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THE ESSENTIAL

F. A. HAYEK

THE FOUNDATION FOR ECONOMIC EDUCATION

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The Foundation for Economic Education



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Friedrich Hayek (1899–1992) was probably the most prodigious classical liberal scholar of the 20th century. Though his 1974 Nobel Prize was in Economic Science, his scholarly endeavors extended well beyond economics. He published 130 articles and twenty-five books on topics ranging from technical economics to theoretical psychology, from political philosophy to legal anthropology, and from the philosophy of science to the history of ideas. Hayek was no mere dabbler; he was an accomplished scholar in each of these fields of inquiry. He made major contributions to our understanding in at least three different areas—government intervention, economic calculation under socialism, and development of the social structure. It is unlikely that we will see the likes of such a wide-ranging scholar of the human sciences again.

—Peter J. Boettke. “Friedrich A. Hayek (1899–1992).” *The Freeman*. The Foundation for Economic Education. August 1992

1

The Case for Freedom

The case for individual freedom rests chiefly on the recognition of the inevitable ignorance of all of us concerning a great many of the factors on which the achievement of our ends and welfare depends.

If there were omniscient men, if we could know not only all that affects the attainment of our present wishes but also our future wants and desires, there would be little case for liberty. And, in turn, liberty of the individual would, of course, make complete foresight impossible. Liberty is essential in order to leave room for the unforeseeable and unpredictable; we want it because we have learned to expect from it the opportunity of realizing many of our aims. It is because every individual knows so little and, in particular, because we rarely know which of us knows best that we trust the independent and competitive efforts of many to induce the emergence of what we shall want when we see it.

Humiliating to human pride as it may be, we must recognize that the advance and even the preservation of civilization are dependent upon a maximum of opportunity for accidents to happen. These accidents occur in the combination of knowledge and attitudes, skills and habits, acquired by individual men and also when qualified men are confronted with the particular circumstances which they are equipped to deal with. Our necessary ignorance of so much means that we have to deal largely with probabilities and chances.

Of course, it is true of social as of individual life that favorable accidents usually do not just happen. We must prepare for them. But they still remain chances and do not become certainties. They involve risks deliberately taken, the possible misfortune of individuals and groups who are as meritorious as others who prosper, the possibility of serious failure or relapse even for the majority, and merely a high probability of a net gain on balance. All we can do is to increase the chance that some special constellation of individual endowment and circumstance will result in the shaping of some new tool or the improvement of an old one, and to improve

the prospect that such innovations will become rapidly known to those who can take advantage of them.

Imperfect Beings

All political theories assume, of course, that most individuals are very ignorant. Those who plead for liberty differ from the rest in that they include among the ignorant themselves as well as the wisest. Compared with the totality of knowledge which is continually utilized in the evolution of a dynamic civilization, the difference between the knowledge that the wisest and that which the most ignorant individual can deliberately employ is comparatively insignificant.

The classical argument for tolerance formulated by John Milton and John Locke and restated by John Stuart Mill and Walter Bagehot rests, of course, on the recognition of this ignorance of ours. It is a special application of general considerations to which a nonrationalist insight into the working of our mind opens the doors. We shall find throughout this book that, though we are usually not aware of it, all institutions of freedom are adaptations to this fundamental fact of ignorance, adapted to deal with chances and probabilities, not certainty. Certainty we cannot achieve in human affairs, and it is for this reason that, to make the best use of what knowledge we have, we must adhere to rules which experience has shown to serve best on the whole, though we do not know what will be the consequences of obeying them in the particular instance.

Man learns by the disappointment of expectations. Needless to say, we ought not to increase the unpredictability of events by foolish human institutions. So far as possible, our aim should be to improve human institutions so as to increase the chances of correct foresight. Above all, however, we should provide the maximum of opportunity for unknown individuals to learn of facts that we ourselves are yet unaware of and to make use of this knowledge in their actions.

It is through the mutually adjusted efforts of many people that more knowledge is utilized than any one individual possesses or than it is possible to synthesize intellectually; and it is through such utilization of dispersed knowledge that achievements are made possible, greater than any single mind can foresee. It is because freedom means the renunciation of

direct control of individual efforts that a free society can make use of so much more knowledge than the mind of the wisest ruler could comprehend.

The Chance of Error

From this foundation of the argument for liberty it follows that we shall not achieve its ends if we confine liberty to the particular instances where we know it will do good. Freedom granted only when it is known beforehand that its effects will be beneficial is not freedom. If we knew how freedom would be used, the case for it would largely disappear. We shall never get the benefits of freedom, never obtain those unforeseeable new developments for which it provides the opportunity, if it is not also granted where the uses made of it by some do not seem desirable. It is therefore no argument against individual freedom that it is frequently abused. Freedom necessarily means that many things will be done which we do not like. Our faith in freedom does not rest on the foreseeable results in particular circumstances but on the belief that it will, on balance, release more forces for the good than for the bad.

It also follows that the importance of our being free to do a particular thing has nothing to do with the question of whether we or the majority are ever likely to make use of that particular possibility. To grant no more freedom than all can exercise would be to misconceive its function completely. The freedom that will be used by only one man in a million may be more important to society and more beneficial to the majority than any freedom that we all use. It might even be said that the less likely the opportunity to make use of freedom to do a particular thing, the more precious it will be for society as a whole. The less likely the opportunity, the more serious will it be to miss it when it arises, for the experience that it offers will be nearly unique.

It is also probably true that the majority are not directly interested in most of the important things that any one person should be free to do. It is because we do not know how individuals will use their freedom that it is so important. If it were otherwise, the results of freedom could also be achieved by the majority's deciding what should be done by the individuals. But majority action is, of necessity, confined to the already tried and ascertained, to issues on which agreement has already been reached in that

process of discussion that must be preceded by different experiences and actions on the part of different individuals.

Freedom for the Unknown

The benefits I derive from freedom are thus largely the result of the uses of freedom by others, and mostly of those uses of freedom that I could never avail myself of. It is therefore not necessarily freedom that I can exercise myself that is most important for me. It is certainly more important that anything can be tried by somebody than that all can do the same things. It is not because we like to be able to do particular things, not because we regard any particular freedom as essential to our happiness, that we have a claim to freedom. The instinct that makes us revolt against any physical restraint, though a helpful ally, is not always a safe guide for justifying or delimiting freedom. What is important is not what freedom I personally would like to exercise but what freedom some person may need in order to do things beneficial to society. This freedom we can assure to the unknown person only by giving it to all.

The benefits of freedom are therefore not confined to the free—or, at least, a man does not benefit mainly from those aspects of freedom which he himself takes advantage of. There can be no doubt that in history unfree majorities have benefited from the existence of free minorities and that today unfreed societies benefit from what they obtain and learn from free societies. Of course, the benefits we derive from the freedom of others become greater as the number of those who can exercise freedom increases. The argument for the freedom of some therefore applies to the freedom of all.

But it is still better for all that some should be free than none and also that many enjoy full freedom than that all have a restricted freedom. The significant point is that the importance of freedom to do a particular thing has nothing to do with the number of people who want to do it: it might almost be in inverse proportion. One consequence of this is that a society may be hamstrung by controls, although the great majority may not be aware that their freedom has been significantly curtailed. If we proceeded on the assumption that only the exercises of freedom that the majority will

practice are important, we would be certain to create a stagnant society with all the characteristic of unfreedom.

The Nature of Change

The undesigned novelties that constantly emerge in the process of adaptation will consist, first, of new arrangements or patterns in which the efforts of different individuals are coordinated and of new constellations in the use of resources, which will be in their nature as temporary as the particular conditions that have evoked them. There will be, second, modifications of tools and institutions adapted to the new circumstances. Some of these will also be merely temporary adaptations to the conditions of the moment, while others will be improvements that increase the versatility of the existing tools and usages and will therefore be retained. These latter will constitute a better adaptation not merely to the particular circumstances of time and place but to some permanent feature of our environment. In such spontaneous “formations” is embodied a perception of the general laws that govern nature. With this cumulative embodiment of experience in tools and forms of action will emerge a growth of explicit knowledge, of formulated generic rules that can be communicated by language from person to person.

This process by which the new emerges is best understood in the intellectual sphere when the results are new ideas. It is the field in which most of us are aware at least of some of the individual steps of the process, where we necessarily know what is happening and thus generally recognize the necessity of freedom. Most scientists realize that we cannot plan the advance of knowledge, that in the voyage into the unknown—which is what research is—we are in great measure dependent on the vagaries of individual genius and of circumstance, and that scientific advance, like a new idea that will spring up in a single mind, will be the result of a combination of conceptions, habits, and circumstances brought to one person by society, the result as much of lucky accidents as of systematic effort.

Because we are more aware that our advances in the intellectual sphere often spring from the unforeseen and undesigned, we tend to overstress the importance of freedom in this field and to ignore the importance of the

freedom of doing things. But the freedom of research and belief and the freedom of speech and discussion, the importance of which is widely understood, are significant only in the last stage of the process in which new truths are discovered. To extol the value of intellectual liberty at the expense of the value of the liberty of doing things would be like treating the crowning part of an edifice as the whole. We have new ideas to discuss, different views to adjust, because those ideas and views arise from the efforts of individuals in ever new circumstances, who avail themselves in their concrete tasks of the new tools and forms of action they have learned.

The Complexity of Progress

The non-intellectual part of this process—the formation of the changed material environment in which the new emerges—requires for its understanding and appreciation a much greater effort of imagination than the factors stressed by the intellectualist view. While we are sometimes able to trace the intellectual processes that have led to a new idea, we can scarcely ever reconstruct the sequence and combination of those contributions that have not led to the acquisition of explicit knowledge; we can scarcely ever reconstruct the favorable habits and skills employed, the facilities and opportunities used, and the particular environment of the main actors that has favored the result.

Our efforts toward understanding this part of the process can go little further than to show on simplified models the kind of forces at work and to point to the general principle rather than the specific character of the influences that operate. Men are always concerned only with what they know. Therefore, those features which, while the process is under way, are not consciously known to anybody are commonly disregarded and can perhaps never be traced in detail.

In fact, these unconscious features not only are commonly disregarded but are often treated as if they were a hindrance rather than a help or an essential condition. Because they are not “rational” in the sense of explicitly entering into our reasoning, they are often treated as irrational in the sense of being contrary to intelligent action. Yet, though much of the nonrational that affects our action may be irrational in this sense, many of the “mere habits” and “meaningless institutions” that we use and presuppose in our

actions are essential conditions for what we achieve; they are successful adaptations of society that are constantly improved and on which depends the range of what we can achieve. While it is important to discover their defects, we could not for a moment go on without constantly relying on them.

The manner in which we have learned to order our day, to dress, to eat, to arrange our houses, to speak and write, and to use the countless other tools and implements of civilization, no less than the “know-how” of production and trade, furnishes us constantly with the foundations on which our own contributions to the process of civilization must be based. And it is in the new use and improvement of whatever the facilities of civilization offer us that the new ideas arise that are ultimately handled in the intellectual sphere.

Though the conscious manipulation of abstract thought, once it has been set in train, has in some measure a life of its own, it would not long continue and develop without the constant challenges that arise from the ability of people to act in a new manner, to try new ways of doing things, and to alter the whole structure of civilization in adaptation to change. The intellectual process is in effect only a process of elaboration, selection, and elimination of ideas already formed. And the flow of new ideas, to a great extent, springs from the sphere in which action, often non rational action, and material events impinge upon each other. It would dry up if freedom were confined to the intellectual sphere.

The importance of freedom, therefore, does not depend on the elevated character of the activities it makes possible. Freedom of action, even in humble things, is as important as freedom of thought. It has become a common practice to disparage freedom of action by calling it “economic liberty.” But the concept of freedom of action is much wider than that of economic liberty, which it includes; and, what is more important, it is very questionable whether there are any actions which can be called merely “economic” and whether any restrictions on liberty can be confined to what are called merely “economic” aspects. Economic considerations are merely those by which we reconcile and adjust our different purposes, none of which, in the last resort, are economic (excepting those of the miser or the man for whom making money has become an end in itself).

The Goals Are Open

Most of what we have said so far applies not only to man's use of the means for the achievement of his ends but also to those ends themselves. It is one of the characteristics of a free society that men's goals are open, that new ends of conscious effort can spring up, first with a few individuals, to become in time the ends of most. It is a fact which we must recognize that even what we regard as good or beautiful is changeable—if not in any recognizable manner that would entitle us to take a relativistic position, then in the sense that in many respects we do not know what will appear as good or beautiful to another generation. Nor do we know why we regard this or that as good or who is right when people differ as to whether something is good or not. It is not only in his knowledge, but also in his aims and values, that man is the creature of civilization; in the last resort, it is the relevance of these individual wishes to the perpetuation of the group or the species that will determine whether they will persist or change.

It is, of course, a mistake to believe that we can draw conclusions about what our values ought to be simply because we realize that they are a product of evolution. But we cannot reasonably doubt that these values are created and altered by the same evolutionary forces that have produced our intelligence. All that we can know is that the ultimate decision about what is good or bad will be made not by individual human wisdom but by the decline of the groups that have adhered to the “wrong” beliefs.

Measures of Success

It is in the pursuit of man's aims of the moment that all the devices of civilization have to prove themselves; the ineffective will be discarded and the effective retained. But there is more to it than the fact that new ends constantly arise with the satisfaction of old needs and with the appearance of new opportunities. Which individuals and which groups succeed and continue to exist depends as much on the goals that they pursue, the values that govern their action, as on the tools and capacities at their command. Whether a group will prosper or be extinguished depends as much on the ethical code it obeys, or the ideals of beauty or well-being that guide it, as

on the degree to which it has learned or not learned to satisfy its material needs. Within any given society, particular groups may rise or decline according to the ends they pursue and the standards of conduct that they observe. And the ends of the successful group will tend to become the ends of all members of the society.

At most, we understand only partially why the values we hold or the ethical rules we observe are conducive to the continued existence of our society. Nor can we be sure that under constantly changing conditions all the rules that have proved to be conducive to the attainment of a certain end will remain so. Though there is a presumption that any established social standard contributes in some manner to the preservation of civilization, our only way of confirming this is to ascertain whether it continues to prove itself in competition with other standards observed by other individuals or groups.

Competition Affords Alternatives

The competition in which the process of selection rests must be understood in the widest sense. It involves competition between organized and unorganized groups no less than competition between individuals. To think of it in contrast to cooperation or organization would be to misconceive its nature. The endeavor to achieve certain results by cooperation and organization is as much a part of competition as individual efforts. Successful group relations also prove their effectiveness in competition among groups organized in different ways. The relevant distinction is not between individual and group action but between conditions, on the one hand, in which alternative ways based on different views or practices may be tried and conditions, on the other, in which one agency has the exclusive right and the power to prevent others from trying. It is only when such exclusive rights are conferred on the presumption of superior knowledge of particular individuals or groups that the process ceases to be experimental and beliefs that happen to be prevalent at a given time may become an obstacle to the advancement of knowledge.

The argument for liberty is not an argument against organization, which is one of the most powerful means that human reason can employ, but an argument against all exclusive, privileged, monopolistic

organization, against the use of coercion to prevent others from trying to do better. Every organization is based on given knowledge; organization means commitment to a particular aim and to particular methods, but even organization designed to increase knowledge will be effective only insofar as the knowledge and beliefs on which its design rests are true. And if any facts contradict the beliefs on which the structure of the organization is based, this will become evident only in its failure and supersession by a different type of organization.

Organization is therefore likely to be beneficial and effective so long as it is voluntary and is imbedded in a free sphere and will either have to adjust itself to circumstances not taken into account in its conception or fail. To turn the whole of society into a single organization built and directed according to a single plan would be to extinguish the very forces that shaped the individual human minds that planned it.

It is worth our while to consider for a moment what would happen if only what was agreed to be the best available knowledge were to be used in all action. If all attempts that seemed wasteful in the light of generally accepted knowledge were prohibited and only such questions asked, or such experiments tried, as seemed significant in the light of ruling opinion, mankind might well reach a point where its knowledge enabled it to predict the consequences of all conventional actions and to avoid all disappointment or failure. Man would then seem to have subjected his surroundings to his reason, for he would attempt only those things which were totally predictable in their results. We might conceive of a civilization coming to a standstill, not because the possibilities of further growth had been exhausted, but because man had succeeded in so completely subjecting all his actions and his immediate surroundings to his existing state of knowledge that there would be no occasion for new knowledge to appear.

The rationalist who desires to subject everything to human reason is thus faced with a real dilemma. The use of reason aims at control and predictability. But the process of the advance of reason rests on freedom and the unpredictability of human action. Those who extol the powers of human reason usually see only one side of that interaction of human thought and conduct in which reason is at the same time used and shaped.

They do not see that, for advance to take place, the social process from which the growth of reason emerges must remain free from its control.

Freezing the Process

There can be little doubt that man owes some of his greatest successes in the past to the fact that he has *not* been able to control social life. His continued advance may well depend on his deliberately refraining from exercising controls which are now in his power. In the past, the spontaneous forces of growth, however much restricted, could usually still assert themselves against the organized coercion of the state. With the technological means of control now at the disposal of government, it is not certain that such assertion is still possible; at any rate, it may soon become impossible. We are not far from the point where the deliberately organized forces of society may destroy those spontaneous forces which have made advance possible.

2

The Use of Knowledge in Society

I

What is the problem we wish to solve when we try to construct a rational economic order? On certain familiar assumptions the answer is simple enough. If we possess all the relevant information, if we can start out from a given system of preferences, and if we command complete knowledge of available means, the problem which remains is purely one of logic. That is, the answer to the question of what is the best use of the available means is implicit in our assumptions. The conditions which the solution of this optimum problem must satisfy have been fully worked out and can be stated best in mathematical form: put at their briefest, they are that the marginal rates of substitution between any two commodities or factors must be the same in all their different uses.

