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LAISSEZ FAIRE: PRO AND CON

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MY TITLE might have been “Laissez Faire in Some Recent Discussion—Political but Especially Literary-academic,” as will soon appear. My interest in economics, as I need hardly say here, has been that of a teacher, especially of its general principles. What should be taught in schools, and how? And, especially, what is the role of general principles, and what are their limitations? I cannot say much about principles themselves but must stress that the most important are things everyone knows, that are self-evident. However, that does not make it easy to teach things—for reasons that would need long discussion. I have repeatedly said that the way to sounder economic thought and action calls less for “research” or discovery than for more common sense instead of nonsense. My reflections on education recall James H. Robinson’s remark in a lecture on the subject, that “reflections” is an ambiguous term—and I mean here partly aspersions. One of my favorite quotations is Josh Billings’ saying that “it’s not ignorance that does most damage, but knowin’ so derved much that ain’t so,” that is, prejudice.

Laissez faire of course simply means freedom, in the particular case of economic policy: freedom of economic conduct from dictation by government. Our

* This paper has been somewhat revised from a draft prepared as a talk to a student-faculty seminar at the University of Chicago; it was also presented on two other university campuses.

society professes freedom as its basic ideal, yet laissez faire has of late become almost a dirty word, and the situation needs investigating. Of course governmental action, if effective, limits freedom, and few of us are anarchists. It should not be necessary to argue either for or against laissez faire in principle, the issue lies in the amount of freedom, or of control, and the kinds, which depend on circumstances.

Political control versus laissez faire—letting events take their natural course—is for analysis the first question on policy, but it is realistic only as raised by the need to decide concrete issues of action. My interest is in economics as a science, but as one useful for guiding conduct; and the action in question is social, which means political. I must stress that the science itself deals with individual conduct, but in society and as preliminary to that of politics. I speak of “conduct,” not “behavior,” to stress that it is purposive and in the distinctive sense of direction toward an end to be achieved by efficient use of means. But it is an *intended* end, and of course should be “good”; but a science *describes*, leaving judgment of ends to the disciplines dealing with values, chiefly ethics and aesthetics. Economic science is *instrumental*; the ends are taken as “given”—and so are the means, to the acting subject, when he makes any choice. Being “scarce,” they must be economized, selecting ends in their order

of importance and using the best available technology. That, too, is treated by other disciplines, engineering, and others.

Economics is descriptive in a sense; but ends are not known, either to the chooser or to others, by sense-observation; so it is not "empirical" in the meaning of sciences of nature. And the same is partly true of the means, as far as they are personal capacities. Economic knowledge comes partly by inference from observed behavior but chiefly through mental intercommunication, and so is very imperfect. Knowledge of nature also depends on intercommunication, for verification by comparing reports of different observers in that field is essential; that subject, however, belongs to philosophy, the theory of knowledge. Still less does vision or touch tell whether ends are good, especially because men have other purposes than the economic, which is maximum satisfaction of wants through efficient use of available means, internal and external; for example, play and aesthetic enjoyment, and we note that if wants are bad, efficiency is harmful—a vital consideration for freedom and policy.

Again "reflecting" on education—meaning schooling. During a lifetime of working at the trade and considering its results, one thing has disturbed me more and more. Schools can teach information and many skills, but they do not seem to be successful in developing good judgment. They can even teach *logic*; but I like Charles Kettering's definition of that as an organized way of going wrong with confidence—and especially, he should have added, of misleading others. Men's errors mostly lie in their premises, not in bad logic; one can prove nearly anything from plausible premises merely by treating half-truths as the truth, and that is commonly done in

political discussion, as I shall show. Students seem to acquire skill in forming and promoting such arguments (the familiar figure is throwing out the baby with the bath water). The main vice is absolutism: holding that a statement must be either true or false and that, if false, the antithesis must be true. A case often brought to mind is "Marxism," with its false premise of two social classes at war, and the inevitable victory of the "proletariat." This is misnamed as a materialistic interpretation of history and the result as "communism" and "people's democracy"; both are mere embezzlement of language. The Russian system is anti-democratic, negates freedom, and is farther from communism than that of the United States, falsely contrasted as capitalism. It is capitalistic, but so is Russia and any economy using human artifacts. In control are not capitalists but entrepreneurs and, finally, consumers. Marxist economics is a tissue of absurdity, but, sad to say, much nonsense has also been published by advocates of *laissez faire*, as I shall go on to show.

