx and, later, those of the German Historical School economists. In Britain they were nurtured by the Fabians and other socialist groups, and in America by the institutionalists. As time went on these ideas spread beyond the intellectuals who had originated them to the public at large. Popular scientific writers, like the natural scientists in Britain and the advocates of technocracy in the States, as well as all manner of public intellectuals, pundits, and

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<sup>20</sup> The outline, and a fuller account of the development of Hayek's ideas, may be found in the editor's introduction to Hayek 2010. In letter to Lippmann in April 1937, Hayek lamented that it wouldn't be long before one could write a history of the "Abuse and Decline of Reason."

respected community leaders, what Hayek would later refer to as “second hand dealers in ideas,” added their voices to the demand to create a new planned society. Hayek would then show in the second volume the dire consequences of these movements in the 20<sup>th</sup> century – totalitarianism of the left and right, which emerges when bad leaders come to control the reins of power that had become centralized in one place. The subtitle of the book, as well as the title of volume one (“The Collectivist Hybris”), reveal a main theme: that the abuse and decline of reason was caused by mankind’s overweening pride in the power of its own reason to organize society to its liking.

Pretty obviously, his narrative tracked and made sense of his own experience. On the continent, in America, and in England, he had encountered thinkers of very different political orientations (conservative imperialists in Germany, progressives in the States, Fabian socialists and men of science in England) all of whom embraced the idea that the scientific planning of society was the wave of the future. He identified this as the spirit of the age.<sup>21</sup>

His was to be an intellectual history, to underline the importance of ideas but also to reveal their pedigree, an approach that he knew was out of fashion but for which he made no apologies.<sup>22</sup> Just how out of fashion was evident. For Marxists, like the Russian scientists whose ideas and propaganda so influenced the men of science, or Laski, who borrowed from them, ideas were class-conditioned rationalizations. For Mannheim, whose writings on the sociology of knowledge Hayek had disparaged in his memo to Beveridge (Hayek [1933] 2007, pp. 246-47), ideas or mental structures were reflections of and conditioned by the social structures in which they arose. For the American institutionalist Wesley Clair Mitchell, or the leader of the German

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<sup>21</sup> This was one reason he dedicated *Road*, without irony, “To the socialists of all parties.” Another was the fact that even conservatives in England were in the 1930s advocating a middle way. See, e.g., Macmillan 1938.

<sup>22</sup> The opening chapter of *Road* begins with a fitting quote from Lord Acton, “Few are more irritating than those which expose the pedigree of ideas” (Hayek [1944] 2007, p. 57).

Historical School Gustav Schmoller before him, changes in economic reasoning simply reflected and rationalized changes in the technological, cultural, economic, social, juridical and class institutions of society.

Hayek would have none of that. His goal was to locate the origins of certain fundamental and plausible sounding ideas about how to create a new and better society, then show how the gradual spread and acceptance of those ideas helped to bring about the horrible mess in which the world found itself. It is telling that many liberals of his day also sought to reassert the paramount role of ideas over interests. Lippmann had done so in *The Good Society*, and Keynes as well, in the final pages of *The General Theory*. Everyone remembers Keynes' quip about "madmen in authority" being influenced by some "academic scribbler." But his next sentence is equally apposite: "I am sure that the power of vested interests is vastly exaggerated compared with the gradual encroachment of ideas" (Keynes 1936, p. 383). Hayek would have agreed completely.

Hayek never finished the Abuse of Reason project. He completed his account of the French origins of the planning mentality, which was published in three parts in *Economica* in the early war years under the title "The Counter-Revolution of Science." He also published there a long essay on "Scientism and the Study of Society" that was to have been a part of the project.<sup>23</sup> Why did Hayek decide to abandon this grand scholarly work, an apt response to the spirit of the age if there ever was one, and instead bring out *The Road to Serfdom*?

## V. The Elevation of *Road*

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<sup>23</sup> The two essays, as well as a piece titled "Hegel and Comte" that served as his inaugural lecture when he went to the University of Chicago in the early 1950s, were collected and published together in 1952. They now appear together with his essay "Individualism: True and False," which was originally intended as an introduction to the volume, in Hayek 2010.

We know when it happened. On January 2, 1941, Hayek wrote to his old friend Fritz Machlup, who was in the States, telling him of possible change in plans: "...at the moment I am mainly concerned with an enlarged and somewhat more popular exposition of the theme of my *Freedom and the Economic System* which, if I finish it, may come out as a sixpence Penguin volume" (Hayek to Machlup, 2 Jan 1941, Fritz Machlup Papers, 43.15). This is in fact what he did. Over next two years, most of *Road* would be written. But *why* the change of course?

One reason to make the switch was that he was not looking forward to the work ahead. In a later interview he deadpanned: "the next historical chapter would have had to deal with Hegel and Marx, and I couldn't stand then once more diving into that dreadful stuff [laughter]" (Hayek 1983, p. 279). This has a ring of truth to it, but there were other reasons, mostly having to do with a further deterioration, in his mind, of the political situation in England.

