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Review

Reviewed Work(s): *The Road to Serfdom* by Friedrich A. Von Hayek

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Economic, Social, and Environmental

RICHARD N. COOPER

*The General Theory of Employment,
Money, and Interest.* BY JOHN
MAYNARD KEYNES. London:
Macmillan, 1936, 403 pp.

Without a doubt, Keynes' *General Theory* has been the most significant book on economics in the past 75 years. Born of the 1930s Great Depression, it revolutionized both thinking within the economics profession and attitudes toward public policy, notably the possibility for the government, through budgetary policy, to stabilize the national economy and above all to prevent a repetition of the Depression. It in effect created the subfield of macroeconomics.

Curiously, the *General Theory* as cast assumed a closed economy; it was left to others to adapt the theory to the more realistic case of economies open to foreign trade and movements of capital. But Keynes himself was highly sensitive to the international environment. He first became widely known for his *Economic Consequences of the Peace* (1920), a trenchant criticism of the Treaty of Versailles, which reached the highly charged conclusion (later challenged by others) that the economic burden on Germany of proposed reparations was impossibly high, and if vigorously pursued would ensure economic privation and social upheaval and even prevent lasting peace in Europe.

Social Insurance and Allied Services. BY
WILLIAM BEVERIDGE. London: Her
Majesty's Stationery Office, 1942,
299 pp.

Despite many precursors, the modern formulation of the welfare state can be attributed to the Beveridge Report. It was commissioned in 1941 by the wartime Grand Coalition of Conservatives and Labour under Winston Churchill and charged with examining the British system of welfare and economic support and making recommendations for changes after the war. Sir William Beveridge, former director of the London School of Economics, sought to abolish want in Britain by establishing a national minimum level of income (\$8 a week for a childless couple, 57 percent of the then-prevailing average wage, plus an additional allowance for each child) for everyone, regardless of circumstances. A centrally administered national system of universal social insurance, comprehensive both in coverage and scope, would cover the unemployed, disabled, widows, and pensioners, with flat-rate contributions, flat-rate benefits, and no means test. Health care was to be provided to everyone at moderate charge through a National Health Service. Financing was to be based mainly on employer and employee contributions, with relatively modest help from the national exchequer. A modified version of Beveridge's recommendations was adopted in Britain after 1945, and it set the framework of debate and often the pattern of adoption in many other countries, especially in Europe.

The Road to Serfdom. BY FRIEDRICH A.
VON HAYEK. Chicago: University of
Chicago Press, 1944, 274 pp.

The Road to Serfdom is an intellectual attack on socialism. Hayek's main message was that central planning and public ownership would lead slowly but inevitably to totalitarianism. Written in the midst of a titanic

Significant Books

struggle against Nazi Germany and Fascist Italy, the book offended many because it suggested that the intellectual influences in Germany were also present in Britain and the United States, and if unchecked would lead to totalitarian societies in those countries as well. The tract was part of an ongoing debate in Britain on postwar arrangements for organizing the economy and society and was received as such there, leading to alterations in the program of the Labour government of 1945.

It had a more dramatic impact in the United States, where some American liberals charged Hayek with being hopelessly reactionary, while some conservatives embraced him as a kindred spirit and intellectual champion. In fact he was neither. As he explained in an annex to *The Constitution of Liberty* (1960), which set out his arguments more thoroughly, systematically, and at greater distance from the highly charged atmosphere of 1944, he does not consider himself a conservative but rather a liberal in the tradition of John Stuart Mill and other European liberals.

Economics: An Introductory Analysis. BY PAUL A. SAMUELSON. New York: McGraw-Hill, 1948, 622 pp.

Samuelson's *Economics* has probably been the most influential textbook in the field, certainly since Alfred Marshall's *Principles of Economics* (1890). In 1947 Samuelson published *Foundations of Economic Analysis*, which drastically redirected the advanced study of economics toward greater and more productive use of mathematics, both to integrate seemingly diverse branches of economics into a few core concepts and to sort out key differences underlying seemingly divergent propositions. As if to compensate for this abstract work,

Samuelson in 1948 published a comprehensive, clearly written introductory text. Now in its 15th edition, it has sold upwards of 4 million new copies, and many times that on the used book market; it has been translated into more than 30 languages, some of them in pirated editions. Since economics is one of the most commonly taught courses in American colleges, few texts have been studied by so many. Samuelson was also influenced, but not dominated, by the Keynesian revolution of the 1930s, incorporating the relatively new subject of macroeconomics, with its implications for the role of government in stabilizing the economy.

Silent Spring. BY RACHEL CARSON. Boston: Houghton Mifflin, 1962, 368 pp.

A former marine biologist with the U.S. Fish and Wildlife Service, Carson drew attention to the unintended and often disastrous consequences of the mass use of insecticides, such as the death of species (especially birds) higher in the food chain through loss of food, concentration of toxic chemicals, the emergence of resistant strains of insects, and, paradoxically, increased devastation of some crops as natural insect predators turned out to be more vulnerable than the targeted pests. *Silent Spring* sold over a half million copies and crystallized the environmental movement in the United States, which has since become global. It led directly to the U.S. ban on domestic use of DDT in 1972 and of other chemical insecticides. More generally, it explained, in comprehensible and occasionally poetic prose, the complex dynamics of ecological systems, and the fact that heavy human or other external pressure at any one point can have