Laissez faire, that is, economic freedom, if taken in anything like an absolute sense, means anarchism and is indefensible; yet significantly, bright and idealistic people have advocated it, even under that name. That its opposite, dictatorship, is odious should not need arguing in a society claiming to be conceived in liberty. (And dedicated to equality, according to Jefferson and Lincoln; more must be said about that.) But both extremes are in fact impossible, and it is absurd to argue for either *laissez faire* or "planning" against the other as a general principle. On the one hand, man is a social animal—willy-nilly—and social life sets many limits to freedom. On the other, even Stalin's Russian

dictatorship allowed much freedom, especially economic, to the common man. The organization was based on markets and prices, like our own; the consumer got a money income and chose among purchases at set prices; the worker could choose among occupations at set wages and on other fixed terms, and some property ownership and accumulation at interest and some bequests were allowed. But it was far from a free system in our meaning of the word.

The issue between *laissez faire* and government control could not arise outside of an economic and a political order related in a way that makes sense under modern conditions. (It could arise, in theory, for the rulers, under an unfree government; but we need consider only free enterprise and a democratic state, which presuppose cultural freedom also.) All these concepts are of recent historical birth. In the sweep of human history we find little personal freedom until the past few centuries, and no democracy in the meaning fitting a modern nation-state. A sketch of the history, to show how it all came about, might begin with the Middle Ages, in western Europe, with attention centered first on England, or Great Britain.¹ Medieval society was essentially primitive, tradition-bound, under laws held divinely ordained and hence immutable, since God does not change his mind. The masses were subject to a feudal nobility, and the legal order was topped by a church that claimed divine authority to loose and unloose on earth and in Heaven; but it pretended not to make laws, only to

¹ Ancient Athens gave us the word "democracy" but not with a meaning similar to ours. It was a tiny city-state with a social order based on slavery and subjection of women. It was not governed by chosen representatives, and the moral code permitted infanticide and other practices now abhorrent. And its independence was short-lived.

apply laws divinely given. It dispensed forgiveness of sin, and salvation from eternal fire, after burning alive on earth, as punishment for disobedience in belief or conduct. Any claim to freedom was heresy.

In the modernizing movement, two rough stages may be distinguished. By the Renaissance period, feudal power was concentrated into monarchies, with sovereigns claiming to rule by divine right. Conflict with the church was inevitable and arose as the monarchs began to enact some laws by decree. At this period, modern science was born, beginning with the new astronomy of Copernicus and Galileo, followed by Newton. Despite the church, it spread to other fields—medicine and mechanics—and became the basis of modern technology. The Crusades had led to a rediscovery of ancient learning and to growth of commerce. The monarchies had to encourage these individualistic activities because they needed the new wealth they yielded, as "sinews of war." The clash produced the Protestant Revolt, and Wars of Religion—the real start toward freedom, though the monarchs did not mean to be more liberal than the church or its popes had been.

The crucial social change of the period was a partial secularization of politics—especially the desanctification of law—allowing it to be changed. Full freedom to legislate, crucial for a free society, came later, with democracy, at a second stage, which transferred sovereignty to the people. This stage reached a climax in the late eighteenth-century "Enlightenment," marked by the American and French Revolutions. The growing power of wealth had forced the sovereigns to incorporate "commoners" into their councils, along with the nobility and clergy, forming parliaments, notably

in Britain. There the Reformation took a special course, and the revolutions of the seventeenth century, with the victory of Parliament over Stuart absolutism, was a step toward liberalism. Abolition of monopolies based on royal grant and replacement of feudal dues by national taxation, controlled by Parliament, were important. And there was some movement toward religious toleration, freeing the mind for thought and expression, which is basic for all other freedoms. French "excesses" caused some reaction of feeling in Britain; the new American republic fell short of full democracy with equal manhood suffrage, and the country had still to get rid of slavery. In France and on the Continent, the revolution was followed by the Napoleonic despotism, the Council of Vienna, and a generation of repression. But in the West, formal political equality made progress during the nineteenth century and was completed with woman suffrage after World War I (except for Switzerland).

The whole movement from, say, the twelfth century to the early twentieth constitutes, I contend, the greatest cultural revolution known to history. It is comparable to the "fall" of classical civilization with commission to the mystery religions, ending in establishment of medieval "Christianity." It effected a "transvaluation of all values," replacing the general ideal of conformity and obedience with that of freedom-and-progress—freedom for progress and progress through freedom.² The phrase im-

² I go back to the twelfth century because there was something of a "break" in the thirteenth, a partial "renaissance" connected with the translation of Aristotle's main works into Latin and his replacement of Platonism in the official philosophy of the church (led by Thomas Aquinas). But the peak of church power also came in this century, followed by "schism" of the papacy, the great councils, and so on.

plies the dynamic of intelligent action, *not* "inevitable" historical progress—apart from Herbert Spencer's later naïve interpretation of "evolution," which was brilliantly opposed by T. H. Huxley, the great popularizer of Darwinism.³

In this paper I cannot discuss progress in history, which would call for an impossible digression on historical causality and social ethics. At the moment, I merely note that the intelligent action called for is both individual and collective and that the laissez faire principle assumed individual intelligence at an impossible level, and if taken rigorously would restrict social action to the policing of freedom. This was and is commonly taken to mean "individual" freedom, an absurdity which will presently be spelled out.