This, however, is emphatically not the economic problem which society faces. And the economic calculus which we have developed to solve this logical problem, though an important step toward the solution of the economic problem of society, does not yet provide an answer to it. The reason for this is that the “data” from which the economic calculus starts are never for the whole society “given” to a single mind which could work out the implications and can never be so given.

The peculiar character of the problem of a rational economic order is determined precisely by the fact that the knowledge of the circumstances of which we must make use never exists in concentrated or integrated form but solely as the dispersed bits of incomplete and frequently contradictory knowledge which all the separate individuals possess. The economic problem of society is thus not merely a problem of how to allocate “given” resources—if “given” is taken to mean given to a single mind which deliberately solves the problem set by these “data.” It is rather a problem of how to secure the best use of resources known to any of the members of society, for ends whose relative importance only these individuals know. Or,

to put it briefly, it is a problem of the utilization of knowledge which is not given to anyone in its totality.

This character of the fundamental problem has, I am afraid, been obscured rather than illuminated by many of the recent refinements of economic theory, particularly by many of the uses made of mathematics. Though the problem with which I want primarily to deal in this paper is the problem of a rational economic organization, I shall in its course be led again and again to point to its close connections with certain methodological questions. Many of the points I wish to make are indeed conclusions toward which diverse paths of reasoning have unexpectedly converged. But, as I now see these problems, this is no accident. It seems to me that many of the current disputes with regard to both economic theory and economic policy have their common origin in a misconception about the nature of the economic problem of society. This misconception in turn is due to an erroneous transfer to social phenomena of the habits of thought we have developed in dealing with the phenomena of nature.

II

In ordinary language we describe by the word “planning” the complex of interrelated decisions about the allocation of our available resources. All economic activity is in this sense planning; and in any society in which many people collaborate, this planning, whoever does it, will in some measure have to be based on knowledge which, in the first instance, is not given to the planner but to somebody else, which somehow will have to be conveyed to the planner. The various ways in which the knowledge on which people base their plans is communicated to them is the crucial problem for any theory explaining the economic process, and the problem of what is the best way of utilizing knowledge initially dispersed among all the people is at least one of the main problems of economic policy—or of designing an efficient economic system.

The answer to this question is closely connected with that other question which arises here, that of who is to do the planning. It is about this question that all the dispute about “economic planning” centers. This is not a dispute about whether planning is to be done or not. It is a dispute as to whether planning is to be done centrally, by one authority for the whole

economic system, or is to be divided among many individuals. Planning in the specific sense in which the term is used in contemporary controversy necessarily means central planning—direction of the whole economic system according to one unified plan. Competition, on the other hand, means decentralized planning by many separate persons. The halfway house between the two, about which many people talk but which few like when they see it, is the delegation of planning to organized industries, or, in other words, monopoly.

Which of these systems is likely to be more efficient depends mainly on the question under which of them we can expect that fuller use will be made of the existing knowledge. And this, in turn, depends on whether we are more likely to succeed in putting at the disposal of a single central authority all the knowledge which ought to be used but which is initially dispersed among many different individuals, or in conveying to the individuals such additional knowledge as they need in order to enable them to fit their plans with those of others.

III

It will at once be evident that on this point the position will be different with respect to different kinds of knowledge; and the answer to our question will therefore largely turn on the relative importance of the different kinds of knowledge; those more likely to be at the disposal of particular individuals and those which we should with greater confidence expect to find in the possession of an authority made up of suitably chosen experts. If it is today so widely assumed that the latter will be in a better position, this is because one kind of knowledge, namely, scientific knowledge, occupies now so prominent a place in public imagination that we tend to forget that it is not the only kind that is relevant. It may be admitted that, as far as scientific knowledge is concerned, a body of suitably chosen experts may be in the best position to command all the best knowledge available—though this is of course merely shifting the difficulty to the problem of selecting the experts. What I wish to point out is that, even assuming that this problem can be readily solved, it is only a small part of the wider problem.

Today it is almost heresy to suggest that scientific knowledge is not the sum of all knowledge. But a little reflection will show that there is beyond question a body of very important but unorganized knowledge which cannot possibly be called scientific in the sense of knowledge of general rules: the knowledge of the particular circumstances of time and place. It is with respect to this that practically every individual has some advantage over all others because he possesses unique information of which beneficial use might be made, but of which use can be made only if the decisions depending on it are left to him or are made with his active coöperation. We need to remember only how much we have to learn in any occupation after we have completed our theoretical training, how big a part of our working life we spend learning particular jobs, and how valuable an asset in all walks of life is knowledge of people, of local conditions, and of special circumstances. To know of and put to use a machine not fully employed, or somebody's skill which could be better utilized, or to be aware of a surplus stock which can be drawn upon during an interruption of supplies, is socially quite as useful as the knowledge of better alternative techniques. And the shipper who earns his living from using otherwise empty or half-filled journeys of tramp-steamers, or the estate agent whose whole knowledge is almost exclusively one of temporary opportunities, or the arbitrageur who gains from local differences of commodity prices, are all performing eminently useful functions based on special knowledge of circumstances of the fleeting moment not known to others.

It is a curious fact that this sort of knowledge should today be generally regarded with a kind of contempt and that anyone who by such knowledge gains an advantage over somebody better equipped with theoretical or technical knowledge is thought to have acted almost disreputably. To gain an advantage from better knowledge of facilities of communication or transport is sometimes regarded as almost dishonest, although it is quite as important that society make use of the best opportunities in this respect as in using the latest scientific discoveries. This prejudice has in a considerable measure affected the attitude toward commerce in general compared with that toward production. Even economists who regard themselves as definitely immune to the crude materialist fallacies of the past constantly commit the same mistake where activities directed toward the acquisition of such practical knowledge are

concerned—apparently because in their scheme of things all such knowledge is supposed to be “given.” The common idea now seems to be that all such knowledge should as a matter of course be readily at the command of everybody, and the reproach of irrationality leveled against the existing economic order is frequently based on the fact that it is not so available. This view disregards the fact that the method by which such knowledge can be made as widely available as possible is precisely the problem to which we have to find an answer.

IV

If it is fashionable today to minimize the importance of the knowledge of the particular circumstances of time and place, this is closely connected with the smaller importance which is now attached to change as such. Indeed, there are few points on which the assumptions made (usually only implicitly) by the “planners” differ from those of their opponents as much as with regard to the significance and frequency of changes which will make substantial alterations of production plans necessary. Of course, if detailed economic plans could be laid down for fairly long periods in advance and then closely adhered to, so that no further economic decisions of importance would be required, the task of drawing up a comprehensive plan governing all economic activity would be much less formidable.

It is, perhaps, worth stressing that economic problems arise always and only in consequence of change. So long as things continue as before, or at least as they were expected to, there arise no new problems requiring a decision, no need to form a new plan. The belief that changes, or at least day-to-day adjustments, have become less important in modern times implies the contention that economic problems also have become less important. This belief in the decreasing importance of change is, for that reason, usually held by the same people who argue that the importance of economic considerations has been driven into the background by the growing importance of technological knowledge.

Is it true that, with the elaborate apparatus of modern production, economic decisions are required only at long intervals, as when a new factory is to be erected or a new process to be introduced? Is it true that, once a plant has been built, the rest is all more or less mechanical,

determined by the character of the plant, and leaving little to be changed in adapting to the ever-changing circumstances of the moment?

The fairly widespread belief in the affirmative is not, as far as I can ascertain, borne out by the practical experience of the businessman. In a competitive industry at any rate—and such an industry alone can serve as a test—the task of keeping cost from rising requires constant struggle, absorbing a great part of the energy of the manager. How easy it is for an inefficient manager to dissipate the differentials on which profitability rests, and that it is possible, with the same technical facilities, to produce with a great variety of costs, are among the commonplaces of business experience which do not seem to be equally familiar in the study of the economist. The very strength of the desire, constantly voiced by producers and engineers, to be allowed to proceed untrammelled by considerations of money costs, is eloquent testimony to the extent to which these factors enter into their daily work.

One reason why economists are increasingly apt to forget about the constant small changes which make up the whole economic picture is probably their growing preoccupation with statistical aggregates, which show a very much greater stability than the movements of the detail. The comparative stability of the aggregates cannot, however, be accounted for—as the statisticians occasionally seem to be inclined to do—by the “law of large numbers” or the mutual compensation of random changes. The number of elements with which we have to deal is not large enough for such accidental forces to produce stability. The continuous flow of goods and services is maintained by constant deliberate adjustments, by new dispositions made every day in the light of circumstances not known the day before, by B stepping in at once when A fails to deliver. Even the large and highly mechanized plant keeps going largely because of an environment upon which it can draw for all sorts of unexpected needs; tiles for its roof, stationery for its forms, and all the thousand and one kinds of equipment in which it cannot be self-contained and which the plans for the operation of the plant require to be readily available in the market.

This is, perhaps, also the point where I should briefly mention the fact that the sort of knowledge with which I have been concerned is knowledge of the kind which by its nature cannot enter into statistics and therefore cannot be conveyed to any central authority in statistical form. The statistics

which such a central authority would have to use would have to be arrived at precisely by abstracting from minor differences between the things, by lumping together, as resources of one kind, items which differ as regards location, quality, and other particulars, in a way which may be very significant for the specific decision. It follows from this that central planning based on statistical information by its nature cannot take direct account of these circumstances of time and place and that the central planner will have to find some way or another in which the decisions depending on them can be left to the “man on the spot.”

V

If we can agree that the economic problem of society is mainly one of rapid adaptation to changes in the particular circumstances of time and place, it would seem to follow that the ultimate decisions must be left to the people who are familiar with these circumstances, who know directly of the relevant changes and of the resources immediately available to meet them. We cannot expect that this problem will be solved by first communicating all this knowledge to a central board which, after integrating all knowledge, issues its orders. We must solve it by some form of decentralization. But this answers only part of our problem. We need decentralization because only thus can we insure that the knowledge of the particular circumstances of time and place will be promptly used. But the “man on the spot” cannot decide solely on the basis of his limited but intimate knowledge of the facts of his immediate surroundings. There still remains the problem of communicating to him such further information as he needs to fit his decisions into the whole pattern of changes of the larger economic system.

How much knowledge does he need to do so successfully? Which of the events which happen beyond the horizon of his immediate knowledge are of relevance to his immediate decision, and how much of them need he know?

There is hardly anything that happens anywhere in the world that might not have an effect on the decision he ought to make. But he need not know of these events as such, nor of all their effects. It does not matter for him why at the particular moment more screws of one size than of another are wanted, why paper bags are more readily available than canvas bags, or

why skilled labor, or particular machine tools, have for the moment become more difficult to obtain. All that is significant for him is how much more or less difficult to procure they have become compared with other things with which he is also concerned, or how much more or less urgently wanted are the alternative things he produces or uses. It is always a question of the relative importance of the particular things with which he is concerned, and the causes which alter their relative importance are of no interest to him beyond the effect on those concrete things of his own environment.

It is in this connection that what I have called the “economic calculus” proper helps us, at least by analogy, to see how this problem can be solved, and in fact is being solved, by the price system. Even the single controlling mind, in possession of all the data for some small, self-contained economic system, would not—every time some small adjustment in the allocation of resources had to be made—go explicitly through all the relations between ends and means which might possibly be affected. It is indeed the great contribution of the pure logic of choice that it has demonstrated conclusively that even such a single mind could solve this kind of problem only by constructing and constantly using rates of equivalence (or “values,” or “marginal rates of substitution”), i.e., by attaching to each kind of scarce resource a numerical index which cannot be derived from any property possessed by that particular thing, but which reflects, or in which is condensed, its significance in view of the whole means-end structure. In any small change he will have to consider only these quantitative indices (or “values”) in which all the relevant information is concentrated; and, by adjusting the quantities one by one, he can appropriately rearrange his dispositions without having to solve the whole puzzle *ab initio* or without needing at any stage to survey it at once in all its ramifications.

Fundamentally, in a system in which the knowledge of the relevant facts is dispersed among many people, prices can act to coördinate the separate actions of different people in the same way as subjective values help the individual to coördinate the parts of his plan. It is worth contemplating for a moment a very simple and commonplace instance of the action of the price system to see what precisely it accomplishes. Assume that somewhere in the world a new opportunity for the use of some raw material, say, tin, has arisen, or that one of the sources of supply of tin has been eliminated. It does not matter for our purpose—and it is very

significant that it does not matter—which of these two causes has made tin more scarce. All that the users of tin need to know is that some of the tin they used to consume is now more profitably employed elsewhere and that, in consequence, they must economize tin. There is no need for the great majority of them even to know where the more urgent need has arisen, or in favor of what other needs they ought to husband the supply. If only some of them know directly of the new demand, and switch resources over to it, and if the people who are aware of the new gap thus created in turn fill it from still other sources, the effect will rapidly spread throughout the whole economic system and influence not only all the uses of tin but also those of its substitutes and the substitutes of these substitutes, the supply of all the things made of tin, and their substitutes, and so on; and all this without the great majority of those instrumental in bringing about these substitutions knowing anything at all about the original cause of these changes. The whole acts as one market, not because any of its members survey the whole field, but because their limited individual fields of vision sufficiently overlap so that through many intermediaries the relevant information is communicated to all. The mere fact that there is one price for any commodity—or rather that local prices are connected in a manner determined by the cost of transport, etc.—brings about the solution which (it is just conceptually possible) might have been arrived at by one single mind possessing all the information which is in fact dispersed among all the people involved in the process.

VI

We must look at the price system as such a mechanism for communicating information if we want to understand its real function—a function which, of course, it fulfils less perfectly as prices grow more rigid. (Even when quoted prices have become quite rigid, however, the forces which would operate through changes in price still operate to a considerable extent through changes in the other terms of the contract.) The most significant fact about this system is the economy of knowledge with which it operates, or how little the individual participants need to know in order to be able to take the right action. In abbreviated form, by a kind of symbol, only the most essential information is passed on and passed on only to those

concerned. It is more than a metaphor to describe the price system as a kind of machinery for registering change, or a system of telecommunications which enables individual producers to watch merely the movement of a few pointers, as an engineer might watch the hands of a few dials, in order to adjust their activities to changes of which they may never know more than is reflected in the price movement.

Of course, these adjustments are probably never “perfect” in the sense in which the economist conceives of them in his equilibrium analysis. But I fear that our theoretical habits of approaching the problem with the assumption of more or less perfect knowledge on the part of almost everyone has made us somewhat blind to the true function of the price mechanism and led us to apply rather misleading standards in judging its efficiency. The marvel is that in a case like that of a scarcity of one raw material, without an order being issued, without more than perhaps a handful of people knowing the cause, tens of thousands of people whose identity could not be ascertained by months of investigation, are made to use the material or its products more sparingly; i.e., they move in the right direction. This is enough of a marvel even if, in a constantly changing world, not all will hit it off so perfectly that their profit rates will always be maintained at the same constant or “normal” level.

I have deliberately used the word “marvel” to shock the reader out of the complacency with which we often take the working of this mechanism for granted. I am convinced that if it were the result of deliberate human design, and if the people guided by the price changes understood that their decisions have significance far beyond their immediate aim, this mechanism would have been acclaimed as one of the greatest triumphs of the human mind. Its misfortune is the double one that it is not the product of human design and that the people guided by it usually do not know why they are made to do what they do. But those who clamor for “conscious direction”—and who cannot believe that anything which has evolved without design (and even without our understanding it) should solve problems which we should not be able to solve consciously—should remember this: The problem is precisely how to extend the span of our utilization of resources beyond the span of the control of any one mind; and therefore, how to dispense with the need of conscious control, and how to

provide inducements which will make the individuals do the desirable things without anyone having to tell them what to do.

The problem which we meet here is by no means peculiar to economics but arises in connection with nearly all truly social phenomena, with language and with most of our cultural inheritance, and constitutes really the central theoretical problem of all social science. As Alfred Whitehead has said in another connection, "It is a profoundly erroneous truism, repeated by all copy-books and by eminent people when they are making speeches, that we should cultivate the habit of thinking what we are doing. The precise opposite is the case. Civilization advances by extending the number of important operations which we can perform without thinking about them."

This is of profound significance in the social field. We make constant use of formulas, symbols, and rules whose meaning we do not understand and through the use of which we avail ourselves of the assistance of knowledge which individually we do not possess. We have developed these practices and institutions by building upon habits and institutions which have proved successful in their own sphere and which have in turn become the foundation of the civilization we have built up.

The price system is just one of those formations which man has learned to use (though he is still very far from having learned to make the best use of it) after he had stumbled upon it without understanding it. Through it not only a division of labor but also a coördinated utilization of resources based on an equally divided knowledge has become possible. The people who like to deride any suggestion that this may be so usually distort the argument by insinuating that it asserts that by some miracle just that sort of system has spontaneously grown up which is best suited to modern civilization. It is the other way round: man has been able to develop that division of labor on which our civilization is based because he happened to stumble upon a method which made it possible. Had he not done so, he might still have developed some other, altogether different, type of civilization, something like the "state" of the termite ants, or some other altogether unimaginable type. All that we can say is that nobody has yet succeeded in designing an alternative system in which certain features of the existing one can be preserved which are dear even to those who most violently assail it—such as particularly the extent to which the individual

can choose his pursuits and consequently freely use his own knowledge and skill.

VII

It is in many ways fortunate that the dispute about the indispensability of the price system for any rational calculation in a complex society is now no longer conducted entirely between camps holding different political views. The thesis that without the price system we could not preserve a society based on such extensive division of labor as ours was greeted with a howl of derision when it was first advanced by von Mises twenty-five years ago. Today the difficulties which some still find in accepting it are no longer mainly political, and this makes for an atmosphere much more conducive to reasonable discussion. When we find Leon Trotsky arguing that “economic accounting is unthinkable without market relations”; when Professor Oscar Lange promises Professor von Mises a statue in the marble halls of the future Central Planning Board; and when Professor Abba P. Lerner rediscovers Adam Smith and emphasizes that the essential utility of the price system consists in inducing the individual, while seeking his own interest, to do what is in the general interest, the differences can indeed no longer be ascribed to political prejudice. The remaining dissent seems clearly to be due to purely intellectual, and more particularly methodological, differences.