Once the war began in earnest in May 1940 the men of science who were the leader writers of *Nature* magazine started voicing new warnings, tied to fighting a war: "It has become a matter of life and death that the habits and customs of a *laissez-faire* society should be abandoned, and the economic and social implications of modern warfare be fully recognized" (unsigned 1940, p. 40). The argument was sensible enough: war required planning and government direction of production. It required shared sacrifice, one in which the class distinctions of the past had no place. But the next step, taken by a number of writers, was new: the reason for fighting was not just to beat back the fascists, but to create a new society after the war. This theme became increasingly common, and insistent, just at the time that Hayek made his decision to do a popular book. Representative illustrations are plentiful.



In January 1941, just as Hayek was contemplating his change of direction, the popular magazine *Picture Post* came out with a special issue, “A Plan for Britain,” in which various expert contributors laid out a vision for a new, post-war Britain, one that included a universal welfare system, extensive town planning, and a planned economy (Kynaston 2007, p. 20; Todman 2016, pp. 640-45). In March, Harold Laski published “Revolution by Consent” in *The Nation* in which he insisted that the real purpose of the war was to create a new society afterwards. He warned that were this revolution by consent not undertaken, revolution by violence would follow (Laski 1941). The 1942 Labour Party pamphlet, *The Old World and the New Society*, continued the theme, as these excerpts show:

There must be no return to the unplanned competitive world of the inter-War years, in which a privileged few were maintained at the expense of the common good...A planned society must replace the old competitive system...The basis for our democracy must be planned production for community use...As a necessary prerequisite to the reorganization of society, the main War-time controls in industry and agriculture should be maintained to avoid the scramble for profits which followed the last war (National Executive Committee of the Labour Party, n.d. [1942], pp. 3-4).

These diffuse ideas were incorporated into a resolution proposed by (who else but) Harold Laski and passed at the Party Conference on May 26, 1942. In his speech defending the resolution, Laski noted that “Nationalization of the essential instruments of production before the war ends, the maintenance of control over production and distribution after the war – this is the spearhead of this resolution” (Laski 1942, p. 111). More important for later developments was the publication of the Beveridge Report, which supplied the foundations for the post-war British welfare state, including provision of family allowances, comprehensive social insurance,

universal health care coverage, and a government obligation to maintain full employment (Beveridge 1942). Beveridge was a successful impresario: when the 299 page government document was finally released on December 2, 1942 the line for it at the government bookshop was said to have been over a mile long (Beveridge 1954, p. 114). Its immense popularity – one opinion poll noted that 95% of the British public had heard of the report, and 88% said they viewed its recommendations favorably – led one historian to summarize that “unquestioning acceptance of Beveridge became a sort of litmus test of decency” (Cockett 1995, p. 60).

It was in response to these developments that Hayek decided to set aside his grand project and to enter the public arena.<sup>24</sup> The idea of publishing a “sixpence Penguin volume” was, incidentally, *au courant*. Penguin Books was established as a separate company in 1936, with the goal of bringing cheap paperback editions of high-quality works of fiction and (with the Pelican imprint, in 1937) non-fiction to the mass market. The new venture had a political aspect. Laski’s former student and friend Krishna Menon was the editor of Pelican series, whose first imprint was G. B. Shaw’s *Intelligent Woman’s Guide to Socialism and Capitalism* (Kramnick and Sheerman 1993, pp. 222-25; 381). As with his article in *Nature*, Hayek’s first impulse was to publish in an outlet that would reach those who differed from him. As it turns out, he ended up going with Routledge.

He also decided fairly early on to broaden his audience. In August 1942 he wrote to Machlup to ask if he would help him find a publisher for an American edition. Over the course of a year, Machlup tried three different presses, but all of them turned the manuscript down. By then Machlup was doing war work in Washington alongside Aaron Director at the Office of

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<sup>24</sup> We can mention in passing another effort along these lines, a 1941 article in *Nature* that contains a memorable sentence that nicely captures his own frustration, “for a hundred men of science who attack competition and ‘capitalism’ scarcely one can be found who criticizes the restrictionist and protectionist policies which masquerade as ‘planning’ and which are the true causes of the ‘frustration of science’” (Hayek [1941] 1997, p. 216).

Alien Property Custodian, and Director offered to send it to the University of Chicago Press. It received a lukewarmly positive report from Frank Knight (who agreed with Hayek's overall point of view) and an effusive one from Jacob Marschak (who disagreed but thought it would start the right conversation), and they agreed to publish it.<sup>25</sup> The British edition of *Road* came out in March 1944, and the American in September.

## VI. The Structure of *Road* and Some Common Criticisms

The preceding account will help to explain the structure of the book, and why it had historical, economic, logical, and sociological elements in it side by side. We will also here examine some of the most common and perennial criticism of the book.

It is, in the first instance, the plea of a liberal to his British audience to reclaim the British liberal tradition that so many at the time he was writing had declared bankrupt. Chapter one of the book states this explicitly (liberalism is “The Abandoned Road” of its title), and the history of that tradition is mentioned throughout the book, perhaps most especially in chapter fourteen, where figures from the liberal pantheon like Milton, Macauley, Gladstone and John Morley are invoked. Another historical part is his chapter on “The Socialist Roots of Naziism.” This was of course an attempt to provide further documentation to the claims he had made in the Beveridge memo. It was important to do so in the 1940s to counteract Laski's repeated insistence from the mid-1930s onwards that fascism was the final form taken by a doomed liberal system.