The phrase, laissez faire, is of course French; it arose in the eighteenth century, before the revolution, in connection with foreign trade, which the king wished to control in the supposed national interest. At this time, the new "science" called "political economy" was growing up, chiefly in Britain. It was effectively founded by Adam Smith, with his book *The Wealth of Nations*, published in 1776 (nearly coinciding with the American Declaration of Independence, the great manifesto for political liberty, as Smith's book was for economic). The expression was not used by Smith or his early followers, but their writings were essentially propaganda for the doctrine in domestic economic relations as well as foreign.⁴ As to foreign trade, all "good"

³ In his Romanes lecture of 1894 on "Evolution and Ethics," it was published with the addition of more pages of Prolegomena and footnotes in his *Essays*, Vol. IX.

⁴ The history of the phrase in English has been written, especially by D. H. MacGregor (1949, chap. iii); it is supplemented by Edward R. Kittrell in an

economists since Smith have favored free trade, that is, laissez faire, against "protectionism." But the public and its chosen political spokesmen have not—and do not. And this illustrates one main thesis of this paper, that people very often rank prejudice as truth over unquestioned fact and the simplest logic. Of course, taxing imports reduces exports, unless these are given away; and the effect is simply to curtail specialization where it is of the greatest advantage, between distant regions with different resources and skills. The French writer Bastiat neatly disposed of the economic issue in his mock petition of the lamp makers for prohibition of windows because their business was crippled by competition of the cheap foreign light from the sun. (There may be political or cultural reasons for regulation, exactly as with domestic trade.) Protectionists, indeed, are not absolutists—but why not? If the principle is sound at all, all trade should be stopped, making everyone economically self-sufficient. Exchange of product *A* for *B* is a method of producing *B*, and managers have the same incentive as in any other case to choose the more efficient process. Simi-

article in the *Journal of the History of Ideas* (1966).

Smith and the others did not argue for freedom in terms of economic principles—maximum want-satisfaction, and so on. That was to begin a century or so later. Smith, after criticizing other systems, essentially treated as self-evident "the obvious and simple system of natural liberty" (*The Wealth of Nations*, Modern Library edition, p. 651). As to the end, he was ambiguous. On page 352, he said, "The great object of the political economy of every country is to increase [its] wealth and power." But on page 625, "consumption is the sole end and purpose of all production"; and on page 397, we find there are "two distinct objects: first to provide a plentiful revenue or subsistence for the people, or more properly to enable them to provide [this] for themselves; and second, to supply the state or commonwealth with a revenue sufficient for the public services."

lar reasoning condemns most price fixing; our farm program obviously creates surpluses, or forces arbitrary restriction of production, and soon becomes a handout to landlords, not farmers. Nor can wages be raised above the free-market level without causing unemployment, lowering other wages—hurting the weakest; it requires support by relief and retards economic growth. Strangely, again, wage demands are limited—but then men's practices are commonly less stupid than their arguments—a point for educators.

Smith does immediately follow his "obvious and simple system" statement with three general qualifications (*loc. cit.*), three and only three tasks for the sovereign. They are: (a) defense against foreign powers, (b) establishment of an exact system of justice to prevent members from oppressing others, and (c) maintenance of certain public works and institutions. Defense is, of course, a euphemism, and justice must be defined. Smith's long discussion of public works contains important points, particularly on education, where he stood for a bare minimum of local public action. That cannot be taken up here. Nor is it possible to follow the official extension of the laissez faire policy to the extreme advocated by Smith and his successors. In foreign relations, this was completed after the repeal of the corn laws in 1846. Meanwhile it had been carried to extremes domestically, and intolerable conditions provoked a reaction toward government control that has been growing ever since. It began with "factory acts" to protect children and helpless women, where its application was never defensible.

Apart from advocating laissez faire, the writings of the early economists con-

tain much irrelevance and even nonsense. For instance, Smith's statement that monopoly price is "the highest which can be got . . . squeezed out of buyers," which Ricardo repeats and at once adds two more "howlers" of his own. Use value was rejected as the cause of exchange value by ignoring that men buy water and diamonds by increments and not all-or-none. It took the best minds a century to discover that wants are progressively satiable—and many writers still see only relative weakening, which is plainly "absolute" for any one good—other things being equal. And the diminishing utility of money income is still questioned, in defiance of common sense.