A recent statement by Professor Joseph Schumpeter in his *Capitalism, Socialism, and Democracy* provides a clear illustration of one of the methodological differences which I have in mind. Its author is pre-eminent among those economists who approach economic phenomena in the light of a certain branch of positivism. To him these phenomena accordingly appear as objectively given quantities of commodities impinging directly upon each other, almost, it would seem, without any intervention of human minds. Only against this background can I account for the following (to me startling) pronouncement. Professor Schumpeter argues that the possibility of a rational calculation in the absence of markets for the factors of production follows for the theorist “from the elementary proposition that consumers in evaluating (‘demanding’) consumers’ goods ipso facto also

evaluate the means of production which enter into the production of these goods.”^[1]

Taken literally, this statement is simply untrue. The consumers do nothing of the kind. What Professor Schumpeter’s “ipso facto” presumably means is that the valuation of the factors of production is implied in, or follows necessarily from, the valuation of consumers’ goods. But this, too, is not correct. Implication is a logical relationship which can be meaningfully asserted only of propositions simultaneously present to one and the same mind. It is evident, however, that the values of the factors of production do not depend solely on the valuation of the consumers’ goods but also on the conditions of supply of the various factors of production. Only to a mind to which all these facts were simultaneously known would the answer necessarily follow from the facts given to it. The practical problem, however, arises precisely because these facts are never so given to a single mind, and because, in consequence, it is necessary that in the solution of the problem knowledge should be used that is dispersed among many people.

The problem is thus in no way solved if we can show that all the facts, if they were known to a single mind (as we hypothetically assume them to be given to the observing economist), would uniquely determine the solution; instead we must show how a solution is produced by the interactions of people each of whom possesses only partial knowledge. To assume all the knowledge to be given to a single mind in the same manner in which we assume it to be given to us as the explaining economists is to assume the problem away and to disregard everything that is important and significant in the real world.

That an economist of Professor Schumpeter’s standing should thus have fallen into a trap which the ambiguity of the term “datum” sets to the unwary can hardly be explained as a simple error. It suggests rather that there is something fundamentally wrong with an approach which habitually disregards an essential part of the phenomena with which we have to deal: the unavoidable imperfection of man’s knowledge and the consequent need for a process by which knowledge is constantly communicated and acquired. Any approach, such as that of much of mathematical economics with its simultaneous equations, which in effect starts from the assumption that people’s knowledge corresponds with the objective facts of the

situation, systematically leaves out what is our main task to explain. I am far from denying that in our system equilibrium analysis has a useful function to perform. But when it comes to the point where it misleads some of our leading thinkers into believing that the situation which it describes has direct relevance to the solution of practical problems, it is high time that we remember that it does not deal with the social process at all and that it is no more than a useful preliminary to the study of the main problem.

[1] J. Schumpeter, *Capitalism, Socialism, and Democracy* (New York; Harper, 1942), p. 175. Professor Schumpeter is, I believe, also the original author of the myth that Pareto and Barone have “solved” the problem of socialist calculation. What they, and many others, did was merely to state the conditions which a rational allocation of resources would have to satisfy and to point out that these were essentially the same as the conditions of equilibrium of a competitive market. This is something altogether different from knowing how the allocation of resources satisfying these conditions can be found in practice. Pareto himself (from whom Barone has taken practically everything he has to say), far from claiming to have solved the practical problem, in fact explicitly denies that it can be solved without the help of the market. See his *Manuel d'économie pure* (2d ed., 1927), pp. 233–34. The relevant passage is quoted in an English translation at the beginning of my article on “Socialist Calculation: The Competitive ‘Solution,’” in *Economica*, New Series, Vol. VIII, No. 26 (May, 1940), p. 125.

3

The Pretense of Knowledge

The particular occasion of this lecture, combined with the chief practical problem which economists have to face today, have made the choice of its topic almost inevitable. On the one hand the still recent establishment of the Nobel Memorial Prize in Economic Science marks a significant step in the process by which, in the opinion of the general public, economics has been conceded some of the dignity and prestige of the physical sciences. On the other hand, the economists are at this moment called upon to say how to extricate the free world from the serious threat of accelerating inflation which, it must be admitted, has been brought about by policies which the majority of economists recommended and even urged governments to pursue. We have indeed at the moment little cause for pride: as a profession we have made a mess of things.

It seems to me that this failure of the economists to guide policy more successfully is closely connected with their propensity to imitate as closely as possible the procedures of the brilliantly successful physical sciences—an attempt which in our field may lead to outright error. It is an approach which has come to be described as the “scientific” attitude—an attitude which, as I defined it some thirty years ago, “is decidedly unscientific in the true sense of the word, since it involves a mechanical and uncritical application of habits of thought to fields different from those in which they have been formed.”^[2] I want today to begin by explaining how some of the gravest errors of recent economic policy are a direct consequence of this scientific error.

The theory which has been guiding monetary and financial policy during the last thirty years, and which I contend is largely the product of such a mistaken conception of the proper scientific procedure, consists in the assertion that there exists a simple positive correlation between total employment and the size of the aggregate demand for goods and services; it leads to the belief that we can permanently assure full employment by maintaining total money expenditure at an appropriate level. Among the

various theories advanced to account for extensive unemployment, this is probably the only one in support of which strong quantitative evidence can be adduced. I nevertheless regard it as fundamentally false, and to act upon it, as we now experience, as very harmful.

This brings me to the crucial issue. Unlike the position that exists in the physical sciences, in economics and other disciplines that deal with essentially complex phenomena, the aspects of the events to be accounted for about which we can get quantitative data are necessarily limited and may not include the important ones. While in the physical sciences it is generally assumed, probably with good reason, that any important factor which determines the observed events will itself be directly observable and measurable, in the study of such complex phenomena as the market, which depend on the actions of many individuals, all the circumstances which will determine the outcome of a process, for reasons which I shall explain later, will hardly ever be fully known or measurable. And while in the physical sciences the investigator will be able to measure what, on the basis of a *prima facie* theory, he thinks important, in the social sciences often that is treated as important which happens to be accessible to measurement. This is sometimes carried to the point where it is demanded that our theories must be formulated in such terms that they refer only to measurable magnitudes.

It can hardly be denied that such a demand quite arbitrarily limits the facts which are to be admitted as possible causes of the events which occur in the real world. This view, which is often quite naively accepted as required by scientific procedure, has some rather paradoxical consequences. We know: of course, with regard to the market and similar social structures, a great many facts which we cannot measure and on which indeed we have only some very imprecise and general information. And because the effects of these facts in any particular instance cannot be confirmed by quantitative evidence, they are simply disregarded by those sworn to admit only what they regard as scientific evidence: they thereupon happily proceed on the fiction that the factors which they can measure are the only ones that are relevant.

The correlation between aggregate demand and total employment, for instance, may only be approximate, but as it is the only one on which we have quantitative data, it is accepted as the only causal connection that counts. On this standard there may thus well exist better “scientific”

evidence for a false theory, which will be accepted because it is more “scientific”, than for a valid explanation, which is rejected because there is no sufficient quantitative evidence for it.

Let me illustrate this by a brief sketch of what I regard as the chief actual cause of extensive unemployment—an account which will also explain why such unemployment cannot be lastingly cured by the inflationary policies recommended by the now fashionable theory. This correct explanation appears to me to be the existence of discrepancies between the distribution of demand among the different goods and services and the allocation of labour and other resources among the production of those outputs. We possess a fairly good “qualitative” knowledge of the forces by which a correspondence between demand and supply in the different sectors of the economic system is brought about, of the conditions under which it will be achieved, and of the factors likely to prevent such an adjustment. The separate steps in the account of this process rely on facts of everyday experience, and few who take the trouble to follow the argument will question the validity of the factual assumptions, or the logical correctness of the conclusions drawn from them. We have indeed good reason to believe that unemployment indicates that the structure of relative prices and wages has been distorted (usually by monopolistic or governmental price fixing), and that to restore equality between the demand and the supply of labour in all sectors changes of relative prices and some transfers of labour will be necessary.

But when we are asked for quantitative evidence for the particular structure of prices and wages that would be required in order to assure a smooth continuous sale of the products and services offered, we must admit that we have no such information. We know, in other words, the general conditions in which what we call, somewhat misleadingly, an equilibrium will establish itself: but we never know what the particular prices or wages are which would exist if the market were to bring about such an equilibrium. We can merely say what the conditions are in which we can expect the market to establish prices and wages at which demand will equal supply. But we can never produce statistical information which would show how much the prevailing prices and wages deviate from those which would secure a continuous sale of the current supply of labour. Though this account of the causes of unemployment is an empirical theory, in the sense

that it might be proved false, e.g. if, with a constant money supply, a general increase of wages did not lead to unemployment, it is certainly not the kind of theory which we could use to obtain specific numerical predictions concerning the rates of wages, or the distribution of labour, to be expected.

Why should we, however, in economics, have to plead ignorance of the sort of facts on which, in the case of a physical theory, a scientist would certainly be expected to give precise information? It is probably not surprising that those impressed by the example of the physical sciences should find this position very unsatisfactory and should insist on the standards of proof which they find there. The reason for this state of affairs is the fact, to which I have already briefly referred, that the social sciences, like much of biology but unlike most fields of the physical sciences, have to deal with structures of essential complexity, i.e. with structures whose characteristic properties can be exhibited only by models made up of relatively large numbers of variables. Competition, for instance, is a process which will produce certain results only if it proceeds among a fairly large number of acting persons.

In some fields, particularly where problems of a similar kind arise in the physical sciences, the difficulties can be overcome by using, instead of specific information about the individual elements, data about the relative frequency, or the probability, of the occurrence of the various distinctive properties of the elements. But this is true only where we have to deal with what has been called by Dr. Warren Weaver (formerly of the Rockefeller Foundation), with a distinction which ought to be much more widely understood, “phenomena of unorganized complexity,” in contrast to those “phenomena of organized complexity” with which we have to deal in the social sciences.^[3] Organized complexity here means that the character of the structures showing it depends not only on the properties of the individual elements of which they are composed, and the relative frequency with which they occur, but also on the manner in which the individual elements are connected with each other. In the explanation of the working of such structures we can for this reason not replace the information about the individual elements by statistical information, but require full information about each element if from our theory we are to derive specific predictions about individual events. Without such specific information

about the individual elements we shall be confined to what on another occasion I have called mere pattern predictions—predictions of some of the general attributes of the structures that will form themselves, but not containing specific statements about the individual elements of which the structures will be made up.[\[4\]](#)

This is particularly true of our theories accounting for the determination of the systems of relative prices and wages that will form themselves on a well-functioning market. Into the determination of these prices and wages there will enter the effects of particular information possessed by every one of the participants in the market process—a sum of facts which in their totality cannot be known to the scientific observer, or to any other single brain. It is indeed the source of the superiority of the market order, and the reason why, when it is not suppressed by the powers of government, it regularly displaces other types of order, that in the resulting allocation of resources more of the knowledge of particular facts will be utilized which exists only dispersed among uncounted persons, than any one person can possess. But because we, the observing scientists, can thus never know all the determinants of such an order, and in consequence also cannot know at which particular structure of prices and wages demand would everywhere equal supply, we also cannot measure the deviations from that order; nor can we statistically test our theory that it is the deviations from that “equilibrium” system of prices and wages which make it impossible to sell some of the products and services at the prices at which they are offered.

Before I continue with my immediate concern, the effects of all this on the employment policies currently pursued, allow me to define more specifically the inherent limitations of our numerical knowledge which are so often overlooked. I want to do this to avoid giving the impression that I generally reject the mathematical method in economics. I regard it in fact as the great advantage of the mathematical technique that it allows us to describe, by means of algebraic equations, the general character of a pattern even where we are ignorant of the numerical values which will determine its particular manifestation. We could scarcely have achieved that comprehensive picture of the mutual interdependencies of the different events in a market without this algebraic technique. It has led to the illusion, however, that we can use this technique for the determination and

prediction of the numerical values of those magnitudes; and this has led to a vain search for quantitative or numerical constants. This happened in spite of the fact that the modern founders of mathematical economics had no such illusions. It is true that their systems of equations describing the pattern of a market equilibrium are so framed that if we were able to fill in all the blanks of the abstract formulae, i.e. if we knew all the parameters of these equations, we could calculate the prices and quantities of all commodities and services sold. But, as Vilfredo Pareto, one of the founders of this theory, clearly stated, its purpose cannot be “to arrive at a numerical calculation of prices”, because, as he said, it would be “absurd” to assume that we could ascertain all the data.^[5] Indeed, the chief point was already seen by those remarkable anticipators of modern economics, the Spanish schoolmen of the sixteenth century, who emphasized that what they called *pretium mathematicum*, the mathematical price, depended on so many particular circumstances that it could never be known to man but was known only to God.^[6] I sometimes wish that our mathematical economists would take this to heart. I must confess that I still doubt whether their search for measurable magnitudes has made significant contributions to our theoretical understanding of economic phenomena—as distinct from their value as a description of particular situations. Nor am I prepared to accept the excuse that this branch of research is still very young: Sir William Petty, the founder of econometrics, was after all a somewhat senior colleague of Sir Isaac Newton in the Royal Society!

There may be few instances in which the superstition that only measurable magnitudes can be important has done positive harm in the economic field: but the present inflation and employment problems are a very serious one. Its effect has been that what is probably the true cause of extensive unemployment has been disregarded by the scientistically minded majority of economists, because its operation could not be confirmed by directly observable relations between measurable magnitudes, and that an almost exclusive concentration on quantitatively measurable surface phenomena has produced a policy which has made matters worse.

It has, of course, to be readily admitted that the kind of theory which I regard as the true explanation of unemployment is a theory of somewhat limited content because it allows us to make only very general predictions of the kind of events which we must expect in a given situation. But the

effects on policy of the more ambitious constructions have not been very fortunate and I confess that I prefer true but imperfect knowledge, even if it leaves much undetermined and unpredictable, to a pretense of exact knowledge that is likely to be false. The credit which the apparent conformity with recognized scientific standards can gain for seemingly simple but false theories may, as the present instance shows, have grave consequences.

In fact, in the case discussed, the very measures which the dominant “macroeconomic” theory has recommended as a remedy for unemployment, namely the increase of aggregate demand, have become a cause of a very extensive misallocation of resources which is likely to make later large-scale unemployment inevitable. The continuous injection of additional amounts of money at points of the economic system where it creates a temporary demand which must cease when the increase of the quantity of money stops or slows down, together with the expectation of a continuing rise of prices, draws labour and other resources into employments which can last only so long as the increase of the quantity of money continues at the same rate—or perhaps even only so long as it continues to accelerate at a given rate. What this policy has produced is not so much a level of employment that could not have been brought about in other ways, as a distribution of employment which cannot be indefinitely maintained and which after some time can be maintained only by a rate of inflation which would rapidly lead to a disorganisation of all economic activity. The fact is that by a mistaken theoretical view we have been led into a precarious position in which we cannot prevent substantial unemployment from re-appearing; not because, as this view is sometimes misrepresented, this unemployment is deliberately brought about as a means to combat inflation, but because it is now bound to occur as a deeply regrettable but inescapable consequence of the mistaken policies of the past as soon as inflation ceases to accelerate.

I must, however, now leave these problems of immediate practical importance which I have introduced chiefly as an illustration of the momentous consequences that may follow from errors concerning abstract problems of the philosophy of science. There is as much reason to be apprehensive about the long run dangers created in a much wider field by the uncritical acceptance of assertions which have the appearance of being

scientific as there is with regard to the problems I have just discussed. What I mainly wanted to bring out by the topical illustration is that certainly in my field, but I believe also generally in the sciences of man, what looks superficially like the most scientific procedure is often the most unscientific, and, beyond this, that in these fields there are definite limits to what we can expect science to achieve. This means that to entrust to science—or to deliberate control according to scientific principles—more than scientific method can achieve may have deplorable effects. The progress of the natural sciences in modern times has of course so much exceeded all expectations that any suggestion that there may be some limits to it is bound to arouse suspicion. Especially all those will resist such an insight who have hoped that our increasing power of prediction and control, generally regarded as the characteristic result of scientific advance, applied to the processes of society, would soon enable us to mould society entirely to our liking. It is indeed true that, in contrast to the exhilaration which the discoveries of the physical sciences tend to produce, the insights which we gain from the study of society more often have a dampening effect on our aspirations; and it is perhaps not surprising that the more impetuous younger members of our profession are not always prepared to accept this. Yet the confidence in the unlimited power of science is only too often based on a false belief that the scientific method consists in the application of a ready-made technique, or in imitating the form rather than the substance of scientific procedure, as if one needed only to follow some cooking recipes to solve all social problems. It sometimes almost seems as if the techniques of science were more easily learnt than the thinking that shows us what the problems are and how to approach them.