Regarding Hayek's historical account, a frequent criticism (it was first raised by Frank Knight when he reviewed the manuscript prior to its publication) was that the German path to Nazism was far more complicated than Hayek's account depicted, and of course Knight was

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<sup>25</sup> For more on the effort to find an American publisher, and both reader's reports, see the editor's introduction and the Appendix to Hayek [1944] 2007.

right (Knight, in Hayek [1944] 2007, p. 250).<sup>26</sup> To be fair to Hayek, as we have seen *Road* was originally intended to be part of a much larger work that would have had as its first volume an extensive contribution to intellectual history that would trace the gradual decline of liberalism in a number of countries, and show its replacement by an enthusiasm for scientific planning. Hayek certainly recognized this limitation of the book, commenting early on to the editor at the University of Chicago Press that “one of his regrets is that in a way his conclusions are down on paper, but not the process by which he arrived at them” (Scoon, in Hayek [1944] 2007, p. 257). The originally envisaged background story is simply absent.

That the economics contained in *Road* will seem unremarkable to economist readers of today should also now be understandable.<sup>27</sup> Hayek was defending standard economic theory against the criticisms of planners, socialists, institutionalists, and the like. His repudiation of laissez faire was meant to indicate that the economics of his day had moved beyond the caricature of classical economics that was rife at the time.<sup>28</sup> Hayek even embraced the language of his opponents when he claimed to favor “planning for competition;” what he opposed was “planning against competition.”

Unfortunately, he never spelled out in any detail what “planning for competition” meant, which led to the criticism, voiced initially by Keynes but followed by many others, that Hayek

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<sup>26</sup> Pigou 1944 and Hansen 1945 voiced similar objections.

<sup>27</sup> See Hayek [1944] 2007, chapter 3, pp. 85-90 where he mentions interventions compatible with a competitive framework; 4, where he challenges the claims that economies of scale in production or the complexity of the modern economic system makes planning “inevitable;” 6, pp. 114-16, where he argues that state intervention makes it harder for individuals to utilize their local knowledge; 7, where he criticizes the notion that economic questions can be separated out from “higher” concerns; and 9, where he defends a safety net but not the maintenance of a level of income when underlying conditions of supply and demand change. All of these claims would today be viewed as uncontroversial by most economists.

<sup>28</sup> In “Adam Smith and Laissez Faire” another liberal economist, Jacob Viner, showed that, contrary to popular opinion, Smith was no laissez faire economist. Smith’s notion of the invisible hand was frequently ridiculed by critics of economics to indicate that he believed in a “harmony of interests” version of economics (Viner [1927] 1991).

owed his reader a more detailed account of the liberal alternative he favored, one that drew a clear line between acceptable and unacceptable intervention.<sup>29</sup> Now, unlike Keynes, or someone like Milton Friedman for that matter, Hayek seldom got into the nitty-gritty of policy. The one time he tried his hand at policy did not go well.<sup>30</sup> This broader criticism, though, was one that Hayek took seriously. In later books like *The Constitution of Liberty* (Hayek [1960] 2011) and *Law, Legislation and Liberty* (Hayek 1973-78) he would articulate the general case for a constitutional democratic and liberal market order, and identify the set of institutions that he thought would have the best hope of allowing it to thrive.

The logical argument, one that he had hinted at in the Beveridge memo and stated explicitly in “Freedom and the Economic System,” is in chapter 5, “Planning and Democracy.”<sup>31</sup> Hayek’s formulation there is to assert that successful planning presupposes that a “complete ethical code” exists, then to deny its existence (Hayek [1944] 2007, p. 101). His formulation in terms of an ethical code is awkward, but his intent is clear enough. Though all may agree on the necessity of a plan, people will have conflicting ideas on its details. In a world of scarcity, choices will have to be made, and choices have consequences: more plumbers means fewer teachers, and so on. In the end, not everyone’s preferences will be fulfilled, and ultimately the planners will have to decide the final allocation. “It is the essence of the economic problem that the making of an economic plan involves the choice between conflicting or competing ends –

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<sup>29</sup> Keynes [1944] 1980, pp. 386-87. A review in *The Economist* made a similar point (Unsigned 1944).

<sup>30</sup> Just before the American edition of *Road* was published, Hayek spent six weeks in Gibraltar doing a social and economic survey for the British Colonial Office. His policy recommendations, to gradually relax rent controls and set the government’s wage rate to be consonant with the wage prevailing in the surrounding area, was sufficiently out of touch with the prior vision of the Colonial Office that his report never saw the light of day. For more on this episode see Grocott 2017. The report may be found in FAHP, 113.6.

<sup>31</sup> In that essay (Hayek [1939] 1997, p. 193) he summarized it thus: “The main point is very simple. It is that comprehensive economic planning which is regarded as necessary to organize economic activity on more rational and efficient lines, presupposes a much more complete agreement on the relative importance of the different social ends than actually exists, and that in consequence, in order to be able to plan, the planning authority must impose upon the people the detailed code of values that is lacking.”

different needs of different people... It is inevitable that they should impose their scale of preferences on the community for which they plan” (ibid., p. 106). Hayek’s opponents had argued that planning was inevitable. His counter was that in a centrally planned economy, final decisions about what to produce (and hence what would be available for consumption) would inevitably be have to be decided by the planners.