In eighteenth-century Britain there was some excuse for preaching *laissez faire* and—one might urge—leaving necessary qualifications to be worked out in the light of later developments. This is not the case today, but such preaching has currently been revived at the literary and academic level. In these circles the limitations now call for emphasis, while for "the public" it is still urgent to stress economic freedom and especially to oppose the vast amount of stupid governmental action—notably forcing higher wages, directly or by encouraging monopolistic labor unions (while opposing business monopolies which do much less harm and are often unreal or inevitable, or in fact beneficial). In the "literary" field, the special reference is to two books, which were the chief impetus to the writing of the present paper. Some notice of these will be a good introduction to the main problem, especially the limitations of *laissez faire* theory and policy. The first of the two books, by date, is F. A. Hayek's *Constitution of Liberty*; the second, Henry Hazlitt's

Foundations of Morality. The latter is more "extremist," but I have reviewed it at length (1966), and I shall here give more attention to Hayek's argument—without pretending to "review" the book. Both books state strong and, in principle, largely sound debating arguments for freedom.

First, a note on Hazlitt's position, the more extreme. Both stress the necessity of a framework of law for the free economy. (Hazlitt says "good" law and a "high" standard of morals, p. 307.) Both are weak—Hazlitt more so—on the content of needed law, and say nothing or little about social procedure for getting proper laws. Hazlitt excludes legislation, leaving changes to spontaneous historical growth (p. 64), and Hayek tends to the same conclusion (see especially p. 198), but is not consistent. On content, Hazlitt quotes Hayek (p. 67) for limiting state coercion to enforcement of "known" law. Hayek equally stresses *generality* and says that laws should be known in the sense that decisions are predictable, the judge having no choice in making them (p. 153). One may ask why any case would ever be brought to trial! Hazlitt says that society is "nothing but . . . combination for cooperative effort" (pp. 35, 309), which is the "essence of morality" (p. 359). He illustrates by a card game (pp. 307 ff.), where the end of the players is victory, hence opposed; no production of a useful result is in question, and would destroy the spirit of play. On the economic order, he says, "The system of capitalism, of the market economy, is a system of freedom, of justice, of productivity . . . infinitely superior to its coercive alternatives" (p. 324). The absurd assumption that men left free will do nothing but, or nothing opposed to, economic

co-operation through exchange in markets will excuse omitting further discussion of this book. The importance of the half-truth in both men's arguments will be stressed later.

Turning to Hayek's book, it merits credit as an imposing work of historical scholarship⁵ which this writer lacks the learning to criticize in detail. Over four hundred large and packed pages are followed by 110 of notes in small print, and an index of names listing over eight hundred authors quoted, some twenty

⁵ Hayek, on close reading, disappoints as a treatment of freedom. This reader finds no serious effort even to state clearly the practical problems of personal freedom or free society. The book "straddles" on the philosophical problem of freedom versus universal causality (pp. 72, 73). "Of course" human acts are caused, "largely," but as certainly, not completely. How far does not matter, since animal behavior is based on release of potential energy, in which there is almost no quantitative relation between cause and effect; "trigger action" may multiply an effect indefinitely. Furthermore, it seems rather pointless to discuss personal freedom apart from control of means of acting, and opportunity to act, and an interest in acting, as is done here. More serious—man is a social being, and freedom in society rests on agreement on forms and terms of association, that is, free agreement on the laws, or "government by discussion." This concept is not mentioned, as far as one notices. (The word "agree" does occur [pp. 314, 315] but is not on solving a problem.) The book, apart from historical content (which this writer lacks learning to criticize in detail), is propaganda for "government by law" but against law "making"—law is to be left, or "almost," to spontaneous change in tradition (like language; which is barely mentioned [pp. 24, 57, 59, 434 n.] but not developed or the analogy pressed). Of course, a large and basic element in law—its premises, the mores—does have that character and so is beyond the reach of social action (except by vague reflex influence of "jural" law).

In a recent lecture at the University of Chicago—repeated from a tape recording—Hayek attacked the idea of social economic justice. He held that we are committed to the enterprise organization and must take what it brings, working without political interference. The substance of this is absurd, but it is right to reject the ideal of social justice. It is hopelessly undefinable, meaningless; and there is some prospect of agreement on concrete *in*justices and on procedures to lessen them.

times or more. (A pretentiously elaborate Subject Index is disappointing in use.) However, my first criticism has to do with history. The treatment of the beginning of personal freedom is in a chapter (chap. xi) entitled "The Origins of the Rule of Law," and for the author this concept virtually defines liberty. The first sentence defensibly locates the beginning in seventeenth-century England (p. 162), focusing on the struggle for judicial independence—from the crown!—(p. 171), with incidental notice of Parliament and legislation. "In the dispute about authority to legislate, in which contending parties (not named) reproached each other for acting arbitrarily, i.e., not in accordance with recognized general laws (assumed to exist), individual freedom was *inadvertently* advanced" (p. 163, italics added). Since freedom is to mean the rule of law, not of men (p. 166 on Aristotle versus Hobbes), it means freedom from government, in contrast with free government. It is defined as "the opposite of coercion" (p. 133), surely meaning absence of the latter. Like justice these are relations between persons (p. 99), and coercion "occurs when one man's actions are made to serve another man's will, not for his own but for the other's purposes" (p. 133). (Can no one be coerced for his own good?) The Middle Ages are mildly extolled for "more liberty than is now commonly believed" (p. 160—retracted as to personal liberty in the next sentence). It was of course the power of *the crown* to legislate that was threatened by the opposition to absolute monarchy, until *Parliament* established legislative supremacy in the Civil War and the revolution of 1688. Supremacy over the executive followed naturally and *for democracy* over the judiciary also.