The conflict between what in its present mood the public expects science to achieve in satisfaction of popular hopes and what is really in its power is a serious matter because, even if the true scientists should all recognize the limitations of what they can do in the field of human affairs, so long as the public expects more there will always be some who will pretend, and perhaps honestly believe, that they can do more to meet popular demands than is really in their power. It is often difficult enough for the expert, and certainly in many instances impossible for the layman, to distinguish between legitimate and illegitimate claims advanced in the name of science. The enormous publicity recently given by the media to a report

pronouncing in the name of science on *The Limits to Growth*, and the silence of the same media about the devastating criticism this report has received from the competent experts,^[7] must make one feel somewhat apprehensive about the use to which the prestige of science can be put. But it is by no means only in the field of economics that far-reaching claims are made on behalf of a more scientific direction of all human activities and the desirability of replacing spontaneous processes by “conscious human control”. If I am not mistaken, psychology, psychiatry and some branches of sociology, not to speak about the so-called philosophy of history, are even more affected by what I have called the scientific prejudice, and by specious claims of what science can achieve.^[8]

If we are to safeguard the reputation of science, and to prevent the arrogation of knowledge based on a superficial similarity of procedure with that of the physical sciences, much effort will have to be directed toward debunking such arrogations, some of which have by now become the vested interests of established university departments. We cannot be grateful enough to such modern philosophers of science as Sir Karl Popper for giving us a test by which we can distinguish between what we may accept as scientific and what not—a test which I am sure some doctrines now widely accepted as scientific would not pass. There are some special problems, however, in connection with those essentially complex phenomena of which social structures are so important an instance, which make me wish to restate in conclusion in more general terms the reasons why in these fields not only are there only absolute obstacles to the prediction of specific events, but why to act as if we possessed scientific knowledge enabling us to transcend them may itself become a serious obstacle to the advance of the human intellect.

The chief point we must remember is that the great and rapid advance of the physical sciences took place in fields where it proved that explanation and prediction could be based on laws which accounted for the observed phenomena as functions of comparatively few variables—either particular facts or relative frequencies of events. This may even be the ultimate reason why we single out these realms as “physical” in contrast to those more highly organized structures which I have here called essentially complex phenomena. There is no reason why the position must be the same in the latter as in the former fields. The difficulties which we encounter in

the latter are not, as one might at first suspect, difficulties about formulating theories for the explanation of the observed events—although they cause also special difficulties about testing proposed explanations and therefore about eliminating bad theories. They are due to the chief problem which arises when we apply our theories to any particular situation in the real world. A theory of essentially complex phenomena must refer to a large number of particular facts; and to derive a prediction from it, or to test it, we have to ascertain all these particular facts. Once we succeeded in this there should be no particular difficulty about deriving testable predictions—with the help of modern computers it should be easy enough to insert these data into the appropriate blanks of the theoretical formulae and to derive a prediction. The real difficulty, to the solution of which science has little to contribute, and which is sometimes indeed insoluble, consists in the ascertainment of the particular facts.

A simple example will show the nature of this difficulty. Consider some ball game played by a few people of approximately equal skill. If we knew a few particular facts in addition to our general knowledge of the ability of the individual players, such as their state of attention, their perceptions and the state of their hearts, lungs, muscles etc. at each moment of the game, we could probably predict the outcome. Indeed, if we were familiar both with the game and the teams we should probably have a fairly shrewd idea on what the outcome will depend. But we shall of course not be able to ascertain those facts and in consequence the result of the game will be outside the range of the scientifically predictable, however well we may know what effects particular events would have on the result of the game. This does not mean that we can make no predictions at all about the course of such a game. If we know the rules of the different games we shall, in watching one, very soon know which game is being played and what kinds of actions we can expect and what kind not. But our capacity to predict will be confined to such general characteristics of the events to be expected and not include the capacity of predicting particular individual events.

This corresponds to what I have called earlier the mere pattern predictions to which we are increasingly confined as we penetrate from the realm in which relatively simple laws prevail into the range of phenomena where organized complexity rules. As we advance we find more and more frequently that we can in fact ascertain only some but not all the particular

circumstances which determine the outcome of a given process; and in consequence we are able to predict only some but not all the properties of the result we have to expect. Often all that we shall be able to predict will be some abstract characteristic of the pattern that will appear—relations between kinds of elements about which individually we know very little. Yet, as I am anxious to repeat, we will still achieve predictions which can be falsified and which therefore are of empirical significance.

Of course, compared with the precise predictions we have learnt to expect in the physical sciences, this sort of mere pattern predictions is a second best with which one does not like to have to be content. Yet the danger of which I want to warn is precisely the belief that in order to have a claim to be accepted as scientific it is necessary to achieve more. This way lies charlatanism and worse. To act on the belief that we possess the knowledge and the power which enable us to shape the processes of society entirely to our liking, knowledge which in fact we do not possess, is likely to make us do much harm. In the physical sciences there may be little objection to trying to do the impossible; one might even feel that one ought not to discourage the over-confident because their experiments may after all produce some new insights. But in the social field the erroneous belief that the exercise of some power would have beneficial consequences is likely to lead to a new power to coerce other men being conferred on some authority. Even if such power is not in itself bad, its exercise is likely to impede the functioning of those spontaneous ordering forces by which, without understanding them, man is in fact so largely assisted in the pursuit of his aims. We are only beginning to understand on how subtle a communication system the functioning of an advanced industrial society is based—a communications system which we call the market and which turns out to be a more efficient mechanism for digesting dispersed information than any that man has deliberately designed.

If man is not to do more harm than good in his efforts to improve the social order, he will have to learn that in this, as in all other fields where essential complexity of an organized kind prevails, he cannot acquire the full knowledge which would make mastery of the events possible. He will therefore have to use what knowledge he can achieve, not to shape the results as the craftsman shapes his handiwork, but rather to cultivate a growth by providing the appropriate environment, in the manner in which

the gardener does this for his plants. There is danger in the exuberant feeling of ever growing power which the advance of the physical sciences has engendered and which tempts man to try, “dizzy with success”, to use a characteristic phrase of early communism, to subject not only our natural but also our human environment to the control of a human will. The recognition of the insuperable limits to his knowledge ought indeed to teach the student of society a lesson of humility which should guard him against becoming an accomplice in men’s fatal striving to control society—a striving which makes him not only a tyrant over his fellows, but which may well make him the destroyer of a civilization which no brain has designed but which has grown from the free efforts of millions of individuals.

[2] “Scientism and the Study of Society”, *Economica*, vol. IX, no. 35, August 1942, reprinted in *The Counter-Revolution of Science*, Glencoe, Ill., 1952, p. 15 of this reprint.

[3] Warren Weaver, “A Quarter Century in the Natural Sciences”, *The Rockefeller Foundation Annual Report 1958*, chapter I, “Science and Complexity”.

[4] See my essay “The Theory of Complex Phenomena” in *The Critical Approach to Science and Philosophy. Essays in Honor of K.R. Popper*, ed. M. Bunge, New York 1964, and reprinted (with additions) in my *Studies in Philosophy, Politics and Economics*, London and Chicago 1967.

[5] V. Pareto, *Manuel d’économie politique*, 2nd. ed., Paris 1927, pp. 223–4.

[6] See, e.g., Luis Molina, *De iustitia et iure*, Cologne 1596–1600, tom. II, disp. 347, no. 3, and particularly Johannes de Lugo, *Disputationum de iustitia et iure tomus secundus*, Lyon 1642, disp. 26, sect. 4, no. 40.

[7] See *The Limits to Growth: A Report of the Club of Rome’s Project on the Predicament of Mankind*, New York 1972; for a systematic examination of this by a competent economist cf. Wilfred Beckerman, *In Defence of Economic Growth*, London 1974, and, for a list of earlier criticisms by

experts, Gottfried Haberler, *Economic Growth and Stability*, Los Angeles 1974, who rightly calls their effect “devastating”.

[8] I have given some illustrations of these tendencies in other fields in my inaugural lecture as Visiting Professor at the University of Salzburg, *Die Irrtümer des Konstruktivismus und die Grundlagen legitimer Kritik gesellschaftlicher Gebilde*, Munich 1970, now reissued for the Walter Eucken Institute, at Freiburg i.Brg. by J.C.B. Mohr, Tübingen 1975.

Intellectuals and Socialism

In all democratic countries, in the United States even more than elsewhere, a strong belief prevails that the influence of the intellectuals on politics is negligible. This is no doubt true of the power of intellectuals to make their peculiar opinions of the moment influence decisions, of the extent to which they can sway the popular vote on questions on which they differ from the current views of the masses. Yet over somewhat longer periods they have probably never exercised so great an influence as they do today in those countries. This power they wield by shaping public opinion.

In the light of recent history it is somewhat curious that this decisive power of the professional secondhand dealers in ideas should not yet be more generally recognized. The political development of the Western World during the last hundred years furnishes the clearest demonstration. Socialism has never and nowhere been at first a working-class movement. It is by no means an obvious remedy for the obvious evil which the interests of that class will necessarily demand. It is a construction of theorists, deriving from certain tendencies of abstract thought with which for a long time only the intellectuals were familiar; and it required long efforts by the intellectuals before the working classes could be persuaded to adopt it as their program.

In every country that has moved toward socialism, the phase of the development in which socialism becomes a determining influence on politics has been preceded for many years by a period during which socialist ideals governed the thinking of the more active intellectuals. In Germany this stage had been reached toward the end of the last century; in England and France, about the time of the first World War. To the casual observer it would seem as if the United States had reached this phase after World War II and that the attraction of a planned and directed economic system is now as strong among the American intellectuals as it ever was among their German or English fellows. Experience suggests that, once this

phase has been reached, it is merely a question of time until the views now held by the intellectuals become the governing force of politics.

The character of the process by which the views of the intellectuals influence the politics of tomorrow is therefore of much more than academic interest. Whether we merely wish to foresee or attempt to influence the course of events, it is a factor of much greater importance than is generally understood. What to the contemporary observer appears as the battle of conflicting interests has indeed often been decided long before in a clash of ideas confined to narrow circles. Paradoxically enough, however, in general only the parties of the Left have done most to spread the belief that it was the numerical strength of the opposing material interests which decided political issues, whereas in practice these same parties have regularly and successfully acted as if they understood the key position of the intellectuals. Whether by design or driven by the force of circumstances, they have always directed their main effort toward gaining the support of this “elite,” while the more conservative groups have acted, as regularly but unsuccessfully, on a more naive view of mass democracy and have usually vainly tried directly to reach and to persuade the individual voter.

The term “intellectuals,” however, does not at once convey a true picture of the large class to which we refer, and the fact that we have no better name by which to describe what we have called the secondhand dealers in ideas is not the least of the reasons why their power is not understood. Even persons who use the word “intellectual” mainly as a term of abuse are still inclined to withhold it from many who undoubtedly perform that characteristic function. This is neither that of the original thinker nor that of the scholar or expert in a particular field of thought. The typical intellectual need be neither: he need not possess special knowledge of anything in particular, nor need he even be particularly intelligent, to perform his role as intermediary in the spreading of ideas. What qualifies him for his job is the wide range of subjects on which he can readily talk and write, and a position or habits through which he becomes acquainted with new ideas sooner than those to whom he addresses himself.

Until one begins to list all the professions and activities which belong to the class, it is difficult to realize how numerous it is, how the scope for activities constantly increases in modern society, and how dependent on it we all have become. The class does not consist of only journalists, teachers,

ministers, lecturers, publicists, radio commentators, writers of fiction, cartoonists, and artists all of whom may be masters of the technique of conveying ideas but are usually amateurs so far as the substance of what they convey is concerned. The class also includes many professional men and technicians, such as scientists and doctors, who through their habitual intercourse with the printed word become carriers of new ideas outside their own fields and who, because of their expert knowledge of their own subjects, are listened with respect on most others. There is little that the ordinary man of today learns about events or ideas except through the medium of this class; and outside our special fields of work we are in this respect almost all ordinary men, dependent for our information and instruction on those who make it their job to keep abreast of opinion. It is the intellectuals in this sense who decide what views and opinions are to reach us, which facts are important enough to be told to us, and in what form and from what angle they are to be presented. Whether we shall ever learn of the results of the work of the expert and the original thinker depends mainly on their decision.

The layman, perhaps, is not fully aware to what extent even the popular reputations of scientists and scholars are made by that class and are inevitably affected by its views on subjects which have little to do with the merits of the real achievements. And it is specially significant for our problem that every scholar can probably name several instances from his field of men who have undeservedly achieved a popular reputation as great scientists solely because they hold what the intellectuals regard as “progressive” political views; but I have yet to come across a single instance where such a scientific pseudo-reputation has been bestowed for political reason on a scholar of more conservative leanings. This creation of reputations by the intellectuals is particularly important in the fields where the results of expert studies are not used by other specialists but depend on the political decision of the public at large. There is indeed scarcely a better illustration of this than the attitude which professional economists have taken to the growth of such doctrines as socialism or protectionism. There was probably at no time a majority of economists, who were recognized as such by their peers, favorable to socialism (or, for that matter, to protection). In all probability it is even true to say that no other similar group of students contains so high a proportion of its members decidedly

opposed to socialism (or protection). This is the more significant as in recent times it is as likely as not that it was an early interest in socialist schemes for reform which led a man to choose economics for his profession. Yet it is not the predominant views of the experts but the views of a minority, mostly of rather doubtful standing in their profession, which are taken up and spread by the intellectuals.

The all-pervasive influence of the intellectuals in contemporary society is still further strengthened by the growing importance of "organization." It is a common but probably mistaken belief that the increase of organization increases the influence of the expert or specialist. This may be true of the expert administrator and organizer, if there are such people, but hardly of the expert in any particular field of knowledge. It is rather the person whose general knowledge is supposed to qualify him to appreciate expert testimony, and to judge between the experts from different fields, whose power is enhanced. The point which is important for us, however, is that the scholar who becomes a university president, the scientist who takes charge of an institute or foundation, the scholar who becomes an editor or the active promoter of an organization serving a particular cause, all rapidly cease to be scholars or experts and become intellectuals, solely in the light of certain fashionable general ideas. The number of such institutions which breed intellectuals and increase their number and powers grows every day. Almost all the "experts" in the mere technique of getting knowledge over are, with respect to the subject matter which they handle, intellectuals and not experts.

In the sense in which we are using the term, the intellectuals are in fact a fairly new phenomenon of history. Though nobody will regret that education has ceased to be a privilege of the propertied classes, the fact that the propertied classes are no longer the best educated and the fact that the large number of people who owe their position solely to their general education do not possess that experience of the working of the economic system which the administration of property gives, are important for understanding the role of the intellectual. Professor Schumpeter, who has devoted an illuminating chapter of his *Capitalism, Socialism, and Democracy* to some aspects of our problem, has not unfairly stressed that it is the absence of direct responsibility for practical affairs and the consequent absence of first hand knowledge of them which distinguishes

the typical intellectual from other people who also wield the power of the spoken and written word. It would lead too far, however, to examine here further the development of this class and the curious claim which has recently been advanced by one of its theorists that it was the only one whose views were not decidedly influenced by its own economic interests. One of the important points that would have to be examined in such a discussion would be how far the growth of this class has been artificially stimulated by the law of copyright.

It is not surprising that the real scholar or expert and the practical man of affairs often feel contemptuous about the intellectual, are disinclined to recognize his power, and are resentful when they discover it. Individually they find the intellectuals mostly to be people who understand nothing in particular especially well and whose judgement on matters they themselves understand shows little sign of special wisdom. But it would be a fatal mistake to underestimate their power for this reason. Even though their knowledge may often be superficial and their intelligence limited, this does not alter the fact that it is their judgement which mainly determines the views on which society will act in the not too distant future. It is no exaggeration to say that, once the more active part of the intellectuals has been converted to a set of beliefs, the process by which these become generally accepted is almost automatic and irresistible. These intellectuals are the organs which modern society has developed for spreading knowledge and ideas, and it is their convictions and opinions which operate as the sieve through which all new conceptions must pass before they can reach the masses.

It is of the nature of the intellectual's job that he must use his own knowledge and convictions in performing his daily task. He occupies his position because he possesses, or has had to deal from day to day with, knowledge which his employer in general does not possess, and his activities can therefore be directed by others only to a limited extent. And just because the intellectuals are mostly intellectually honest, it is inevitable that they should follow their own conviction whenever they have discretion and that they should give a corresponding slant to everything that passes through their hands. Even where the direction of policy is in the hands of men of affairs of different views, the execution of policy will in general be in the hands of intellectuals, and it is frequently the decision on the detail

which determines the net effect. We find this illustrated in almost all fields of contemporary society. Newspapers in “capitalist” ownership, universities presided over by “reactionary” governing bodies, broadcasting systems owned by conservative governments, have all been known to influence public opinion in the direction of socialism, because this was the conviction of the personnel. This has often happened not only in spite of, but perhaps even because of, the attempts of those at the top to control opinion and to impose principles of orthodoxy.

The effect of this filtering of ideas through the convictions of a class which is constitutionally disposed to certain views is by no means confined to the masses. Outside his special field the expert is generally no less dependent on this class and scarcely less influenced by their selection. The result of this is that today in most parts of the Western World even the most determined opponents of socialism derive from socialist sources their knowledge on most subjects on which they have no firsthand information. With many of the more general preconceptions of socialist thought, the connection of their more practical proposals is by no means at once obvious; in consequence of that system of thought become in fact effective spreaders of its ideas. Who does not know the practical man who in his own field denounces socialism as “pernicious rot” but, when he steps outside his subject, spouts socialism like any left journalist? In no other field has the predominant influence of the socialist intellectuals been felt more strongly during the last hundred years than in the contacts between different national civilizations. It would go far beyond the limits of this article to trace the causes and significance of the highly important fact that in the modern world the intellectuals provide almost the only approach to an international community. It is this which mainly accounts for the extraordinary spectacle that for generations the supposedly “capitalist” West has been lending its moral and material support almost exclusively to those ideological movements in countries further east which aimed at undermining Western civilization and that, at the same time, the information which the Western public has obtained about events in Central and Eastern Europe has almost inevitably been colored by a socialist bias. Many of the “educational” activities of the American forces of occupation of Germany have furnished clear and recent examples of this tendency.