This is not a controversial proposition, but his next step, to deny that planning could be done via a democratic process, was. Indeed, Hayek put the logical argument in the chapter on “Planning and Democracy” to point out the difficulties that a democracy would face under a regime of central planning. Because every proposed plan would favor some but hurt others, gridlock would ensue. The belief would spread that, “if things are to get done, the responsible authorities must be freed from the fetters of democratic procedure” (p. 108). People would also begin to realize that those who control the allocation process have a great deal of power, as the chapter title “Who, Whom?” suggests.

In subsequent chapters, some carrying provocative titles like “Why the Worst Get on Top” and “The End of Truth,” he provided an almost sociological analysis, showing how the attempt to put a plan into action would lead to serfdom. People of good conscience would naturally be reluctant to make the decisions for others that are required by planning, leaving the door open to those with fewer scruples. To get the rest of society to go along, such leaders would appeal to the people with the most common instincts and tastes, to the docile and gullible, and would try to unite them further by positing an enemy against which to rally, the Jew, the kulak, and the plutocracy being some that had been used in the past (ibid., pp. 160-161). The need for a new system of morals, where ends justify the means, would become apparent. To rally support for the program, the authorities would establish myths about the virtues of the plan, and punish

dissenters from it. Karl Mannheim had described a planned society in which “psychological sociology” was used by benevolent leaders to lead people to the new tomorrow. Hayek’s description suggested what would happen if less savory people gained control of the reins of power.

These steps do not follow from the necessity for planners to decide on what to produce and for whom; planners could in theory put alternate plans to a vote, or create councils to deliberate over allocations, or in some other way decide democratically how to allocate resources. Hayek’s words were provocative, and particularly for those who favored not full central planning but simply some sort of expansion of the welfare state. The part that drew the most attention was the suggestion that if Britain adopted the sorts of policies that were being proposed by so many, the danger was to repeat the fate of Germany. This predictably produced outrage among those who in wartime Britain saw Naziism as simply something vile, and “socialism” however defined as pointing the way forward. The general feeling of his critics was that it “could not happen here.” Of course Hayek, being Hayek, put that claim right up front in his introductory chapter; he saw coercion as being a logical consequence of a fully planned system. One suspects that readers who disagreed did not get very far into the book.<sup>32</sup>

He would have perhaps been more convincing had he said that it was the Soviet Union whose path England was in danger of following. Communism and socialism have more of a family resemblance than either does with fascism, and as we saw, many on the left in England had been enthusiastic about the Soviets in the 1930s. But because the Soviet Union was in 1944 still a British ally, Hayek could not criticize them.

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<sup>32</sup> Some contemporaneous negative reactions are noted in Hayek [1944] 2007, p. 2.

So what to make of these arguments? It is critical to recognize that Hayek's argument in *Road* was not aimed at the welfare state, it was directed against full-fledged socialist central planning, in which the state owns the means of production. He stated this clearly, and as we saw, his opponent was not a straw man: some very prominent voices during the war were calling for just such a regime for post-war Britain. The dangers he mentioned were taken seriously by at least a subset of those who were advocating socialist planning, Barbara Wootton being a prime example.<sup>33</sup> It should finally be noted that every country that has put into place a system that approximates full nationalization of the means of production has done so at the cost of political and civil liberties. The German Democratic Republic, most would agree, was democratic in name only. This is why samizdat copies of Hayek's book appeared, at great risk to the distributors, behind the iron curtain. His description matched all too well the experience of those forced to live under such regimes.

Of course, the many who did not embrace full nationalization read the book not as offering a warning, but as predicting that once a society engages in a little bit of planning, it will eventually end up in a totalitarian state. One of the first to suggest this was Keynes, in his letter from Atlantic City: "...you are trying to persuade us that so soon as one moves an inch in the planned direction you are necessarily launched on the slippery path which will lead you in due course over the precipice" (Keynes to Hayek, 28 June 1944, in Keynes (1980), pp. 386-87). Over the years many, many others read Hayek in the same way, and from across the political spectrum, from Wootton to Keynes to George Stigler (Stigler 1988, p. 146). Perhaps the most recent example was Paul Samuelson who, in a paper remembering Hayek, praised him for his contribution to information economics, then in a section titled "The Road to 'Exactly What?'"

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<sup>33</sup> In a footnote in his Foreword to the 1956 paperback edition of *Road*, he describes her book *Freedom under Planning* (Wootton 1945), a response to *Road*, as "courteous and frank."



criticized Hayek's dire "predictions," asking of Sweden and other Scandinavian countries, "Where are their horror camps? Have the vilest elements risen there to absolute power?" (Samuelson 2009, p. 3).