Hayek does not mention the crucial events that led to or constituted the Liberal Revolution, establishing free society, that is, democracy in the broad meaning, especially a political order minimizing compulsory law as well as exercise of arbitrary power, and restricting the latter to acts by lawful agents of the society, approved or accepted by public opinion. Surely the crux of political democracy was and is vesting of sovereign power in "the people," to be exercised through enforcing and making laws by representatives; these are chosen freely—as freely as possible—by majority vote (sometimes plurality) where public opinion (or will) is seriously divided. It is "rule of law" indeed, but where direct force of public attitudes does not suffice, by men authorized to interpret and enforce existing formal law *and moral tradition*, making legislation necessary. The law makers are chosen through free discussion and voting, and so held "responsible to public opinion," in the only possible way. The true maxim was well stated in William Penn's "Frame of Government" for Pennsylvania: "A government is free to the people under it (whatever be the frame) where the laws rule *and the people are a party* to the laws."⁶

The reason why Hayek in his pretentiously detailed history does not mention such crucial matters as church power, the "Reformation," and religious toleration leading to the primary freedom, that of the mind for thought and expression—and especially the growth of representative government—is clear to

⁶ The statement is posted in Independence Hall in Philadelphia and is found in any fair collection of documents of American history. Here copied from *The People Shall Judge*, prepared by the faculty of the College of the University of Chicago (1949).

any attentive reader. He is scornful of politically organized freedom. His book is organized around the thesis that there have been and are "two different traditions in the theory of liberty: one empirical and unsystematic, the other speculative and rationalistic—the first based on traditions and institutions which had spontaneously grown up and were imperfectly understood, the second aiming at the construction of an utopia, which has often been tried but never successfully" (p. 54). This is a calumny on democracy, and most of the famous utopias were based frankly on autocracy—a few on the naïve (anarchistic) assumption that men would spontaneously agree on all political and social issues. Hayek's own main general pronouncements are anarchistic in the proper meaning—that is, excluding "rulers" and ostensibly "limiting" legislation (p. 205) but logically excluding it.

One should, however, compare his treatment of democracy (especially chap. vii on Majority Rule); this makes many concessions to the merits but is mainly a "tirade" on the fallibility of majorities and their lack of moral right to make political decisions. "We have no ground for crediting [them] with the super-individual wisdom which . . . the products of spontaneous growth may possess." Both "may" of course be wise or unwise. "That whatever government does should be agreed to by the majority does not [make it] morally entitled to do what it likes; and for those who use 'liberty' in the sense of political liberty . . . the ideal can say nothing about what the aim . . . ought to be" (p. 104). This logically excludes even the aim of preserving liberty and implies that the government should do nothing unless, as already stated, to enforce laws perfectly

and universally known (which would hardly need formal enforcement). "There can clearly be no moral justification for any majority granting its members privileges by laying down rules which discriminate in their favor" (p. 107). Perhaps this has happened in some degree; voters follow their interests "too much," rather than objective judgments of abstract right; but they would need superhuman judgment never to do so, and a law which has any effect "discriminates," benefiting some and injuring others. However, it is hard to be consistently absurd, and as suggested before, Hayek in some chapters opens the door to much that humane liberals, common-sense "pragmatists" and even popular clamor would have government do. (See especially chap. xv on "Economic Policy and the Rule of Law," and chap. xix on "Social Security.")

A matter on which our author is notably absurd is his treatment of equality (chiefly in chap. iii on "Common Sense of Progress," chap. vi on "Equality, Value and Merit," and chap. xx on "Taxation and Redistribution"). His position is clear from two statements: "Equality of the general rules of law and conduct is the only equality which we can secure without destroying liberty" (p. 85). Objection to the use of coercion, to bring about a more even or a more just distribution does not mean that one does not regard these as desirable, but "the desirability of a particular object is not sufficient justification for the use of coercion" (p. 87). The error is in the extremism, absolutism—as with most impossible generalizations that literate and earnest people state for propaganda ends. To begin with, even equality before the law is impossible, and so is any close approach to it where people are

very unequal economically. Then, the very concept of economic equality is absurd in many respects; it has not been seriously advocated; and this cannot be done intelligently. Equalizing money income among "individuals" (if that can be imagined) would not make them equal economically and would mean gross inequality among families. (Only about half the population of the United States receives incomes, and those of quite wealthy persons or families may be zero or negative for any year or other interval.)