A proper understanding of the reasons which tend to incline so many of the intellectuals toward socialism is thus most important. The first point here which those who do not share this bias ought to face frankly is that it is neither selfish interests nor evil intentions but mostly honest convictions and good intentions which determine the intellectual's views. In fact, it is necessary to recognize that on the whole the typical intellectual is today more likely to be a socialist the more he is guided by good will and intelligence, and that on the plane of purely intellectual argument he will generally be able to make out a better case than the majority of his opponents within his class. If we still think him wrong, we must recognize that it may be genuine error which leads the well-meaning and intelligent people who occupy those key positions in our society to spread views which to us appear a threat to our civilization. 1 Nothing could be more important than to try to understand the sources of this error in order that we should be able to counter it. Yet those who are generally regarded as the representatives of the existing order and who believe that they comprehend the dangers of socialism are usually very far from such understanding. They tend to regard the socialist intellectuals as nothing more than a pernicious bunch of highbrow radicals without appreciating their influence and, by their whole attitude to them, tend to drive them even further into opposition to the existing order.

If we are to understand this peculiar bias of a large section of intellectuals, we must be clear about two points. The first is that they generally judge all particular issues exclusively in the light of certain general ideas; the second, that the characteristic errors of any age are frequently derived from some genuine new truths it has discovered, and they are erroneous applications of new generalizations which have proved their value in other fields. The conclusion to which we shall be led by a full consideration of these facts will be that the effective refutation of such errors will frequently require further intellectual advance, and often advance on points which are very abstract and may seem very remote from the practical issues.

It is perhaps the most characteristic feature of the intellectual that he judges new ideas not by their specific merits but by the readiness with which they fit into his general conceptions, into the picture of the world which he regards as modern or advanced. It is through their influence on

him and on his choice of opinions on particular issues that the power of ideas for good and evil grows in proportion to their generality, abstractness, and even vagueness. As he knows little about the particular issues, his criterion must be consistency with his other views and suitability for combining into a coherent picture of the world. Yet this selection from the multitude of new ideas presenting themselves at every moment creates the characteristic climate of opinion, the dominant *Weltanschauung* of a period, which will be favorable to the reception of some opinions and unfavorable to others and which will make the intellectual readily accept one conclusion and reject another without a real understanding of the issues.

In some respects the intellectual is indeed closer to the philosopher than to any specialist, and the philosopher is in more than one sense a sort of prince among the intellectuals. Although his influence is farther removed from practical affairs and correspondingly slower and more difficult to trace than that of the ordinary intellectual, it is of the same kind and in the long run even more powerful than that of the latter. It is the same endeavor toward a synthesis, pursued more methodically, the same judgement of particular views in so far as they fit into a general system of thought rather than by their specific merits, the same striving after a consistent world view, which for both it was therefore not (as has been suggested by one reviewer of *The Road to Serfdom*, Professor J. Schumpeter), “politeness to a fault” but profound conviction of the importance of this which made me, in Professor Schumpeter’s words, “hardly ever attribute to opponents anything beyond intellectual error” forms the main basis for accepting or rejecting ideas. For this reason the philosopher has probably a greater influence over the intellectuals than any other scholar or scientist and, more than anyone else, determines the manner in which the intellectuals exercise their censorship function. The popular influence of the scientific specialist begins to rival that of the philosopher only when he ceases to be a specialist and commences to philosophize about the progress of his subject and usually only after he has been taken up by the intellectuals for reasons which have little to do with his scientific eminence.

The “climate of opinion” of any period is thus essentially a set of very general preconceptions by which the intellectual judges the importance of new facts and opinions. These preconceptions are mainly applications to what seem to him the most significant aspects of scientific achievements, a

transfer to other fields of what has particularly impressed him in the work of the specialists. One could give a long list of such intellectual fashions and catchwords which in the course of two or three generations have in turn dominated the thinking of the intellectuals. Whether it was the “historical approach” or the theory of evolution, nineteenth century determinism and the belief in the predominant influence of environment as against heredity, the theory of relativity or the belief in the power of the unconscious- every one of these general conceptions has been made the touchstone by which innovations in different fields have been tested. It seems as if the less specific or precise (or the less understood) these ideas are, the wider may be their influence. Sometimes it is no more than a vague impression rarely put into words which thus wields a profound influence. Such beliefs as that deliberate control or conscious organization is also in social affairs always superior to the results of spontaneous processes which are not directed by a human mind, or that any order based on a plan laid down beforehand must be better than one formed by the balancing of opposing forces, have in this way profoundly affected political development.

Only apparently different is the role of the intellectuals where the development of more properly social ideas is concerned. Here their peculiar propensities manifest themselves in making shibboleths of abstractions, in rationalizing and carrying to extremes certain ambitions which spring from the normal intercourse of men. Since democracy is a good thing, the further the democratic principle can be carried, the better it appears to them. The most powerful of these general ideas which have shaped political development in recent times is of course the ideal of material equality. It is, characteristically, not one of the spontaneously grown moral convictions, first applied in the relations between particular individuals, but an intellectual construction originally conceived in the abstract and of doubtful meaning or application in particular instances. Nevertheless, it has operated strongly as a principle of selection among the alternative courses of social policy, exercising a persistent pressure toward an arrangement of social affairs which nobody clearly conceives. That a particular measure tends to bring about greater equality has come to be regarded as so strong a recommendation that little else will be considered. Since on each particular issue it is this one aspect on which those who guide opinion have a definite

conviction, equality has determined social change even more strongly than its advocates intended.

Not only moral ideals act in this manner, however. Sometimes the attitudes of the intellectuals toward the problems of social order may be the consequence of advances in purely scientific knowledge, and it is in these instances that their erroneous views on particular issues may for a time seem to have all the prestige of the latest scientific achievements behind them. It is not in itself surprising that a genuine advance of knowledge should in this manner become on occasion a source of new error. If no false conclusions followed from new generalizations, they would be final truths which would never need revision. Although as a rule such a new generalization will merely share the false consequences which can be drawn from it with the views which were held before, and thus not lead to new error, it is quite likely that a new theory, just as its value is shown by the valid new conclusions to which it leads, will produce other new conclusions to which further advance will show to have been erroneous. But in such an instance a false belief will appear with all the prestige of the latest scientific knowledge supporting it. Although in the particular field to which this belief applies all the scientific evidence may be against it, it will nevertheless, before the tribunal of the intellectuals and in the light of the ideas which govern their thinking, be selected as the view which is best in accord with the spirit of the time. The specialists who will thus achieve public fame and wide influence will thus not be those who have gained recognition by their peers but will often be men whom the other experts regard as cranks, amateurs, or even frauds, but who in the eyes of the general public nevertheless become the best known exponents of their subject.

In particular, there can be little doubt that the manner in which during the last hundred years man has learned to organize the forces of nature has contributed a great deal toward the creation of the belief that a similar control of the forces of society would bring comparable improvements in human conditions. That, with the application of engineering techniques, the direction of all forms of human activity according to a single coherent plan should prove to be as successful in society as it has been in innumerable engineering tasks, is too plausible a conclusion not to seduce most of those who are elated by the achievement of the natural sciences. It must indeed be

admitted both that it would require powerful arguments to counter the strong presumption in favor of such a conclusion and that these arguments have not yet been adequately stated. It is not sufficient to point out the defects of particular proposals based on this kind of reasoning. The argument will not lose its force until it has been conclusively shown why what has proved so eminently successful in producing advances in so many fields should have limits to its usefulness and become positively harmful if extended beyond these limits. This is a task which has not yet been satisfactorily performed and which will have to be achieved before this particular impulse toward socialism can be removed.

This, of course, is only one of many instances where further intellectual advance is needed if the harmful ideas at present current are to be refuted and where the course which we shall travel will ultimately be decided by the discussion of very abstract issues. It is not enough for the man of affairs to be sure, from his intimate knowledge of a particular field, that the theories of socialism which are derived from more general ideas will prove impracticable. He may be perfectly right, and yet his resistance will be overwhelmed and all the sorry consequences which he foresees will follow if his is not supported by an effective refutation of the *idées mères*. So long as the intellectual gets the better of the general argument, the most valid objections of the specific issue will be brushed aside.

This is not the whole story, however. The forces which influence recruitment to the ranks of the intellectuals operate in the same direction and help to explain why so many of the most able among them lean toward socialism. There are of course as many differences of opinion among intellectuals as among other groups of people; but it seems to be true that it is on the whole the more active, intelligent, and original men among the intellectuals who most frequently incline toward socialism, while its opponents are often of an inferior caliber. This is true particularly during the early stages of the infiltration of socialist ideas; later, although outside intellectual circles it may still be an act of courage to profess socialist convictions, the pressure of opinion among intellectuals will often be so strongly in favor of socialism that it requires more strength and independence for a man to resist it than to join in what his fellows regard as modern views. Nobody, for instance, who is familiar with large numbers of university faculties (and from this point of view the majority of university

teachers probably have to be classed as intellectuals rather than as experts) can remain oblivious to the fact that the most brilliant and successful teachers are today more likely than not to be socialists, while those who hold more conservative political views are as frequently mediocrities. This is of course by itself an important factor leading the younger generation into the socialist camp.

The socialist will, of course, see in this merely a proof that the more intelligent person is today bound to become a socialist. But this is far from being the necessary or even the most likely explanation. The main reason for this state of affairs is probably that, for the exceptionally able man who accepts the present order of society, a multitude of other avenues to influence and power are open, while to the disaffected and dissatisfied an intellectual career is the most promising path to both influence and the power to contribute to the achievement of his ideals. Even more than that: the more conservatively inclined man of first class ability will in general choose intellectual work (and the sacrifice in material reward which this choice usually entails) only if he enjoys it for its own sake. He is in consequence more likely to become an expert scholar rather than an intellectual in the specific sense of the word; while to the more radically minded the intellectual pursuit is more often than not a means rather than an end, a path to exactly that kind of wide influence which the professional intellectual exercises. It is therefore probably the fact, not that the more intelligent people are generally socialists, but that a much higher proportion of socialists among the best minds devote themselves to those intellectual pursuits which in modern society give them a decisive influence on public opinion.

The selection of the personnel of the intellectuals is also closely connected with the predominant interest which they show in general and abstract ideas. Speculations about the possible entire reconstruction of society give the intellectual a fare much more to his taste than the more practical and short-run considerations of those who aim at a piecemeal improvement of the existing order. In particular, socialist thought owes its appeal to the young largely to its visionary character; the very courage to indulge in Utopian thought is in this respect a source of strength to the socialists which traditional liberalism sadly lacks. This difference operates in favor of socialism, not only because speculation about general principles

provides an opportunity for the play of the imagination of those who are unencumbered by much knowledge of the facts of present-day life, but also because it satisfies a legitimate desire for the understanding of the rational basis of any social order and gives scope for the exercise of that constructive urge for which liberalism, after it had won its great victories, left few outlets.

The intellectual, by his whole disposition, is uninterested in technical details or practical difficulties. What appeal to him are the broad visions, the spacious comprehension of the social order as a whole which a planned system promises. This fact that the tastes of the intellectual were better satisfied by the speculations of the socialists proved fatal to the influence of the liberal tradition. Once the basic demands of the liberal programs seemed satisfied, the liberal thinkers turned to problems of detail and tended to neglect the development of the general philosophy of liberalism, which in consequence ceased to be a live issue offering scope for general speculation. Thus for something over half a century it has been only the socialists who have offered anything like an explicit program of social development, a picture of the future society at which they were aiming, and a set of general principles to guide decisions on particular issues. Even though, if I am right, their ideals suffer from inherent contradictions, and any attempt to put them into practice must produce something utterly different from what they expect, this does not alter the fact that their program for change is the only one which has actually influenced the development of social institutions. It is because theirs has become the only explicit general philosophy of social policy held by a large group, the only system or theory which raises new problems and opens new horizons, that they have succeeded in inspiring the imagination of the intellectuals.

Related to this is another familiar phenomenon: there is little reason to believe that really first class intellectual ability for original work is any rarer among Gentiles than among Jews. Yet there can be little doubt that men of Jewish stock almost everywhere constitute a disproportionately large number of the intellectuals in our sense, that is of the ranks of the professional interpreters of ideas. This may be their special gift and certainly is their main opportunity in countries where prejudice puts obstacles in their way in other fields. It is probably more because they constitute so large a proportion of the intellectuals than for any other reason

that they seem to be so much more receptive of socialist ideas than people of different stocks.

The actual developments of society during this period were determined, not by a battle of conflicting ideals, but by the contrast between an existing state of affairs and that one ideal of a possible future society which the socialists alone held up before the public. Very few of the other programs which offered themselves provided genuine alternatives. Most of them were mere compromises or halfway houses between the more extreme types of socialism and the existing order. All that was needed to make almost any socialist proposal appear reasonable to these “judicious” minds who were constitutionally convinced that the truth must always lie in the middle between the extremes, was for someone to advocate a sufficiently more extreme proposal. There seemed to exist only one direction in which we could move, and the only question seemed to be how fast and how far the movement should proceed.

The significance of the special appeal to the intellectuals which socialism derives from its speculative character will become clearer if we further contrast the position of the socialist theorist with that of his counterpart who is a liberal in the old sense of the word. This comparison will also lead us to whatever lesson we can draw from an adequate appreciation of the intellectual forces which are undermining the foundations of a free society.

Paradoxically enough, one of the main handicaps which deprives the liberal thinker of popular influence is closely connected with the fact that, until socialism has actually arrived, he has more opportunity of directly influencing decisions on current policy and that in consequence he is not only not tempted into that long-run speculation which is the strength of the socialists, but is actually discouraged from it because any effort of this kind is likely to reduce the immediate good he can do. Whatever power he has to influence practical decisions he owes to his standing with the representatives of the existing order, and this standing he would endanger if he devoted himself to the kind of speculation which would appeal to the intellectuals and which through them could influence developments over longer periods. In order to carry weight with the powers that be, he has to be “practical,” “sensible,” and “realistic.” So long as he concerns himself with the immediate issues, he is rewarded with influence, material success,

and popularity with those who up to a point share his general outlook. But these men have little respect for those speculations on general principles which shape the intellectual climate. Indeed, if he seriously indulges in such long-run speculation, he is apt to acquire the reputation of being “unsound” or even half a socialist, because he is unwilling to identify the existing order with the free system at which he aims.³

The most glaring recent example of such condemnation of a somewhat unorthodox liberal work as “socialist” has been provided by some comments on the late Henry Simons’ *Economic Policy for a Free Society* (1948). One need not agree with the whole of this work and one may even regard some of the suggestions made in it as incompatible with a free society, and yet recognize it as one of the most important contributions made in recent times to our problem and as just the kind of work which is required to get discussion started on the fundamental issues. Even those who violently disagree with some. If, in spite of this, his efforts continue in the direction of general speculation, he soon discovers that it is unsafe to associate too closely with those who seem to share most of his convictions, and he is soon driven into isolation. Indeed there can be few more thankless tasks at present than the essential one of developing the philosophical foundation on which the further development of a free society must be based. Since the man who undertakes it must accept much of the framework of the existing order, he will appear to many of the more speculatively minded intellectuals merely as a timid apologist of things as they are; at the same time he will be dismissed by the men of affairs as an impractical theorist. He is not radical enough for those who know only the world where “with ease together dwell the thoughts” and much too radical for those who see only how “hard in space together clash the things.” If he takes advantage of such support as he can get from the men of affairs, he will almost certainly discredit himself with those on whom he depends for the spreading of his ideas. At the same time he will need most carefully to avoid anything resembling extravagance or overstatement. While no socialist theorist has ever been known to discredit himself with his fellows even by the silliest of proposals, the old-fashioned liberal will damn himself by an impracticable suggestion. Yet for the intellectuals he will still not be speculative or adventurous enough, and the changes and

improvements in the social structure he will have to offer will seem limited in comparison with what their less restrained imagination conceives.

At least in a society in which the main requisites of freedom have already been won and further improvements must concern points of comparative detail, the liberal program can have none of the glamour of a new invention. The appreciation of the improvements it has to offer requires more knowledge of the working of the existing society than the average intellectual possesses. The discussion of these improvements must proceed on a more practical level than that of the more revolutionary programs, thus giving a complexion which has little appeal for the intellectual and tending to bring in elements to whom he feels directly antagonistic. Those who are most familiar with the working of the present society are also usually interested in the preservation of particular features of that society which may not be defensible on general principles. Unlike the person who looks for an entirely new future order and who naturally turns for guidance to the theorist, the men who believe in the existing order also usually think that they understand it much better than any theorist and in consequence are likely to reject whatever is unfamiliar and theoretical.

The difficulty of finding genuine and disinterested support for a systematic policy for freedom is not new. In a passage of which the reception of a recent book of mine has often reminded me, Lord Acton long ago described how “at all times sincere friends of freedom have been rare, and its triumphs have been due to minorities, that have prevailed by associating themselves with auxiliaries whose objects differed from their own; and this association, which is always dangerous, has been sometimes of its suggestions should welcome it as a contribution which clearly and courageously raises the central problems of our time. disastrous, by giving to opponents just grounds of opposition...”^[9] More recently, one of the most distinguished living American economists has complained in a similar vein that the main task of those who believe in the basic principles of the capitalist system must frequently be to defend this system against the capitalists—indeed the great liberal economists, from Adam Smith to the present, have always known this.

The most serious obstacle which separates the practical men who have the cause of freedom genuinely at heart from those forces which in the realm of ideas decide the course of development is their deep distrust of

theoretical speculation and their tendency to orthodoxy; this, more than anything else, creates an almost impassable barrier between them and those intellectuals who are devoted to the same cause and whose assistance is indispensable if the cause is to prevail. Although this tendency is perhaps natural among men who defend a system because it has justified itself in practice, and to whom its intellectual justification seems immaterial, it is fatal to its survival because it deprives it of the support it most needs. Orthodoxy of any kind, any pretense that a system of ideas is final and must be unquestioningly accepted as a whole, is the one view which of necessity antagonizes all intellectuals, whatever their views on particular issues. Any system which judges men by the completeness of their conformity to a fixed set of opinions, by their "soundness" or the extent to which they can be relied upon to hold approved views on all points, deprives itself of a support without which no set of ideas can maintain its influence in modern society. The ability to criticize accepted views, to explore new vistas and to experience with new conceptions, provides the atmosphere without which the intellectual cannot breathe. A cause which offers no scope for these traits can have no support from him and is thereby doomed in any society which, like ours, rests on his services.