Though it may seem like a minority opinion, I think that it is evident that Hayek viewed his words as a warning rather than as a prediction of some necessary outcome. We have already noted his words in his introduction that he was not arguing that the developments he would describe were inevitable. He also said there that every country's path is different and that there are "no laws which history must obey" (Hayek [1944] 2007, p. 57). Perhaps even more to the point, *Road* was intended to be part of a larger work in which he would criticize the historicist belief that there are inevitable trends in history. It might be added that, as we have shown, Hayek allowed a substantial role for the state in his all-too-brief description of the functions of government in a liberal regime. Recall too his remark about the mistake of a "wooden insistence" on laissez faire. Finally, his easy acceptance of the prospects of the state providing a basic minimum of income for all, and his claim that "an extensive system of social services," whatever that means, need not be incompatible with competition, does not sound like someone who thought that a movement in the direction of greater state participation in the economy was a slippery slope.

So why was he read that way by so many? How did this interpretation become so prevalent among both opponents and admirers? The question brings us to the final part of our story, in which we will examine the reception of *Road* at the time of its initial publication.

## VII. Reception – Hayek Reaches a New Audience

Writing to his friend the philosopher Karl Popper the summer after the publication of the British edition of *Road*, Hayek spoke of the reception of the book: “The success is in a way much greater than I had ever hoped for – but not altogether of the right kind: not, so far, among the liberals but almost exclusively among the conservatives, at least if one is to judge by the discussion in the press. The liberal press was rather sniffy about it...” (Hayek to Popper, 8 July 1944).

Hayek’s discomfort at having his book embraced in conservative reviews was probably due to their emphasis on the more provocative parts of the book. *The Listener*, for example, offered its readers a brief and approving reprise of what it took to be the central message, that planning would lead to the worst getting on top.<sup>34</sup> The liberal wing of the Conservative Party, searching for a theme for the coming election, was also enthusiastic. For them, “*The Road to Serfdom* appeared as manna from heaven” providing “the intellectual apparatus to assail the gathering political enthusiasm for the post-war planning which they had, up to then, only managed to postpone” (Cockett 1995, p. 91).

A key role was played by Ralph Assheton, the Conservative Party Chairman. Assheton bought fifty copies of Hayek’s book when it was first published and distributed it to others in the Party. Once the election had been set and hoping to attract liberals and others worried about planning to the conservative camp, he began incorporating Hayekian themes into his stump speeches, one of which he sent to Churchill. The Conservative Central Office even gave up 1 ½ tons of its precious paper allotment for the election campaign to bring out an abridged version of the book. Unfortunately for them, due to printing delays it did not appear until the next year, too late for the 1945 general election. The abridgement carried no explicit reference about who made

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<sup>34</sup> The unsigned *Listener* review appeared on 30 March 1944. It and other reviews may be found in the FAHP, 135.10-15.

it possible, though it did replace the quotes from Tocqueville and Hume on the title page by one from Churchill, surely a tell (Shearmur 2006, pp. 311-12).

This brings us to how Hayek became a figure in the 1945 general election. For better or worse, Churchill and the Conservative Party decided to run against the left wing of the Labour Party. The Party Chairman at the time was none other than Harold Laski, so they would set themselves in opposition to the doctrines that he had been so vocally supporting throughout the war. In his first radio address on June 4, 1945, Churchill painted a grim picture of what life would be like in Britain under a socialist regime:

My friends, I must tell you that a socialist policy is abhorrent to the British ideas of freedom... Socialism is inseparably interwoven with totalitarianism and the object worship of the state...No socialist system can be established without a political police... No socialist government...could afford to allow free, sharp, or violently worded expressions of public discontent. They would have to fall back on some form of Gestapo, no doubt very humanely directed in the first instance (Churchill, quoted in Kramnick and Sheerman 1993, p. 481).

There is little evidence that Churchill had actually read Hayek's book, but he had read Assheton's speech. In any event the images in what came to be known as the "Gestapo" broadcast came straight out of *Road*. If anyone had any doubts, the next night the leader of the Labour Party Clement Attlee in a calm and reasoned rebuttal dismissed the charge that socialism would lead to a loss of liberty as a "travesty," then noted its non-British origins:

I shall not waste time on this theoretical stuff which is merely a secondhand version of the academic views of an Austrian – Professor Friedrich August von Hayek – who is very

popular just now with the Conservative Party. Any system can be reduced to absurdity by this kind of theoretical reasoning, just as German professors showed theoretically that British democracy must be beaten by German dictatorship. It was not (Attlee 1946, p. 7).

The Conservatives, then, were intent on portraying Labour as the party not of its modest, avuncular leaders but of the “Red Professor” Laski, and Labour paid them back by showing that the Conservatives were under the sway of the theoretical ideas of one Professor Friedrich August von Hayek, the name by which he would forever be known by the left in Britain.<sup>35</sup> It was thus not altogether an overstatement when Hayek and Laski’s LSE colleague Lance Beale wrote that “the rival doctrines of the 1945 general election were derived from the London School of Economics” (Quoted in Cockett 1995, p. 95).