The supreme absurdity in Hayek's book is reached in his discussion of opportunity and particularly equality of opportunity (especially pp. 90 ff.). True, it was absurd of Commons and Dewey to spread an ideology that identified freedom with power (if they did); but it is also absurd for Hayek to ignore the close connection between the two. Freedom, correctly conceived, *implies* opportunity, unobstructed opportunity, to use power, which must be possessed, to give content to freedom, or make it effective. It is a common fallacy to demand power under the name of freedom, and usage badly needs the expression "effective freedom" to take account of power and of knowledge and other dimensions in the scope of voluntary action.⁷ The social problem of freedom centers in power and its use in relations among persons and between them and society or its agents. The definition of freedom formally as the opposite (or absence?) of coercion, including fraud (p. 149), does not mention persuasion—a highly important form of

⁷ A quotation from R. B. Perry (p. 424, n. 23) does state that one's effective liberty is proportional to his power. The concepts cannot be measured, and other variables must also be recognized. Hayek dismisses the idea with an irrelevant and silly wisecrack.

power over others that is very unequal and is recognized in law as “duress.” Nor does Hayek recognize that unequal power over things confers power over persons, or that the main general problem of freedom is unequal power, practically covering significant human inequality; nor, again, that freedom and power pertain to *free* beings, that mechanisms neither coerce nor are coerced. Determinists confuse the ability to choose with ability to do or get what one chooses. Hayek accuses others of inconsistency in using the concept of influence to prove that the will is not free. It does limit freedom, as he recognizes (pp. 74, 76), but denies the reality of a self—and apparently of “will” (p. 439, n. 7). But he readmits them under the name of personality; his argument against denying causality has never been in dispute, but causality does not negate all freedom. Absolute freedom or unfreedom is inconceivable. Appeal to facts and logic need not be coercive—though any form of influence may be used for the user’s ends, good or bad, or those of the subject, or for other good or bad ends.⁸

Hayek’s treatment of inequality is also a flagrant example of false generalizing. Again, no one—“in his right mind”—denies that great inequality is inevitable, in many forms, or that many of its implications are good. He defends property inheritance—also never denied—within limits. But it is mere dogma to assert that “bequest of a

⁸ If rigorous causality prevailed, human beings could not possibly know it, since that would require absolutely accurate measurement of cause and effect; and we do know the contrary, by direct experience. Were there no error, there could be no knowledge. Physics now builds on chance in nature, and freedom adds “action,” a creative element. Surely paradox cannot surpass men using free choice to deny that it exists—in effect to say that they are not saying anything.

fortune is socially by far the cheapest” of ways in which parents may give their children special advantages (p. 9). As if all the other ways were not already used along with it. Obviously, in exchange and other formally free relations, great inequality of power—which is the only issue, whatever the form—gives the stronger party some control over the weaker and may mean his helplessness. But for Hayek, even that does not prove coercion. He does not note that inequality tends to grow, especially economic; for one who at a moment possesses more wealth is in a better position to acquire still more. And free inheritance continues the tendency over generations. The facts have forced preventive or offsetting social action on a vast scale. The tendency is *not* disproved, as has sometimes been alleged, by the modern rough statistical constancy of the ratios between larger and smaller incomes. If all have grown at about the same rate, the differences grow at that rate, and it is differences not ratios that are felt, since they determine what the richer families can do and the poorer cannot.⁹

⁹ These remarks bring to mind the familiar saying of Lord Acton: “Power tends to corrupt, and absolute power corrupts absolutely.” Hayek often quotes Acton but, significantly, not this passage. More strangely, he omits one strongly supporting his position on inequality. Speaking of the French Revolution, Acton wrote, “The finest opportunity ever given to the world was thrown away because the passion for equality made vain the hope of freedom” (*History of Freedom*, etc., p. 57.) One does not know how seriously to take the French Revolution slogan, “Liberty, Fraternity, Equality.” None of the three can be measured or be absolute or be advocated as complete; but still they are important ideals, for the opposites are certainly bad and have prevailed far enough to force much preventive or offsetting social action. (Life’s evils are generally more objective than its goods; the Commandments mostly read “thou shalt not.”)

In general, Hayek follows the “individualism” of most price theory, implying absolute power of parents over children. He does grudgingly admit

Monopoly power, we read (p. 137) is not coercive unless it means strict control over a necessity of life, and then only if it is used to compel or prevent some particular act. The treatment violates even Hayek's indorsement of state power to enforce known and general laws. For anti-monopoly is deeply imbedded in modern law, jural and moral; the issue lies only in methods of dealing with it. The condemnation is often ignorant, or stupid, or prejudiced, greatly exaggerating both the amount and the evil; much monopoly is inevitable and much is good. This fact should be noted as a ground for less action and more discriminating treatment.¹⁰

The *laissez faire* postulate is correct for economic analysis, but its purpose and the conditions assumed should be made clear. In "methodology" there is an analogy between price-theory economics and the analytical mechanics of Galileo and Newton. (Relativity and quantum theory raise new issues.) The great difference is that motives—the analogue of forces—cannot be measured, or their laws approximately verified by experiment. (But forces in physics are

that freedom cannot apply to infants and irresponsible persons, but explicitly passes over the problems involved (p. 77). Clearly the family is the more real unit.