It may be that as a free society as we have known it carries in itself the forces of its own destruction, that once freedom has been achieved it is taken for granted and ceases to be valued, and that the free growth of ideas which is the essence of a free society will bring about the destruction of the foundations on which it depends. There can be little doubt that in countries like the United States the ideal of freedom today has less real appeal for the young than it has in countries where they have learned what its loss means. On the other hand, there is every sign that in Germany and elsewhere, to the young men who have never known a free society, the task of constructing one can become as exciting and fascinating as any socialist scheme which has appeared during the last hundred years. It is an extraordinary fact, though one which many visitors have experienced, that in speaking to German students about the principles of a liberal society one finds a more responsive and even enthusiastic audience than one can hope to find in any of the Western democracies. In Britain also there is already appearing among the young a new interest in the principles of true liberalism which certainly did not exist a few years ago.

Does this mean that freedom is valued only when it is lost, that the world must everywhere go through a dark phase of socialist totalitarianism before the forces of freedom can gather strength anew? It may be so, but I hope it need not be. Yet, so long as the people who over longer periods determine public opinion continue to be attracted by the ideals of socialism, the trend will continue. If we are to avoid such a development, we must be able to offer a new liberal program which appeals to the imagination. We must make the building of a free society once more an intellectual adventure, a deed of courage. What we lack is a liberal Utopia, a program which seems neither a mere defense of things as they are nor a diluted kind of socialism, but a truly liberal radicalism which does not spare the susceptibilities of the mighty (including the trade unions), which is not too severely practical, and which does not confine itself to what appears today as politically possible. We need intellectual leaders who are willing to work for an ideal, however small may be the prospects of its early realization. They must be men who are willing to stick to principles and to fight for their full realization, however remote. The practical compromises they must leave to the politicians. Free trade and freedom of opportunity are ideals which still may arouse the imaginations of large numbers, but a mere “reasonable freedom of trade” or a mere “relaxation of controls” is neither intellectually respectable nor likely to inspire any enthusiasm.

The main lesson which the true liberal must learn from the success of the socialists is that it was their courage to be Utopian which gained them the support of the intellectuals and therefore an influence on public opinion which is daily making possible what only recently seemed utterly remote. Those who have concerned themselves exclusively with what seemed practicable in the existing state of opinion have constantly found that even this had rapidly become politically impossible as the result of changes in a public opinion which they have done nothing to guide. Unless we can make the philosophic foundations of a free society once more a living intellectual issue, and its implementation a task which challenges the ingenuity and imagination of our liveliest minds, the prospects of freedom are indeed dark. But if we can regain that belief in the power of ideas which was the mark of liberalism at its best, the battle is not lost. The intellectual revival of liberalism is already underway in many parts of the world. Will it be in time?

[9] John Emerich Edward Dalberg, Lord Acton. *The History of Freedom and Other Essays*. I. 1922.

The Moral Element in Free Enterprise

Economic activity provides the material means for all our ends. At the same time, most of our individual efforts are directed to providing means for the ends of others in order that they, in turn, may provide us with the means for our ends. It is only because we are free in the choice of our means that we are also free in the choice of our ends.

Economic freedom is thus an indispensable condition of all other freedom, and free enterprise both a necessary condition and a consequence of personal freedom. In discussing The Moral Element in Free Enterprise I shall therefore not confine myself to the problems of economic life but consider the general relations between freedom and morals.

By freedom in this connection I mean, in the great Anglo-Saxon tradition, independence of the arbitrary will of another. This is the classical conception of freedom under the law, a state of affairs in which a man may be coerced only where coercion is required by the general rules of law, equally applicable to all, and never by the discretionary decision of administrative authority.

The relationship between this freedom and moral values is mutual and complex. I shall therefore have to confine myself to bringing out the salient points in something like telegraphic style.

It is, on the one hand, an old discovery that morals and moral values will grow only in an environment of freedom, and that, in general, moral standards of people and classes are high only where they have long enjoyed freedom—and proportional to the amount of freedom they have possessed. It is also an old insight that a free society will work well only where free action is guided by strong moral beliefs, and, therefore, that we shall enjoy all the benefits of freedom only where freedom is already well established. To this I want to add that freedom, if it is to work well, requires not only strong moral standards but moral standards of a particular kind, and that it is possible in a free society for moral standards to grow up which, if they

become general, will destroy freedom and with it the basis of all moral values.

Forgotten Truths

Before I turn to this point, which is not generally understood, I must briefly elaborate upon the two old truths which ought to be familiar but which are often forgotten. That freedom is the matrix required for the growth of moral values—indeed not merely one value among many but the source of all values—is almost self-evident. It is only where the individual has choice, and its inherent responsibility, that he has occasion to affirm existing values, to contribute to their further growth, and to earn moral merit. Obedience has moral value only where it is a matter of choice and not of coercion. It is in the order in which we rank our different ends that our moral sense manifests itself; and in applying the general rules of morals to particular situations each individual is constantly called upon to interpret and apply the general principles and in doing so to create particular values.

I have no time here for showing how this has in fact brought it about that free societies not only have generally been law-abiding societies, but also in modern times have been the source of all the great humanitarian movements aiming at active help to the weak, the ill, and the oppressed. Unfree societies, on the other hand, have as regularly developed a disrespect for the law, a callous attitude to suffering, and even sympathy for the malefactor.

I must turn to the other side of the medal. It should also be obvious that the results of freedom must depend on the values which free individuals pursue. It would be impossible to assert that a free society will always and necessarily develop values of which we would approve, or even, as we shall see, that it will maintain values which are compatible with the preservation of freedom. All that we can say is that the values we hold are the product of freedom, that in particular the Christian values had to assert themselves through men who successfully resisted coercion by government, and that it is to the desire to be able to follow one's own moral convictions that we owe the modern safeguards of individual freedom. Perhaps we can add to this that only societies which hold moral values essentially similar to

our own have survived as free societies, while in others freedom has perished.

All this provides strong argument why it is most important that a free society be based on strong moral convictions and why if we want to preserve freedom *and* morals, we should do all in our power to spread the appropriate moral convictions. But what I am mainly concerned with is the error that men must first be good before they can be granted freedom.

It is true that a free society lacking a moral foundation would be a very unpleasant society in which to live. But it would even so be better than a society which is unfree and immoral; and it at least offers the hope of a gradual emergence of moral convictions which an unfree society prevents. On this point I am afraid I strongly disagree with John Stuart Mill, who maintained that until men have attained the capacity of being guided to their own improvement by conviction or persuasion, “there is nothing for them but implicit obedience to an Akbar or Charlemagne, if they are so fortunate as to find one.” Here I believe T. B. Macaulay expressed the much greater wisdom of an older tradition when he wrote that “many politicians of our time are in the habit of laying it down as a self-evident proposition that no people are to be free till they are fit to use their freedom. The maxim is worthy of the fool in the old story, who resolved not to go into the water till he had learned to swim. If men are to wait for liberty till they become wise and good, they may indeed wait forever.”

Moral Considerations

But I must now turn from what is merely the reaffirmation of old wisdom to more critical issues. I have said that liberty, to work well, requires not merely the existence of strong moral convictions but also the acceptance of particular moral views. By this I do *not* mean that within limits utilitarian considerations will contribute to alter moral views on particular issues. Nor do I mean that, as Edwin Cannan expressed it, “of the two principles, Equity and Economy, Equity is ultimately the weaker... the judgment of mankind about what is equitable is liable to change, and... one of the forces that causes it to change is mankind’s discovery from time to time that what was supposed to be quite just and equitable in some particular matter has become, or perhaps always was, uneconomical.”

This is also true and important, though it may not be a commendation to all people. I am concerned rather with some more general conceptions which seem to me an essential condition of a free society and without which it cannot survive. The two crucial ones seem to me the belief in individual responsibility and the approval as just of an arrangement by which material rewards are made to correspond to the value which a person's particular services have to his fellows; *not* to the esteem in which he is held as a whole person for his moral merit.

Responsible Individuals

I must be brief on the first point—which I find very difficult. Modern developments here are part of the story of the destruction of moral value by scientific error which has recently been my chief concern—and what a scholar happens to be working on at the moment tends to appear to him as the most important subject in the world. But I shall try to say what belongs here in a very few words.

Free societies have always been societies in which the belief in individual responsibility has been strong. They have allowed individuals to act on *their* knowledge and beliefs and have treated the results achieved as due to them. The aim was to make it worthwhile for people to act rationally and reasonably and to persuade them that what they would achieve depended chiefly on them. This last belief is undoubtedly not entirely correct, but it certainly had a wonderful effect in developing both initiative and circumspection.

By a curious confusion it has come to be thought that this belief in individual responsibility has been refuted by growing insight into the manner in which events generally, and human actions in particular, are determined by certain classes of causes. It is probably true that we have gained increasing understanding of the *kinds* of circumstances which affect human action—but no more. We can certainly not say that a particular conscious act of any man is the necessary result of particular circumstances that we can specify—leaving out his peculiar individuality built up by the whole of his history. Of our generic knowledge as to how human action can be influenced we make use in assessing praise and blame—which we do for the purpose of making people behave in a desirable fashion. It is on this

limited determinism—as much as our knowledge in fact justifies—that the belief in responsibility is based, while only a belief in some metaphysical self which stands outside the chain of cause and effect could justify the contention that it is useless to hold the individual responsible for his actions.

The Pressure of Opinion

Yet, crude as is the fallacy underlying the opposite and supposedly scientific view, it has had the most profound effect in destroying the chief device which society has developed to assure decent conduct—the pressure of opinion making people observe the rules of the game. And it has ended in that *Myth of Mental Illness* which a distinguished psychiatrist, Dr. T. S. Szasz, has recently justly castigated in a book so titled. We have probably not yet discovered the best way of teaching people to live according to rules which make life in society for them and their fellows not too unpleasant. But in our present state of knowledge I am sure that we shall never build up a successful free society without that pressure of praise and blame which treats the individual as responsible for his conduct and also makes him bear the consequences of even innocent error.

But if it is essential for a free society that the esteem in which a person is held by his fellows depends on how far he lives up to the demand for moral law, it is also essential that material reward should *not* be determined by the opinion of his fellows of his moral merits but by the value which they attach to the particular services he renders them. This brings me to my second chief point: the conception of social justice which must prevail if a free society is to be preserved. This is the point on which the defenders of a free society and the advocates of a collectivist system are chiefly divided. And on this point, while the advocates of the socialist conception of distributive justice are usually very outspoken, the upholders of freedom are unnecessarily shy about stating bluntly the implications of their ideal.

Why Liberty?

The simple facts are these: We want the individual to have liberty because only if *he* can decide what to do can he also use all his unique combination

of information, skills, and capacities which nobody else can fully appreciate. To enable the individual to fulfill his potential we must also allow him to act on his own estimates of the various chances and probabilities. Since we do not know what he knows, we cannot decide whether his decisions were justified; nor can we know whether his success or failure was due to his efforts and foresight, or to good luck. In other words, we must look at results, not intentions or motives, and can allow him to act on his own knowledge only if we also allow him to keep what his fellows are willing to pay him for his services, irrespective of whether we think this reward appropriate to the moral merit he has earned or the esteem in which we hold him as a person.

Such remuneration, in accordance with the value of a man's services, inevitably is often very different from what we think of his moral merit. This, I believe, is the chief source of the dissatisfaction with a free enterprise system and of the clamor for "distributive justice." It is neither honest nor effective to deny that there is such a discrepancy between the moral merit and esteem which a person may earn by his actions and, on the other hand, the value of the services for which we pay him. We place ourselves in an entirely false position if we try to gloss over this fact or to disguise it. Nor have we any need to do so.

Material Rewards

It seems to me one of the great merits of a free society that material reward is *not* dependent on whether the majority of our fellows like or esteem us personally. This means that, so long as we keep within the accepted rules, moral pressure can be brought on us only through the esteem of those whom we ourselves respect and not through the allocation of material reward by a social authority. It is of the essence of a free society that we should be materially rewarded not for doing what others order us to do, but for giving them what they want. Our conduct ought certainly to be guided by our desire for their esteem. But we are free because the success of our daily efforts does not depend on whether particular people like us, or our principles, or our religion, or our manners, and because *we* can decide whether the material reward others are prepared to pay for our services makes it worthwhile for us to render them.

We seldom know whether a brilliant idea which a man suddenly conceives, and which may greatly benefit his fellows, is the result of years of effort and preparatory investment, or whether it is a sudden inspiration induced by an accidental combination of knowledge and circumstance. But we do know that, where in a given instance it has been the former, it would not have been worth while to take the risk if the discoverer were not allowed to reap the benefit. And since we do not know how to distinguish one case from the other, we must also allow a man to get the gain when his good fortune is a matter of luck.

The Moral Merit of a Person

I do not wish to deny, I rather wish to emphasize, that in our society personal esteem and material success are much too closely bound together. We ought to be much more aware that if we regard a man as entitled to a high material reward that in itself does not necessarily entitle him to high esteem. And, though we are often confused on this point, it does not mean that this confusion is a necessary result of the free enterprise system—or that in general the free enterprise system is more materialistic than other social orders. Indeed, and this brings me to the last point I want to make, it seems to me in many respects considerably less so.

In fact free enterprise has developed the only kind of society which, while it provides us with ample material means, if that is what we mainly want, still leaves the individual free to choose between material and nonmaterial reward. The confusion of which I have been speaking—between the value which a man's services have to his fellows and the esteem he deserves for his moral merit—*may* well make a free enterprise society materialistic. But the way to prevent this is certainly not to place the control of all material means under a single direction, to make the distribution of material goods the chief concern of all common effort, and thus to get politics and economics inextricably mixed.

Many Bases for Judging

It is at least possible for a free enterprise society to be in this respect a pluralistic society which knows no single order of rank but has many

different principles on which esteem is based; where worldly success is neither the only evidence nor regarded as certain proof of individual merit. It may well be true that periods of a very rapid increase of wealth, in which many enjoy the benefits of wealth for the first time, tend to produce for a time a predominant concern with material improvement. Until the recent European upsurge many members of the more comfortable classes there used to decry as materialistic the economically more active periods to which they owed the material comfort which had made it easy for them to devote themselves to other things.

Cultural Progress Follows

Periods of great cultural and artistic creativity have generally followed, rather than coincided with, the periods of the most rapid increase in wealth. To my mind this shows *not* that a free society must be dominated by material concerns but rather that with freedom it is the moral atmosphere in the widest sense, the values which people hold, which will determine the chief direction of their activities. Individuals as well as communities, when they feel that other things have become more important than material advance, can turn to them. It is certainly not by the endeavor to make material reward correspond to all merit, but only by frankly recognizing that there are other and often more important goals than material success, that we can guard ourselves against becoming too materialistic.

Surely it is unjust to blame a system as more materialistic because it leaves it to the individual to decide whether he prefers material gain to other kinds of excellence, instead of having this decided for him. There is indeed little merit in being idealistic if the provision of the material means required for these idealistic aims is left to somebody else. It is only where a person can himself choose to make a material sacrifice for a nonmaterial end that he deserves credit. The desire to be relieved of the choice, and of any need for personal sacrifice, certainly does not seem to me particularly idealistic.

I must say that I find the atmosphere of the advanced Welfare State in every sense more materialistic than that of a free enterprise society. If the latter gives individuals much more scope to serve their fellows by the pursuit of purely materialistic aims, it also gives them the opportunity to pursue any other aim they regard as more important. One must remember,

however, that the pure idealism of an aim is questionable whenever the material means necessary for its fulfillment have been created by others.

Means and Ends

In conclusion I want for a moment to return to the point from which I started. When we defend the free enterprise system we must always remember that it deals only with means. What we make of our freedom is up to us. We must not confuse efficiency in providing means with the purposes which they serve. A society which has no other standard than efficiency will indeed waste that efficiency. If men are to be free to use their talents to provide us with the means we want, we must remunerate them in accordance with the value these means have to us. Nevertheless, we ought to esteem them only in accordance with the use they make of the means at *their* disposal.

Let us encourage usefulness to one's fellows by all means, but let us not confuse it with the importance of the ends which men ultimately serve. It is the glory of the free enterprise system that it makes it at least possible that each individual, while serving his fellows, can do so for his own ends. But the system is itself only a means, and its infinite possibilities must be used in the service of ends which exist apart.

6

Why I Am Not A Conservative

“At all times sincere friends of freedom have been rare, and its triumphs have been due to minorities, that have prevailed by associating themselves with auxiliaries whose objects often differed from their own; and this association, which is always dangerous, has sometimes been disastrous, by giving to opponents just grounds of opposition.”[\[10\]](#)

1.

At a time when most movements that are thought to be progressive advocate further encroachments on individual liberty,[\[11\]](#) those who cherish freedom are likely to expend their energies in opposition. In this they find themselves much of the time on the same side as those who habitually resist change. In matters of current politics today they generally have little choice but to support the conservative parties. But, though the position I have tried to define is also often described as “conservative,” it is very different from that to which this name has been traditionally attached. There is danger in the confused condition which brings the defenders of liberty and the true conservatives together in common opposition to developments which threaten their ideals equally. It is therefore important to distinguish clearly the position taken here from that which has long been known—perhaps more appropriately—as conservatism.