In the end the election turned on other matters. Churchill had been the perfect war time leader but many now wanted government in the hands of apparently unprepossessing and self-effacing, calm leaders like Attlee and Herbert Morrison. The Gestapo speech was widely viewed as a tactical error: even mainstream outlets like the *Times* and *The Economist* chided the Prime Minister, noting that his opponents in the Labour Party had served ably together with Churchill in the National Government right up until the election was called (Kramnick and Sheerman 1993, p. 481-82.) The British electorate was exhausted from the war and ready for new beginnings, and the Beveridge Report and steady drumbeat of reform proposals that had been issued throughout the war provided a way forward. In the end it was a landslide victory for Labour, which gained 393 seats to the Conservatives 213. The Liberal Party was reduced to 12 seats and would no longer be a serious electoral contender. Labour did embark on a policy of

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<sup>35</sup> See e.g. Hayek 1994, pp. 106-07.

nationalization, but began retrenching in 1948, by which time about 20% of the British economy was under public ownership.

Though the context was different in America – opposition to expansion of New Deal policies was a driving force behind the book’s popularity there – the reception followed a similar pattern, as the early reviewers were for the most part conservative enthusiasts. Here is a not unrepresentative treatment, from the *New York Mirror*: “If you love the USA and your liberties *The Road to Serfdom* is as precious as bread” (Casseres, 1944). Within ten days of its publication the University of Chicago Press had ordered a second and third printing, bringing the total to 17,000. They had a minor hit on their hands, but the qualifier is important. There were many books like Hayek’s published in this period, books that were quickly lauded by admirers and just as quickly forgotten. The whole episode would doubtless have ended up a footnote in Hayekian scholarship had it not been for the American newspaperman Max Eastman and the popular – it had at the time a circulation of about 8,750,00 – American magazine *The Reader’s Digest*.

In his youth Eastman had been radicalized, traveling to the Soviet Union for nearly two years in the early 1920s to study the Russian experiment. He married a Russian woman and befriended Trotsky, but after Lenin’s death he became increasingly critical of Stalin and his policies. By 1940 he was writing that Stalinism was worse than fascism, providing lines that Hayek could not help but quote in *Road* (Hayek [1944] 2007, p. 79). In 1944 he was a “Roving Editor” for *The Reader’s Digest* and someone at the Press had the presence of mind to send him a copy. Eastman loved the book, writing back that he would like to condense it in the magazine and to introduce it with these words:

*The Road to Serfdom* is, in my opinion, the most important political book of this epoch. If our civilization survives the desperate crisis it is passing through, it will be because we

arrive soon enough at the mature and expert wisdoms contained in this book. It is the science of our salvation, and ought to be taught and studied, not just read and discussed (Eastman to University of Chicago Press, 30 October 1944, UCP Archives, 230.1).

One can indeed sense a tinge of Trotskyite fervor in the lines “taught and studied, not just read and discussed.” He used another introduction, but the condensation appeared in the April 1945 issue, just as the war in Europe was ending, and that was the form by which most people got to know the book.<sup>36</sup> Though the condensation was competently done, it too of course emphasized the more provocative points. For those who found the condensation too taxing, the book was also summarized in a series of cartoons that appeared in a one-page spread in *Look* magazine that spring. These summaries virtually guaranteed that Hayek would be misunderstood by the vast majority of those whose knowledge of the book derived from such sources.

The story gets better (or worse). With its initial success the Press convinced Hayek to come on a speaking tour to promote the book in America, an academic sort of exercise in which he would visit five or six campuses. The *Reader's Digest* condensation came out while he was on a ship carrying him across the Atlantic. By the time he arrived the tour had been turned over to a professional promotion firm and Hayek ended up giving public addresses before a wide variety of business, academic, and general interest groups. The serious-minded professor had become, for the moment anyway, a media sensation.<sup>37</sup>

All the publicity made him a lightning rod of sorts, for he was lacerated by critics and lionized by enthusiasts. A few episodes are illustrative. On April 22, 1945 he sat for a University of Chicago Roundtable discussion of his book that was broadcast on radio. The other two

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<sup>36</sup> This included tens of thousands of servicemen in Europe who were waiting to be discharged and sent home. *Reader's Digest* was widely distributed to the troops.

<sup>37</sup> See Hayek 1994, pp.103-105 for a description of his American tour.

participants, both professors at the University, were Maynard Krueger, who in 1940 had been the vice-presidential nominee for the national Socialist party, and Charles Merriam, who had served as the vice-chairman of the National Resources Planning Board. There had been a warm-up session the evening before that became so heated that by the time the broadcast took place Hayek and Merriam “were scarcely on speaking terms” (Karl 1974, p. 291). As a transcript of the broadcast shows, the two men peppered Hayek with questions, with frequent interruptions when he tried to answer. At one point early in the broadcast Krueger even had to ask Merriam to “hold his horses” after Merriam told Hayek that American planners did not use the word in the same way Hayek did and “we do not like the way in which you push it on us.”<sup>38</sup> Though Hayek held his own it was more of a brawl than an academic discussion.