¹⁰ The early economists also wrote nonsense about monopoly—including J. S. Mill (1923, p. 449). They condemned it, assuming a basis in governmental grant, which called for no positive action; public ownership is not mentioned. Smith said that monopoly price is always the highest obtainable, which Ricardo repeated, adding two more absurdities in the next sentence (Sraffa, 1951, p. 294). Smith and Mill (Ricardo?) made statements showing that inwardly they "knew better" though they thought that protective duties create monopoly (which they do facilitate). They wrote about monopoly as if they did not know the meaning of the word, which had been used in English for some two centuries. (And Mill wrote nonsense about "scarcity value" [pp. 478, 479], as if there were any other kind.)

not observed; they are "metaphysical," and their laws are empirically as unrealistic as the utility principle.)¹¹

It is rather in another context, dealing with equality and inequality, that Hayek reaches the peak of fallacy. Only a few points can be sketchily noted here. His main treatment is found in two chapters: chapter vi on "Equality, Value and Merit," and chapter xx on "Taxation and Redistribution." In the former, we read that "equality of general rules of law is the only equality . . . we can secure without destroying liberty" (p. 85), a typical absolutizing of a half-truth. Of course social action does reduce freedom, but only killing people can destroy it. The variety of human nature is used to argue against equality (pp. 86–87) interpreted as "strictly egalitarian demands," a meaningless expression, as already noted. "A more even or just

¹¹ Further inquiry along this line would try to explain why modern minds accept the "unreality" in physics—as far as, at long last, they have come to do so—but so often reject economic analysis, to hold that its laws can be overruled by political action, and to advocate such action. Of course economists in describing economic conduct do not say that men always act on economic principles. But the law of falling bodies describes "free" fall, which does not occur; and bodies are made to rise—by applying the same law, much as in manipulating human behavior by coercion or deception. (It still largely exemplifies instrumental rationality, in view of the alternatives, as the acting subject thinks them to be.)

It should be noted that human beings do not naturally recognize objective cause and effect; their inclination was a product of the "liberal revolution" and has spread slowly and incompletely; bright minds still invent perpetual motion devices. Acceptance is opposed by language, which must use words that got their primary meaning from the primitive animistic or anthropomorphic world view and are now ambiguous. A descriptive cause is called a "reason"; "fact" means "deed"; and words for "why" commonly mean for what purpose, as English "why" once did. But in human conduct the relation between positive causality and free choice is subtle and much confused—witness Hayek's treatment.

distribution" is admitted to be desirable, but desirability "is not sufficient justification for the use of coercion" (p. 87). In particular, acceptance of the family as an institution is made to defend all inequalities in education that result from allowing parents absolute authority (pp. 89–90), regardless of means or inclinations. The opposed conception is said to be that the government should assure to all an equal start and the same prospects, instead of providing the same circumstances for all and allowing all to try (p. 92, somewhat rearranged); any objection to inequality is said to countenance envy, "camouflaged as social justice." In some cases, to be sure, there is the creditable motive of making differences in reward correspond to moral merit, but this is an indefensible contention (p. 93), of course, if taken in an absolute sense; but it is equally indefensible that a society can completely ignore merit. However, as noted before, Hayek's chapter xix on "Social Security" also contains statements interpretable as largely opening the gates to much action contrary to his general principles. Notably, on pages 300–301, he expressly takes for granted "public relief which provides a uniform minimum for all instances of proved need" obviating all "want of food or shelter"—proved by a means test (p. 303). Objection to this is "wholly irrational." Elsewhere, as at the beginning of the chapter, relief is restricted to "circumstances beyond [the person's] control," allowing for insurance, for which there is "perhaps" a case for compulsion (p. 298). But insurance is a "misnomer" unless each pays for what he gets, that is, according to the "risk." My dictionaries indicate no such restriction on the word, but it is impossible under private enterprise—which "in-

sure" that those who need insurance most cannot get it (surely a convincing case for public action).