Conservatism proper is a legitimate, probably necessary, and certainly widespread attitude of opposition to drastic change. It has, since the French Revolution, for a century and a half played an important role in European politics. Until the rise of socialism its opposite was liberalism. There is nothing corresponding to this conflict in the history of the United States, because what in Europe was called “liberalism” was here the common tradition on which the American polity had been built: thus the defender of the American tradition was a liberal in the European sense.[\[12\]](#) This already existing confusion was made worse by the recent attempt to transplant to

American conservatism, which, being alien to the European type of conservatism, has acquired a somewhat odd character. And some time before this, American radicals and socialists began calling themselves “liberals.” I will nevertheless continue for the moment to describe as liberal the position which I hold and which I believe differs as much from true conservatism as from socialism. Let me say at once, however, that I do so with increasing misgivings, and I shall later have to consider what would be the appropriate name for the party of liberty. The reason for this is not only that the term “liberal” in the United States is the cause of constant misunderstandings today, but also that in Europe the predominant type of rationalistic liberalism has long been one of the pacemakers of socialism.

Let me now state what seems to me the decisive objection to any conservatism which deserves to be called such. It is that by its very nature it cannot offer an alternative to the direction in which we are moving. It may succeed by its resistance to current tendencies in slowing down undesirable developments, but, since it does not indicate another direction, it cannot prevent their continuance. It has, for this reason, invariably been the fate of conservatism to be dragged along a path not of its own choosing. The tug of war between conservatives and progressives can only affect the speed, not the direction, of contemporary developments. But, though there is a need for a “brake on the vehicle of progress,”^[13] I personally cannot be content with simply helping to apply the brake. What the liberal must ask, first of all, is not how fast or how far we should move, but where we should move. In fact, he differs much more from the collectivist radical of today than does the conservative. While the last generally holds merely a mild and moderate version of the prejudices of his time, the liberal today must more positively oppose some of the basic conceptions which most conservatives share with the socialists.

2.

The picture generally given of the relative position of the three parties does more to obscure than to elucidate their true relations. They are usually represented as different positions on a line, with the socialists on the left, the conservatives on the right, and the liberals somewhere in the middle. Nothing could be more misleading. If we want a diagram, it would be more

appropriate to arrange them in a triangle with the conservatives occupying one corner, with the socialists pulling toward the second and the liberals toward the third. But, as the socialists have for a long time been able to pull harder, the conservatives have tended to follow the socialist rather than the liberal direction and have adopted at appropriate intervals of time those ideas made respectable by radical propaganda. It has been regularly the conservatives who have compromised with socialism and stolen its thunder. Advocates of the Middle Way^[14] with no goal of their own, conservatives have been guided by the belief that the truth must lie somewhere between the extremes—with the result that they have shifted their position every time a more extreme movement appeared on either wing.

The position which can be rightly described as conservative at any time depends, therefore, on the direction of existing tendencies. Since the development during the last decades has been generally in a socialist direction, it may seem that both conservatives and liberals have been mainly intent on retarding that movement. But the main point about liberalism is that it wants to go elsewhere, not to stand still. Though today the contrary impression may sometimes be caused by the fact that there was a time when liberalism was more widely accepted and some of its objectives closer to being achieved, it has never been a backward-looking doctrine. There has never been a time when liberal ideals were fully realized and when liberalism did not look forward to further improvement of institutions. Liberalism is not averse to evolution and change; and where spontaneous change has been smothered by government control, it wants a great deal of change of policy. So far as much of current governmental action is concerned, there is in the present world very little reason for the liberal to wish to preserve things as they are. It would seem to the liberal, indeed, that what is most urgently needed in most parts of the world is a thorough sweeping away of the obstacles to free growth.

This difference between liberalism and conservatism must not be obscured by the fact that in the United States it is still possible to defend individual liberty by defending long-established institutions. To the liberal they are valuable not mainly because they are long established or because they are American but because they correspond to the ideals which he cherishes.

3.

Before I consider the main points on which the liberal attitude is sharply opposed to the conservative one, I ought to stress that there is much that the liberal might with advantage have learned from the work of some conservative thinkers. To their loving and reverential study of the value of grown institutions we owe (at least outside the field of economics) some profound insights which are real contributions to our understanding of a free society. However reactionary in politics such figures as Coleridge, Bonald, De Maistre, Justus Möser, or Donoso Cortès may have been, they did show an understanding of the meaning of spontaneously grown institutions such as language, law, morals, and conventions that anticipated modern scientific approaches and from which the liberals might have profited. But the admiration of the conservatives for free growth generally applies only to the past. They typically lack the courage to welcome the same undesigned change from which new tools of human endeavors will emerge.

This brings me to the first point on which the conservative and the liberal dispositions differ radically. As has often been acknowledged by conservative writers, one of the fundamental traits of the conservative attitude is a fear of change, a timid distrust of the new as such,^[15] while the liberal position is based on courage and confidence, on a preparedness to let change run its course even if we cannot predict where it will lead. There would not be much to object to if the conservatives merely disliked too rapid change in institutions and public policy; here the case for caution and slow process is indeed strong. But the conservatives are inclined to use the powers of government to prevent change or to limit its rate to whatever appeals to the more timid mind. In looking forward, they lack the faith in the spontaneous forces of adjustment which makes the liberal accept changes without apprehension, even though he does not know how the necessary adaptations will be brought about. It is, indeed, part of the liberal attitude to assume that, especially in the economic field, the self-regulating forces of the market will somehow bring about the required adjustments to new conditions, although no one can foretell how they will do this in a particular instance. There is perhaps no single factor contributing so much

to people's frequent reluctance to let the market work as their inability to conceive how some necessary balance, between demand and supply, between exports and imports, or the like, will be brought about without deliberate control. The conservative feels safe and content only if he is assured that some higher wisdom watches and supervises change, only if he knows that some authority is charged with keeping the change "orderly."

This fear of trusting uncontrolled social forces is closely related to two other characteristics of conservatism: its fondness for authority and its lack of understanding of economic forces. Since it distrusts both abstract theories and general principles,^[16] it neither understands those spontaneous forces on which a policy of freedom relies nor possesses a basis for formulating principles of policy. Order appears to the conservative as the result of the continuous attention of authority, which, for this purpose, must be allowed to do what is required by the particular circumstances and not be tied to rigid rule. A commitment to principles presupposes an understanding of the general forces by which the efforts of society are co-ordinated, but it is such a theory of society and especially of the economic mechanism that conservatism conspicuously lacks. So unproductive has conservatism been in producing a general conception of how a social order is maintained that its modern votaries, in trying to construct a theoretical foundation, invariably find themselves appealing almost exclusively to authors who regarded themselves as liberal. Macaulay, Tocqueville, Lord Acton, and Lecky certainly considered themselves liberals, and with justice; and even Edmund Burke remained an Old Whig to the end and would have shuddered at the thought of being regarded as a Tory.

Let me return, however, to the main point, which is the characteristic complacency of the conservative toward the action of established authority and his prime concern that this authority be not weakened rather than that its power be kept within bounds. This is difficult to reconcile with the preservation of liberty. In general, it can probably be said that the conservative does not object to coercion or arbitrary power so long as it is used for what he regards as the right purposes. He believes that if government is in the hands of decent men, it ought not to be too much restricted by rigid rules. Since he is essentially opportunist and lacks principles, his main hope must be that the wise and the good will rule—not

merely by example, as we all must wish, but by authority given to them and enforced by them.^[17] Like the socialist, he is less concerned with the problem of how the powers of government should be limited than with that of who wields them; and, like the socialist, he regards himself as entitled to force the value he holds on other people.

When I say that the conservative lacks principles, I do not mean to suggest that he lacks moral conviction. The typical conservative is indeed usually a man of very strong moral convictions. What I mean is that he has no political principles which enable him to work with people whose moral values differ from his own for a political order in which both can obey their convictions. It is the recognition of such principles that permits the coexistence of different sets of values that makes it possible to build a peaceful society with a minimum of force. The acceptance of such principles means that we agree to tolerate much that we dislike. There are many values of the conservative which appeal to me more than those of the socialists; yet for a liberal the importance he personally attaches to specific goals is no sufficient justification for forcing others to serve them. I have little doubt that some of my conservative friends will be shocked by what they will regard as “concessions” to modern views that I have made in Part III of this book. But, though I may dislike some of the measures concerned as much as they do and might vote against them, I know of no general principles to which I could appeal to persuade those of a different view that those measures are not permissible in the general kind of society which we both desire. To live and work successfully with others requires more than faithfulness to one’s concrete aims. It requires an intellectual commitment to a type of order in which, even on issues which to one are fundamental, others are allowed to pursue different ends.

It is for this reason that to the liberal neither moral nor religious ideals are proper objects of coercion, while both conservatives and socialists recognize no such limits. I sometimes feel that the most conspicuous attribute of liberalism that distinguishes it as much from conservatism as from socialism is the view that moral beliefs concerning matters of conduct which do not directly interfere with the protected sphere of other persons do not justify coercion. This may also explain why it seems to be so much easier for the repentant socialist to find a new spiritual home in the conservative fold than in the liberal.

In the last resort, the conservative position rests on the belief that in any society there are recognizably superior persons whose inherited standards and values and position ought to be protected and who should have a greater influence on public affairs than others. The liberal, of course, does not deny that there are some superior people—he is not an egalitarian—bet he denies that anyone has authority to decide who these superior people are. While the conservative inclines to defend a particular established hierarchy and wishes authority to protect the status of those whom he values, the liberal feels that no respect for established values can justify the resort to privilege or monopoly or any other coercive power of the state in order to shelter such people against the forces of economic change. Though he is fully aware of the important role that cultural and intellectual elites have played in the evolution of civilization, he also believes that these elites have to prove themselves by their capacity to maintain their position under the same rules that apply to all others.

Closely connected with this is the usual attitude of the conservative to democracy. I have made it clear earlier that I do not regard majority rule as an end but merely as a means, or perhaps even as the least evil of those forms of government from which we have to choose. But I believe that the conservatives deceive themselves when they blame the evils of our time on democracy. The chief evil is unlimited government, and nobody is qualified to wield unlimited power.^[18] The powers which modern democracy possesses would be even more intolerable in the hands of some small elite.

Admittedly, it was only when power came into the hands of the majority that further limitations of the power of government was thought unnecessary. In this sense democracy and unlimited government are connected. But it is not democracy but unlimited government that is objectionable, and I do not see why the people should not learn to limit the scope of majority rule as well as that of any other form of government. At any rate, the advantages of democracy as a method of peaceful change and of political education seem to be so great compared with those of any other system that I can have no sympathy with the anti-democratic strain of conservatism. It is not who governs but what government is entitled to do that seems to me the essential problem.

That the conservative opposition to too much government control is not a matter of principle but is concerned with the particular aims of

government is clearly shown in the economic sphere. Conservatives usually oppose collectivist and directivist measures in the industrial field, and here the liberals will often find allies in them. But at the same time conservatives are usually protectionists and have frequently supported socialist measures in agriculture. Indeed, though the restrictions which exist today in industry and commerce are mainly the result of socialist views, the equally important restrictions in agriculture were usually introduced by conservatives at an even earlier date. And in their efforts to discredit free enterprise many conservative leaders have vied with the socialists. [\[19\]](#)

4.

I have already referred to the differences between conservatism and liberalism in the purely intellectual field, but I must return to them because the characteristic conservative attitude here not only is a serious weakness of conservatism but tends to harm any cause which allies itself with it. Conservatives feel instinctively that it is new ideas more than anything else that cause change. But, from its point of view rightly, conservatism fears new ideas because it has no distinctive principles of its own to oppose them; and, by its distrust of theory and its lack of imagination concerning anything except that which experience has already proved, it deprives itself of the weapons needed in the struggle of ideas. Unlike liberalism, with its fundamental belief in the long-range power of ideas, conservatism is bound by the stock of ideas inherited at a given time. And since it does not really believe in the power of argument, its last resort is generally a claim to superior wisdom, based on some self-arrogated superior quality.

The difference shows itself most clearly in the different attitudes of the two traditions to the advance of knowledge. Though the liberal certainly does not regard all change as progress, he does regard the advance of knowledge as one of the chief aims of human effort and expects from it the gradual solution of such problems and difficulties as we can hope to solve. Without preferring the new merely because it is new, the liberal is aware that it is of the essence of human achievement that it produces something new; and he is prepared to come to terms with new knowledge, whether he likes its immediate effects or not.

Personally, I find that the most objectionable feature of the conservative attitude is its propensity to reject well-substantiated new knowledge because it dislikes some of the consequences which seem to follow from it—or, to put it bluntly, its obscurantism. I will not deny that scientists as much as others are given to fads and fashions and that we have much reason to be cautious in accepting the conclusions that they draw from their latest theories. But the reasons for our reluctance must themselves be rational and must be kept separate from our regret that the new theories upset our cherished beliefs. I can have little patience with those who oppose, for instance, the theory of evolution or what are called “mechanistic” explanations of the phenomena of life because of certain moral consequences which at first seem to follow from these theories, and still less with those who regard it as irrelevant or impious to ask certain questions at all. By refusing to face the facts, the conservative only weakens his own position. Frequently the conclusions which rationalist presumption draws from new scientific insights do not at all follow from them. But only by actively taking part in the elaboration of the consequences of new discoveries do we learn whether or not they fit into our world picture and, if so, how. Should our moral beliefs really prove to be dependent on factual assumptions shown to be incorrect, it would hardly be moral to defend them by refusing to acknowledge facts.

Connected with the conservative distrust of the new and the strange is its hostility to internationalism and its proneness to a strident nationalism. Here is another source of its weakness in the struggle of ideas. It cannot alter the fact that the ideas which are changing our civilization respect no boundaries. But refusal to acquaint one’s self with new ideas merely deprives one of the power of effectively countering them when necessary. The growth of ideas is an international process, and only those who fully take part in the discussion will be able to exercise a significant influence. It is no real argument to say that an idea is un-American, or un-German, nor is a mistaken or vicious ideal better for having been conceived by one of our compatriots.

A great deal more might be said about the close connection between conservatism and nationalism, but I shall not dwell on this point because it might be felt that my personal position makes me unable to sympathize with any form of nationalism. I will merely add that it is this nationalistic

bias which frequently provides the bridge from conservatism to collectivism: to think in terms of “our” industry or resource is only a short step away from demanding that these national assets be directed in the national interest. But in this respect the Continental liberalism which derives from the French Revolution is little better than conservatism. I need hardly say that nationalism of this sort is something very different from patriotism and that an aversion to nationalism is fully compatible with a deep attachment to national traditions. But the fact that I prefer and feel reverence for some of the traditions of my society need not be the cause of hostility to what is strange and different.

Only at first does it seem paradoxical that the anti-internationalism of conservatism is so frequently associated with imperialism. But the more a person dislikes the strange and thinks his own ways superior, the more he tends to regard it as his mission to “civilize” other[20]—not by the voluntary and unhampered intercourse which the liberal favors, but by bringing them the blessings of efficient government. It is significant that here again we frequently find the conservatives joining hands with the socialists against the liberals—not only in England, where the Webbs and their Fabians were outspoken imperialists, or in Germany, where state socialism and colonial expansionism went together and found the support of the same group of “socialists of the chair,” but also in the United States, where even at the time of the first Roosevelt it could be observed: “the Jingoism and the Social Reformers have gotten together; and have formed a political party, which threatened to capture the Government and use it for their program of Caesaristic paternalism, a danger which now seems to have been averted only by the other parties having adopted their program in a somewhat milder degree and form.”[21]

5.

There is one respect, however, in which there is justification for saying that the liberal occupies a position midway between the socialist and the conservative: he is as far from the crude rationalism of the socialist, who wants to reconstruct all social institutions according to a pattern prescribed by his individual reason, as from the mysticism to which the conservative so frequently has to resort. What I have described as the liberal position

shares with conservatism a distrust of reason to the extent that the liberal is very much aware that we do not know all the answers and that he is not sure that the answers he has are certainly the rights ones or even that we can find all the answers. He also does not disdain to seek assistance from whatever non-rational institutions or habits have proved their worth. The liberal differs from the conservative in his willingness to face this ignorance and to admit how little we know, without claiming the authority of supernatural forces of knowledge where his reason fails him. It has to be admitted that in some respects the liberal is fundamentally a skeptic[22]—but it seems to require a certain degree of diffidence to let others seek their happiness in their own fashion and to adhere consistently to that tolerance which is an essential characteristic of liberalism.

There is no reason why this need mean an absence of religious belief on the part of the liberal. Unlike the rationalism of the French Revolution, true liberalism has no quarrel with religion, and I can only deplore the militant and essentially illiberal anti-religionism which animated so much of nineteenth-century Continental liberalism. That this is not essential to liberalism is clearly shown by its English ancestors, the Old Whigs, who, if anything, were much too closely allied with a particular religious belief. What distinguishes the liberal from the conservative here is that, however profound his own spiritual beliefs, he will never regard himself as entitled to impose them on others and that for him the spiritual and the temporal are different sphere which ought not to be confused.

6.

What I have said should suffice to explain why I do not regard myself as a conservative. Many people will feel, however, that the position which emerges is hardly what they used to call “liberal.” I must, therefore, now face the question of whether this name is today the appropriate name for the party of liberty. I have already indicated that, though I have all my life described myself as a liberal, I have done so recently with increasing misgivings—not only because in the United States this term constantly gives rise to misunderstandings, but also because I have become more and more aware of the great gulf that exists between my position and the

rationalistic Continental liberalism or even the English liberalism of the utilitarians.