The very next day Hayek spoke before the Detroit Economic Club and got the opposite kind of reception. Typically leaning against the wind, a transcript of his talk shows him trying to correct various mistaken impressions. Ironically, the man who introduced him illustrated one of his concerns, dramatically likening the book to an airplane flying at night with great searchlights and loudspeakers on it, with lights stabbing into the darkness and showing roads in Germany and Italy and then America, with the speaker blaring the message: “Stop! Look! Listen!” Surely a Beckian moment, and Hayek was there to witness it.<sup>39</sup>

So what was his reaction to all of this? It appears from later interviews that though Hayek was initially taken aback by all the attention he came to enjoy giving extemporaneous lectures, which by the end of his tour he felt he had gotten rather good at doing (Hayek 1994, p. 105). But it is also clear that he thought that his ideas were being over-simplified and therefore misinterpreted. He complained in one newspaper interview about how a book that was not

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<sup>38</sup> Hayek 1994, p. 111. A transcript of the roundtable is included in Hayek 1994.

<sup>39</sup> A transcript of Hayek’s address and of his host’s introduction may be found in FAHP, 106.8.

written in any party spirit had been “so exclusively welcomed by one party and so thoroughly excoriated by the other” (Hayek 1945). This was important to him in part because the Republican party was more likely to harbor businessmen who simultaneously wanted both small government and government protection of their industries from foreign competition. When his tour took him to Washington D.C. he was invited by a Republican senator to speak before such a group, and in response to a question about tariffs he bluntly replied, “If you have any comprehension of my philosophy at all, you must know that one thing I stand for above all else is free trade throughout the world.” The reporter on the story added that, with that, “the temperature of the room went down at least 10 degrees” (Childs, 1945). The story ran under the gleeful banner, “Apostle Hot Potato: Austrian for Whom Senator Hawkes Gave Party Embarrassed Republicans.”<sup>40</sup> When talking before business groups he warned about the “very dangerous tendency of using the term ‘socialism’ for almost any kind of state activity which you think is silly or which you do not like” and that what was needed was “a clear set of principles which enables us to distinguish between the legitimate fields of government activities and the illegitimate fields of government activity. You must cease to argue for and against government activity as such” (FAHP, 106.8).

Hayek reflected on the varying responses to his American tour in the Foreword to the 1956 American paperback edition of *Road*, and he reiterated that he felt that he had been misread by both critics and admirers. The former “seem to have rejected it out of hand as a malicious and disingenuous attack on their finest ideals” and the reactions of some of the latter, many of whom he doubted had even read the book, “vividly brought home to me the truth of Lord Acton’s observation that ‘at all times sincere friends of freedom have been rare, and its triumphs have

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<sup>40</sup> It should also be noted that after the war had started but before America entered it, Hayek complained bitterly in letters to his friend Machlup about the American isolationists and was accordingly rather positive towards Roosevelt for gradually nudging America towards an interventionist stance. He even used a quote from one of Roosevelt’s speeches at the head of a chapter: see Hayek [1944] 2007, p. 65.



been due to minorities, that have prevailed by associating themselves with auxiliaries whose objects often different from their own; and this association, which is always dangerous, has sometimes been disastrous” (Hayek [1944] 2007, pp. 41-42). He was even more scathing a few pages later, when he sought to distinguish liberalism from conservatism. It is worth quoting at length simply because it goes against so much of what we think we know about Hayek:

It is true, of course, that in the struggle against the believers in the all-powerful state the true liberal must sometimes make common cause with the conservative, and in some circumstances, as in contemporary Britain, he has hardly any other way of actively working for his ideals. But true liberalism is still distinct from conservatism, and there is a danger in the two being confused. Conservatism, though a necessary element in any stable society, is not a social program; in its paternalistic, nationalistic, and power-adoring tendencies it is often closer to socialism than true liberalism; and with its traditionalistic, anti-intellectual, and often mystical propensities it will never, except in short periods of disillusionment, appeal to the young and all those others who believe that some changes are desirable if this world is to become a better place (ibid., pp. 45-46).

Fittingly, the defender of liberalism titled the epilogue to his opus *The Constitution of Liberty*, “Why I Am Not a Conservative” (Hayek [2011] 1960).

Of course, not all conservatives believed or believe the things that Hayek attributed to them. He was writing in the mid-1950s and working at the University of Chicago, and apparently he was worried that whatever liberal movement might be reawakened in the United States might be derailed by books like Russell Kirk’s *The Conservative Mind*. In that book, Kirk had emphasized belief in a transcendent order, the “mystery” of human existence, and the notion of natural orders and classes in society, all of which were anathema to Hayek. “Why I Am Not a

Conservative” started out as a speech at the Mont Pèlerin Society and was aimed at the ideas in Kirk’s book, and caused a bit of a furor there.<sup>41</sup>

In his Foreword to the 1956 American paperback edition of *Road* Hayek also clearly restated why he wrote the book. His concern was that “England herself was likely to experiment after the war with the same policies which I was convinced had contributed so much to destroy liberty elsewhere,” and that the policies he opposed were “hot socialism,” a doctrine that by 1956 was “nearly dead in the western world” (Hayek [1944] 2007, pp. 40, 44). He also expressed his hope “that at least in the quieter atmosphere of the present it will be received as what it was meant to be, not as an exhortation to resistance against any improvement or experimentation, but as a warning that we should insist that any modification in our arrangements should pass certain tests (described in the central chapter on the Rule of Law) before we commit ourselves to courses from which withdrawal may be difficult” (ibid., p. 45).