Chapter xx is an essentially silly "tirade" against progressive taxation, or any use of taxation to "redistribute" incomes, considering all taxes (p. 397); but nothing is said about the definition of income (except for the absurd statement that a majority of people consider it as "the only legitimate and socially desirable form of reward" [p. 318]). The contention is for proportionality, that is, taxes to take an equal fraction of all incomes. This, we read, is the form of equality on which all taxpayers are likely to agree (pp. 314, 315). But they never have; and a near approach to the policy is impossible to absurdity. The particular taxes directly levied on income have sometimes been proportional to accountancy income after "exemptions," which are not mentioned here. "Agreement" means anything from complete ignorance to "volunteering" (very rare for donating to government), or abstaining from insurrection. It does not imply closely following rules professedly, formally, or passively accepted. It is usually wise not to ask what people really agree on—even two parties in conversation—or disagree on, when disputing. The argument that equal sacrifice is more reasonable than equal rates of taxation is met by a sophisticated rejection of utility analysis in general, especially the diminishing utility of income. Denying the possibility of comparing utilities between persons is indeed something of a fad among theorists who stress "Occam's razor" and logically reject all motives, or treat them as forces known as a measurable physical response. That clearly eliminates the idea of economizing itself. Of course (as noted before) utilities (and other mo-

tives) cannot be measured; no one thinks they are measured by prices. But the notion that a given increment of monetary income is no more important to a poor man than to a rich one is simply absurd; it is for the proverbial birds. Hayek also holds it to be an illusion that progression shifts the burden “substantially”(!) from those with low incomes to the more wealthy (p. 311). This is defensible for the very highest brackets, in the bulk of actual income tax payers, but Hayek goes on with the dogma that the policy makes “the masses” accept a much heavier burden than they otherwise would, and says that “its only major result has been severe limitation of the incomes that could be earned [*sic*; obtained?] by the most successful and thereby gratification of the envy of the less well off” (p. 311). It seems that all human sense of right and wrong—the latter more real—is also “illusion.” Hayek expressly repudiates “social justice” (in the book, see Index, and elsewhere, noted above). For him, justice is still defined, once and for all, by laws, and those are produced by spontaneous historical growth, not “made” by either men or God.

I have tried to show that, on the contrary, the concept of free society held in the modern West is rooted in the right of the people to change the laws. It is primarily on that right that there is agreement; for freedom or peace, they must somehow agree on changes to be made. That is where the problems lie, and they are hard. This view arose with the transfer of sovereignty to them from divine right monarchs who at the Renaissance had seized supreme power from the church. This, as noted above, had claimed at once unlimited right to make law and that it only administered law

which was divine and immutable. Hayek makes much the latter claim for “the state,” without the divinity, but allowing change by spontaneous “drift,” in the manner of language. No ground for state power is given, and about its nature we are told only that when on exception it must act positively, this should be done “democratically” by agreement of the majority. And we find bare mention of a “hierarchy of government” (p. 212) permeated by a relation between principal and agent. In its one rightful coercive role—enforcing known and general laws—it means judges, with nothing said about their selection or tenure, which of course fixes their real responsibility. We learn only what ought to be—according to Professor Hayek’s ideals and wishful thinking.

I must bring this paper to an end without, as I should like, going on somewhat more constructively. It must be understood that I have no wish to “pick on” Professor Hayek or Mr. Hazlitt, or to deal harshly with the founding fathers of economics. Of course I have selected statements which illustrate my main point, stated at the outset. It is that the main fault in economic opinions and public action is too much “nonsense”; and hence the main and easy road toward more truth is common sense, and silence or inaction where no positive doctrine or course can be shown to be “better.” The problem is not *laissez faire* versus political planning and control in general, but comparison of the result of market freedom with that of possible action by democratic procedure on specific problems. The citizen must understand the general principles of the two systems but *not* draw practical conclusions from an abstract analysis of either.

The basic principles are facts about human nature; and the major difficulty is that this is a tissue of paradox. Most generalizations about it are true—more or less—and also false, since conflicting statements are similarly true.

Men are and ought to be free; but even that statement should not be made as “the” truth. Exchange is free by definition, but unlimited market freedom would have “intolerable” consequence, as is shown both by general reasoning and by historical experience. Ideal enterprise and democracy both imply co-operation, but with human nature and conditions as they are, not at all necessarily fair co-operation or to the general advantage, individual or social. The major fact omitted in individualistic analysis is simply “competition.” Rivalry has no place in the general theory of either economics or politics, but is in fact a major motive in both fields because it is a major fact of human nature. Man is a contentious being, antisocial as well as social. When people are most free they *play*, usually in a contest of

some kind, in which the individual end is victory, not the production of a useful result. Here, what one gains, the other must lose—the opposite of intelligent exchange, though commonly asserted of market relations (as by many great writers in the past). But rivalry is much more prominent as a motive in democratic politics than in economic activity. Even judicial process, so much exalted by Hayek in particular, is in reality largely a contest between advocates more interested in winning the case than in legal or moral justice, let alone social well-being. Men are most disposed to co-operate in organizations for more effective competition—most of all, sad to say, in *war*—where they are most social-minded. The most one can say for freedom is that there is a presumption in its favor unless there is sufficient ground for believing that coercive action will yield a better result in a particular situation. But the antisocial side of human nature must be taken into account in any serious and intelligent discussion of economic policy.

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