If liberalism still meant what it meant to an English historian who in 1827 could speak of the revolution of 1688 as “the triumph of those principles which in the language of the present day are denominated liberal or constitutional”[\[23\]](#) or if one could still, with Lord Acton, speak of Burke, Macaulay, and Gladstone as the three greatest liberals, or if one could still, with Harold Laske, regard Tocqueville and Lord Acton as “the essential liberals of the nineteenth century,”[\[24\]](#) I should indeed be only too proud to describe myself by that name. But, much as I am tempted to call their liberalism true liberalism, I must recognize that the majority of Continental liberals stood for ideas to which these men were strongly opposed, and that they were led more by a desire to impose upon the world a preconceived rational pattern than to provide opportunity for free growth. The same is largely true of what has called itself Liberalism in England at least since the time of Lloyd George.

It is thus necessary to recognize that what I have called “liberalism” has little to do with any political movement that goes under that name today. It is also questionable whether the historical associations which that name carries today are conducive to the success of any movement. Whether in these circumstances one ought to make an effort to rescue the term from what one feels is its misuse is a question on which opinions may well differ. I myself feel more and more that to use it without long explanations causes too much confusion and that as a label it has become more of a ballast than a source of strength.

In the United States, where it has become almost impossible to use “liberal” in the sense in which I have used it, the term “libertarian” has been used instead. It may be the answer; but for my part I find it singularly unattractive. For my taste it carries too much the flavor of a manufactured term and of a substitute. What I should want is a word which describes the party of life, the party that favors free growth and spontaneous evolution. But I have racked my brain unsuccessfully to find a descriptive term which commends itself.

We should remember, however, that when the ideals which I have been trying to restate first began to spread through the Western world, the party which represented them had a generally recognized name. It was the ideals of the English Whigs that inspired what later came to be known as the liberal movement in the whole of Europe^[25] and that provided the conceptions that the American colonists carried with them and which guided them in their struggle for independence and in the establishment of their constitution.^[26] Indeed, until the character of this tradition was altered by the accretions due to the French Revolution, with its totalitarian democracy and socialist leanings, “Whig” was the name by which the party of liberty was generally known.

The name died in the country of its birth partly because for a time the principles for which it stood were no longer distinctive of a particular party, and partly because the men who bore the name did not remain true to those principles. The Whig parties of the nineteenth century, in both Britain and the United States, finally brought discredit to the name among the radicals. But it is still true that, since liberalism took the place of Whiggism only after the movement for liberty had absorbed the crude and militant rationalism of the French Revolution, and since our task must largely be to free that tradition from the over-rationalistic, nationalistic, and socialistic influences which have intruded into it, Whiggism is historically the correct name for the ideas in which I believe. The more I learn about the evolution of ideas, the more I have become aware that I am simply an unrepentant Old Whig—with the stress on the “old.”

To confess one’s self as an Old Whig does not mean, of course, that one wants to go back to where we were at the end of the seventeenth century. It has been one of the purposes of this book to show that the doctrines then first stated continued to grow and develop until about seventy or eighty years ago, even though they were no longer the chief aim of a distinct party. We have since learned much that should enable us to restate them in a more satisfactory and effective form. But, though they require restatement in the light of our present knowledge, the basic principles are still those of the Old Whigs. True, the later history of the party that bore that name has made some historians doubt where there was a distinct body of Whig principles; but I can but agree with Lord Acton that, though some of “the patriarchs of the doctrine were the most infamous of

men, the notion of a higher law above municipal codes, with which Whiggism began, is the supreme achievement of Englishmen and their bequest to the nation”[\[27\]](#)—and, we may add, to the world. It is the doctrine which is at the basis of the common tradition of the Anglo-Saxon countries. It is the doctrine from which Continental liberalism took what is valuable in it. It is the doctrine on which the American system of government is based. In its pure form it is represented in the United States, not by the radicalism of Jefferson, nor by the conservatism of Hamilton or even of John Adams, but by the ideas of James Madison, the “father of the Constitution.”[\[28\]](#)

I do not know whether to revive that old name is practical politics. That to the mass of people, both in the Anglo-Saxon world and elsewhere, it is today probably a term without definite associations is perhaps more an advantage than a drawback. To those familiar with the history of ideas it is probably the only name that quite expresses what the tradition means. That, both for the genuine conservative and still more for the many socialists turned conservative, Whiggism is the name for their pet aversion shows a sound instinct on their part. It has been the name for the only set of ideals that has consistently opposed all arbitrary power.

8.

It may well be asked whether the name really matters so much. In a country like the United States, which on the whole has free institutions and where, therefore, the defense of the existing is often a defense of freedom, it might not make so much difference if the defenders of freedom call themselves conservatives, although even here the association with the conservatives by disposition will often be embarrassing. Even when men approve of the same arrangements, it must be asked whether they approve of them because they exist or because they are desirable in themselves. The common resistance to the collectivist tide should not be allowed to obscure the fact that the belief in integral freedom is based on an essentially forward-looking attitude and not on any nostalgic longing for the past or a romantic admiration for what has been.

The need for a clear distinction is absolutely imperative, however, where, as is true in many parts of Europe, the conservatives have already

accepted a large part of the collectivist creed—a creed that has governed policy for so long that many of its institutions have come to be accepted as a matter of course and have become a source of pride to “conservative” parties who created them.^[29] Here the believer in freedom cannot but conflict with the conservative and take an essentially radical position, directed against popular prejudices, entrenched positions, and firmly established privileges. Follies and abuses are no better for having long been established principles of folly.

Though *quieta non movere* may at times be a wise maxim for the statesman it cannot satisfy the political philosopher. He may wish policy to proceed gingerly and not before public opinion is prepared to support it, but he cannot accept arrangements merely because current opinion sanctions them. In a world where the chief need is once more, as it was at the beginning of the nineteenth century, to free the process of spontaneous growth from the obstacles and encumbrances that human folly has erected, his hopes must rest on persuading and gaining the support of those who by disposition are “progressives,” those who, though they may now be seeking change in the wrong direction, are at least willing to examine critically the existing and to change it wherever necessary.

I hope I have not misled the reader by occasionally speaking of “party” when I was thinking of groups of men defending a set of intellectual and moral principles. Party politics of any one country has not been the concern of this book. The question of how the principles I have tried to reconstruct by piecing together the broken fragments of a tradition can be translated into a program with mass appeal, the political philosopher must leave to “that insidious and crafty animal, vulgarly called a statesman or politician, whose councils are directed by the momentary fluctuations of affairs.”^[30] The task of the political philosopher can only be to influence public opinion, not to organize people for action. He will do so effectively only if he is not concerned with what is now politically possible but consistently defends the “general principles which are always the same.”^[31] In this sense I doubt whether there can be such a thing as a conservative political philosophy. Conservatism may often be a useful practical maxim, but it does not give us any guiding principles which can influence long-range developments.

[10] John Emerich Edward Dalberg, Lord Acton. *The History of Freedom and Other Essays*. I. 1922.

[11] This has now been true for over a century, and as early as 1855 J. S. Mill could say (see my *John Stuart Mill and Harriet Taylor* [London and Chicago, 1951], p. 216) that “almost all the projects of social reformers of these days are really *liberticide*.”

[12] B. Crick, “The Strange Quest for an American Conservatism,” *Review of Politics*, XVII (1955), 365, says rightly that “the normal American who calls himself ‘A Conservative’ is, in fact, a liberal.” It would appear that the reluctance of these conservatives to call themselves by the more appropriate name dates only from its abuse during the New Deal era.

[13] The expression is that of R. G. Collingwood, *The New Leviathan* (Oxford: Oxford University Press, 1942), p. 209.

[14] Cf. the characteristic choice of this title for the programmatic book by the present British Prime Minister Harold Macmillan, *The Middle Way* (London, 1938).

[15] Cf. Lord Hugh Cecil, *Conservatism* (“Home University Library” [London, 1912], p. 9: “Natural Conservatism ... is a disposition averse from change; and it springs partly from a distrust of the unknown.”

[16] Cf. the revealing self-description of a conservative in K. Feiling, *Sketches in Nineteenth Century Biography* (London, 1930), p. 174: “Taken in bulk, the Right have a horror of ideas, for is not the practical man, in Disraeli’s words, ‘one who practices the blunders of his predecessors’? For long tracts of their history they have indiscriminately resisted improvement, and in claiming to reverence their ancestors often reduce opinion to aged individual prejudice. Their position becomes safer, but more complex, when we add that this Right wing is incessantly overtaking the Left; that it lives by repeated inoculation of liberal ideas, and thus suffers from a never-perfected state of compromise.”

[17] I trust I shall be forgiven for repeating here the words in which on an earlier occasion I stated an important point: “The main merit of the individualism which [Adam Smith] and his contemporaries advocated is that it is a system under which bad men can do least harm. It is a social system which does not depend for its functioning on our finding good men for running it, or on all men becoming better than they now are, but which makes use of men in all their given variety and complexity, sometimes good and sometimes bad, sometimes intelligent and more often stupid.” (*Individualism and Economic Order* [London and Chicago, 1948], p. 11).

[18] Cf. Lord Acton in *Letters of Lord Acton to Mary Gladstone*, ed. H. Paul (London, 1913), p. 73: “The danger is not that a particular class is unfit to govern. Every class is unfit to govern. The law of liberty tends to abolish the reign of race over race, of faith over faith, of class over class.”

[19] J. R. Hicks has rightly spoken in this connection of the “caricature drawn alike by the young Disraeli, by Marx and by Goebbels” (“The Pursuit of Economic Freedom,” *What We Defend*, ed. E. F. Jacob [Oxford: Oxford University Press, 1942], p. 96). On the role of the conservatives in this connection see also my Introduction to *Capitalism and the Historians* (Chicago: University of Chicago Press, 1954), pp. 19 ff.

[20] Cf. J. S. Mill, *On Liberty*, ed. R. B. McCallum (Oxford, 1946), p. 83: “I am not aware that any community has a right to force another to be civilised.”

[21] J. W. Burgess, *The Reconciliation of Government with Liberty* (New York, 1915), p. 380.

[22] Cf. Learned Hand, *The Spirit of Liberty*, ed. I. Dilliard (New York, 1952), p. 190: “The Spirit of liberty is the spirit which is not too sure that it is right.” See also Oliver Cromwell’s often quoted statement in his *Letter to the Assembly of the Church of Scotland*, August 3, 1650: “I beseech you, in the bowels of Christ, think it possible you may be mistaken.” It is significant that this should be the probably best-remembered saying of the only “dictator” in British history!

[23] H. Hallam, *Constitutional History* (1827) (“Everyman” ed.), III, 90. It is often suggested that the term “liberal” derives from the early nineteenth-century Spanish party of the *liberales*. I am more inclined to believe that it derives from the use of that term by Adam Smith in such passages as *W.o.N.*, II, 41: “the liberal system of free exportation and free importation” and p. 216: “allowing every man to pursue his own interest his own way, upon the liberal plan of equality, liberty, and justice.”

[24] Lord Acton in *Letters to Mary Gladstone*, p. 44. Cf. also his judgment of Tocqueville in *Lectures on the French Revolution* (London, 1910), p. 357: “Tocqueville was a Liberal of the purest breed—a Liberal and nothing else, deeply suspicious of democracy and its kindred, equality, centralisation, and utilitarianism.” Similarly in the *Nineteenth Century*, XXXIII (1892), 885. The statement by H. J. Laski occurs in “Alexis de Tocqueville and Democracy,” in *The Social and Political Ideas of Some Representative Thinkers of the Victorian Age*, ed. F. J. C. Hearnshaw (London, 1933), p. 100, where he says that “a case of unanswerable power could, I think, be made out for the view that he [Tocqueville] and Lord Acton were the essential liberals of the nineteenth century.”

[25] As early as the beginning of the eighteenth century, an English observer could remark that he “scarce ever knew a foreigner settled in England, whether of Dutch, German, French, Italian, or Turkish growth, but became a Whig in a little time after his mixing with us” (quoted by G. H. Guttridge, *English Whiggism and the American Revolution* [Berkeley: University of California Press, 1942], p. 3).

[26] In the United States the nineteenth-century use of the term “Whig” has unfortunately obliterated the memory of the fact that in the eighteenth it stood for the principles which guided the revolution, gained independence, and shaped the Constitution. It was in Whig societies that the young James Madison and John Adams developed their political ideals (cf. E. M. Burns, *James Madison* [New Brunswick, N.J.; Rutgers University Press, 1938], p. 4); it was Whig principles which, as Jefferson tells us, guided all the lawyers who constituted such a strong majority among the signers of the Declaration of Independence and among the members of the Constitutional

Convention (see *Writings of Thomas Jefferson* [“Memorial ed.” (Washington, 1905)], XVI, 156). The profession of Whig principles was carried to such a point that even Washington’s soldiers were clad in the traditional “blue and buff” colors of the Whigs, which they shared with the Foxites in the British Parliament and which was preserved down to our days on the covers of the *Edinburgh Review*. If a socialist generation has made Whiggism its favorite target, this is all the more reason for the opponents of socialism to vindicate its name. It is today the only name which correctly describes the beliefs of the Gladstonian liberals, of the men of the generation of Maitland, Acton, and Bryce, and the last generation for whom liberty rather than equality or democracy was the main goal.

[27] Lord Acton, *Lectures on Modern History* (London, 1906), p. 218 (I have slightly rearranged Acton’s clauses to reproduce briefly the sense of his statement).

[28] Cf. S. K. Padover in his Introduction to *The Complete Madison* (New York, 1953), p. 10: “In modern terminology, Madison would be labeled a middle-of-the-road liberal and Jefferson a radical.” This is true and important, though we must remember what E. S. Corwin (“James Madison: Layman, Publicist, and Exegete,” *New York University Law Review*, XXVII [1952], 285) has called Madison’s later “surrender to the overwhelming influence of Jefferson.”

[29] Cf. the British Conservative party’s statement of policy, *The Right Road for Britain* (London, 1950), pp. 41–42, which claims, with considerable justification, that “this new conception [of the social services] was developed [by] the Coalition Government with a majority of Conservative Ministers and the full approval of the Conservative majority in the House of Commons ... [We] set out the principle for the schemes of pensions, sickness and unemployment benefit, industrial injustices benefit and a national health scheme.”

[30] A Smith, *W.o.N.*, I, 432.

[31] *Ibid.*

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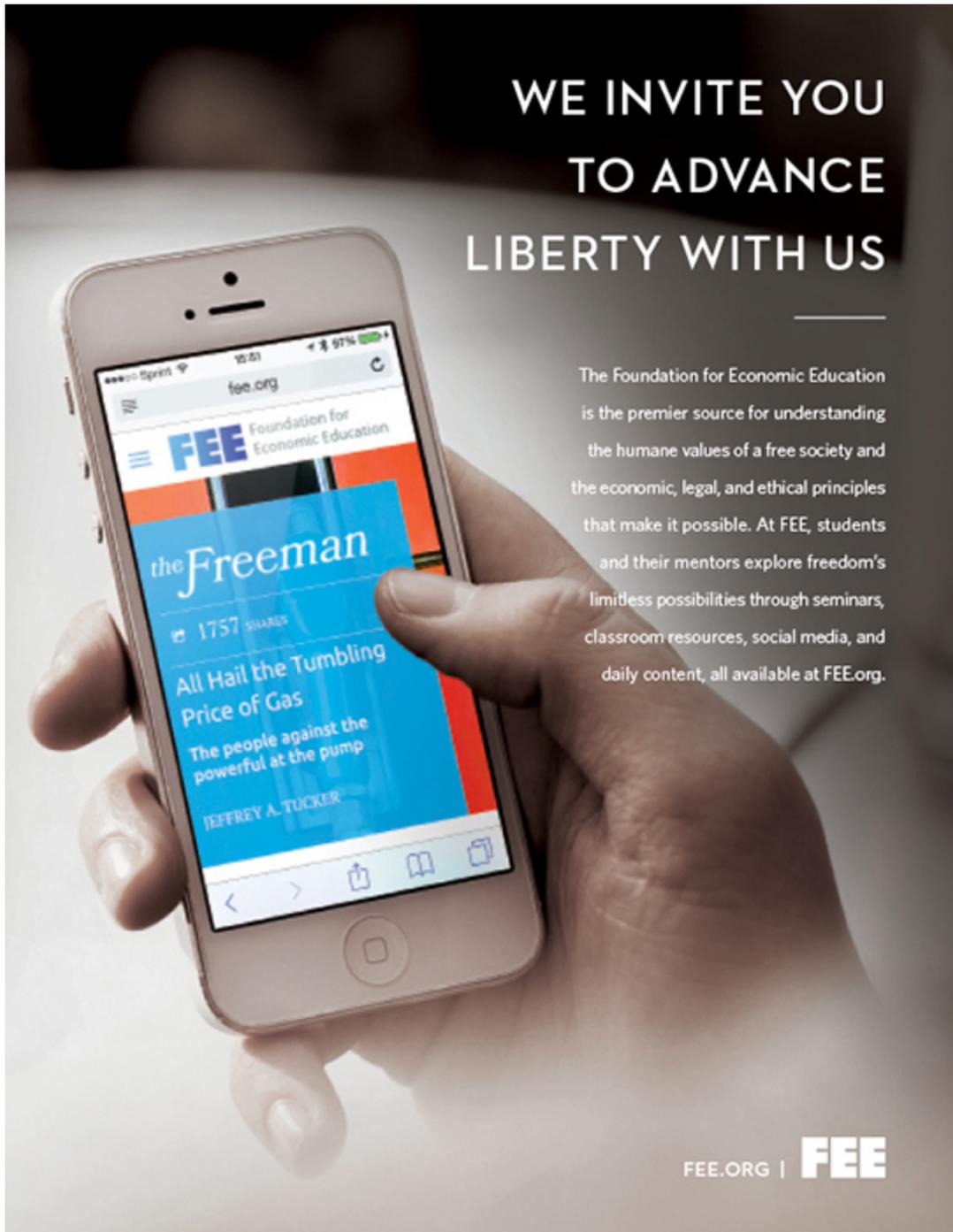
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