To sum up: Friedrich Hayek wrote *The Road to Serfdom* as a liberal who was worried that England would embrace “hot socialism,” or full nationalization of the means of production, after the war. His warning that socialism so defined was incompatible with democracy seems well born out. People who opposed such policies, but also anyone who thought government was getting too big, or saw that as a looming danger, would be happy to invoke the book to justify their position. Progressives who favored more government intervention would counter that many countries in Western Europe and elsewhere had expanded the size of the government sector and not experienced any of the horrors that Hayek described. In short, the slippery slope argument never dies because it is popular with both those who liked it and those who dismissed it. Despite

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<sup>41</sup> For more on Hayek’s attempt to differentiate conservatism and liberalism in the 1950s, see Burgin 2012, pp. 140-45. Hayek ultimately took to identifying himself as “an unrepentant Old Whig – with a stress on the ‘old’” (Hayek [1960] 2011, p. 531).

his protests, this was how Hayek was inevitably read. Ah, the dangers of choosing a provocative title.

There is a final wrinkle. Hayek never finished worrying about socialism. *The Constitution of Liberty* contains a chapter titled “The Decline of Socialism and the Rise of the Welfare State.” He argued there that though socialism as traditionally defined (nationalization of the means of production, or “hot socialism”) was dead in the western world, rising enthusiasm for the welfare state was troubling. Unlike socialism, the “welfare state” has no precise definition, and because its policies get advanced by one intervention at a time, it was much more difficult to criticize systematically, so also more dangerous. He worried that we could end up with greatly diminished liberties, but by a different process. He put it this way in his third, and final, preface to *Road*: “the ultimate outcome tends to be very much the same, but the process by which it is brought about is not quite the same as described in this book” (Hayek [1944] 2007, p. 55). So Hayek did believe that one could end up in serfdom by pursuing welfare state policies over a long period of time. No jackboots, at least not during the process. I think it is safe to say that that was his final position, and is the one he should be judged as holding.<sup>42</sup>

### VIII. Some Closing Thoughts

Even if Hayek was not always happy with how his book was read, its publication in America and his book tour was important for his later career, for it put him in touch in with people like Harold Luhnnow who ended up helping to fund the first meeting of the Mont Pèlerin Society, where he would get to know his future colleagues at Chicago, Friedman and, later,

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<sup>42</sup> See, e.g., his interview with Axel Leijohufvud in 1978, reprinted in Hayek 1994, p. 108.

Stigler. Luhnnow's largesse also helped to bring Aaron Director back to Chicago, and ultimately to fund Hayek's stay there, from 1950 to 1962 on the Committee on Social Thought.<sup>43</sup>

Has the book any applications to or insights for today? I think it does, for it was both a tract for its time but also a book that contains some timeless lessons. It certainly offers a counterargument to those who think that socialism – defined as state ownership of the means of production – and democracy can easily co-exist. After *Road*, the burden is on those who argue for socialism to say exactly what they mean by the term, how it would work, and why it is not susceptible to the problems Hayek identified.

Of course, most people who use the word socialism today, both advocates and critics, do not use the word in so precise a way. So perhaps another benefit of reading the book would be to try to raise the level of public discussion. The democratic socialist Jacob Marschak endorsed publication of the book because “the current discussion between advocates and adversaries of free enterprise has not been conducted so far on a very high level. Hayek's book may start in this country a more scholarly kind of debate” (Marschak, in Hayek [1944] 2007, p. 251). But that can only be true, then and now, if the book itself is actually read.

Another reason to read the book is for Hayek's sociological insights about how the worst get on top, and what life is like under authoritarian totalitarian regimes. The political tactics described in the chapter about “How the Worst Get on Top” makes for uncomfortable reading when one considers recent populist political movements and campaigns in Europe and the Americas. The chapter on “The End of Truth” in this age of alternate facts, fake news, social media hacking, and statements like “Truth isn't truth” is also sobering: all could be used as

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<sup>43</sup> See Van Horn and Mirowski 2009, Caldwell 2011, Mitch 2016, and Ebenstein 2018 for various aspects of this part of the story.

examples in a present day rewriting of the book. Are we today on another road, not following the exact path that Hayek feared, but with an equally distressing endpoint?

This paper has been an exercise in the history of economic thought, an attempt to clarify the record, which is one of the roles of the historian of economics. George Stigler, who contributed to the history of economics, held a positivist view of the proper way to do it. He thought that the history of how a set of ideas came to be written, the sort of exercise undertaken here, was irrelevant and unimportant; all that matters is the argument itself. In this Solow, Samuelson, and Stigler are all Stiglerian, and they also think that they have correctly identified what Hayek said. I submit that knowing the history is helpful more fully to understand why certain arguments are made, and also for an accurate understanding of what the arguments actually are.

I will however let John Scoon, Hayek's editor at the University of Chicago Press who wrote to a friend about the history of the book in May 1945, have the last word:

Bitterness about the book has increased as time has gone by, rising to new heights as the book has made more of an impression. (People still tend to go off half-cocked about it; why don't they *read* it and find out what Hayek actually says!) (Scoon, in Hayek [1944] 2007, p. 257).

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