The Transmission of the Ideals of Economic Freedom

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At the end of the First World War the spiritual tradition of liberalism was all but dead. True, it was still uppermost in the thoughts of many a leading figure of public and business life, many of whom belonged to a generation which took liberal thought for granted. Their public pronouncements sometimes led the general public to believe that a return to a liberal economy was the ultimate goal desired by the majority of leading men. But the intellectual forces then at work had begun to point in quite a different direction. Anyone familiar, thirty years ago, with the thought of the coming generation and especially with the views propounded to the students in their universities, could foresee developments very different from those still hoped for by some of the public figures and the press of the time. There was

1. First published in German as a tribute to L. v. Mises on his seventieth birthday, which it was known he did not wish to see formally noticed, in the Schweizer Monatshefte, Vol. 31, No. 6, 1951, and later in an English translation in The Owl, London, 1951. I should not have wished to reprint this somewhat hastily written occasional piece, if with all its imperfections and errors of translation it had not already been used as a historical source, so that it seems desirable to make a corrected version available.
Cannan no longer, at that time, a living world of liberal thought which could have fired the imagination of the young.

Nonetheless, the main body of liberal thought has been safeguarded through that eclipse in the intellectual history of liberalism which lasted throughout the fifteen or twenty years following the First World War; indeed, during that very period the foundations were laid for a new development. This was due, almost exclusively, to the activities of a handful of men about whom I wish to say something here. No doubt, they were not the only ones striving to uphold the liberal tradition. But it seems to me that these men, each working alone and independently of the others, were the only ones who succeeded, by their teaching, in creating the new traditions which more recently have again united in one common stream. The circumstances surrounding the lives of the past generation make it hardly surprising that it should have taken so long for the like-minded efforts of an Englishman, an Austrian and an American to be recognized as such and to be built into the common foundation for the following generation’s work. But the new liberal school which does now exist and about which there will be more to say, consciously builds upon the work of these men.

The oldest, and perhaps the least known outside his own country, was the Englishman, Edwin Cannan, who died nearly twenty years ago. The part he played is little known beyond a rather narrow circle. The reason for this may be that his main interests really lay elsewhere and that he dealt with questions of economic policy only in occasional writings; or it may be, perhaps, that he was more interested in practical details than in the basic philosophical questions. Many of his economic essays which he published in two volumes, *The Economic Outlook* (1912) and *An Economist’s Protest* (1927), deserve, even now, renewed and wider attention, and translation into other languages. Their simplicity, clarity and sound common sense make them models for the treatment of economic problems, and even some that were written before 1914 are still astonishingly topical. Cannan’s greatest merit, however, was the training, over many years, of a group of pupils at the London School of Economics: it was they who later formed what probably became the most important centre of the new liberalism—though, it is true, at a time when such a development had already been got under way by the work of the Austrian economist of whom we shall presently speak. But first let us say a little more about Cannan’s pupils. The oldest is the well-known financial expert, Sir Theodore Gregory. For many years, when holding a chair at the London School of Economics, he too wielded great

![Cannan](image-url)
influence on academic youth; but he gave up teaching a good many years ago. It was Lionel Robbins, who now has held Cannan’s chair for twenty-two years, who became the real nucleus of a group of younger economists all very nearly the same age, which emerged at the London School of Economics during the ’thirties. Owing to a rare combination of literary talent and a gift for organizing his material, his writings have found a very wide circulation. Robbins’ colleague, Sir Arnold Plant, has been teaching at the School nearly as long. He, even more than Cannan himself, is wont to hide away his most important contributions in little-known occasional publications, and all his friends have long been looking forward eagerly to a book about the foundations and significance of private property. If he ever publishes it, it should become one of the most important contributions to the theory of modern liberalism. We cannot here list all Cannan’s pupils who have contributed to the discussion of our problems; just to give an impression of the scope of his influence, let us add the names of F.C. Benham, W.H. Hutt and F.W. Paish—even though the latter was not Cannan’s student, he belongs to the same circle.

It could be said with some justification that Cannan really prepared the ground, in England, for the reception of the ideas of a much younger Austrian who has been working since the early ’twenties on the reconstruction of a solid edifice of liberal thought in a more determined, systematic and successful way than anyone else. This is Ludwig von Mises who worked first in Vienna, then in Geneva, and who is still very actively at work now in New York. Even before the First World War Mises had become known for his work on monetary theory. Immediately after the war, his prophetic book Nation, Staat und Wirtschaft (1919) initiated a development which reached its first peak as early as 1922 in Die Gemeinwirtschaft, a comprehensive critique of socialism—and at that time, that meant a critique of all the ideologies of any serious consequence in the literature of economic policy.

There is no space here to give the long list of important writings which intervened between this and Mises’s second main work which appeared in 1941 in Geneva. This was written in German and was originally called Nationalökonomie; its revised American edition, Human Action, has achieved almost unique success for a theoretical treatise of such size. Mises’s work as a whole covers far more than economics in the narrower sense. His penetrating studies of the philosophical

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foundations of the social sciences and his remarkable historical knowledge place
his work much closer to that of the great eighteenth-century moral philosophers
than to the writings of contemporary economists. Mises was strongly attacked from
the very beginning because of his relentlessly uncompromising attitude; he made
enemies and, above all, did not find academic recognition until late. Yet his work
has wielded an influence which is the more lasting and the more extensive for all its
slow beginnings. Even some of Mises’s own pupils were often inclined to consider
as ‘exaggerated’ that unflinching tenacity with which he pursued his reasoning to
its utmost conclusions; but the apparent pessimism which he habitually displayed
in his judgment of the consequences of the economic policies of his time has
proved right over and over again, and eventually an ever-widening circle came to
appreciate the fundamental importance of his writings which ran counter to the
main stream of contemporary thought in nearly every respect. Even when still in
Vienna, Mises did not lack close disciples most of who are now in the United States,
like Mises himself; they include Gottfried Haberler (Harvard University), Fritz
Machlup (Johns Hopkins University), and the present writer. But Mises’s influence
now reaches beyond the personal sphere to a far greater extent than does that of
the other two main personalities with whom we are here concerned. He alone of
them has given us a comprehensive treatment ranging over the whole economic
and social field. We may or may not agree with him on details, but there is hardly
an important question in these fields about which his readers would fail to find real
instruction and stimulation.

Mises’ influence became important not only for
the London group, but equally so for the third, the
Chicago, group. This group owes its origins to
Professor Frank H. Knight of the University of
Chicago, who is Mises’s junior by a few years. Like
Mises, Knight owes his original reputation to a
theoretical monograph; notwithstanding an early lack
of recognition, the latter’s Risk, Uncertainty and Profit
(1921) eventually became, and for many years
continued to be, one of the most influential textbooks
on economic theory, although it had not originally
been designed as such. Knight has since written a great
deal on questions of economic policy and social
philosophy—mostly in articles the majority of which have since been published in
book form. The best-known, and perhaps also the most characteristic, volume is
The Ethics of Competition and Other Essays (1935). Knight’s personal influence,
through his teaching, exceeds even the influence of his writings. It is hardly an
exaggeration to state that nearly all the younger American economists who really
understand and advocate a competitive economic system have at one time been Knight’s students. From the point of view which interests us here the most important of these was Henry C. Simons, whose untimely and early death we mourn. In the ’thirties his pamphlet, *A Positive Program for Laissez Faire*, offered a new and common basis for the aspirations of America’s young liberals. Hopes for a systematic and comprehensive work from Simons were disappointed; instead, he left a collection of essays which appeared in 1948 under the title *Economic Policy for a Free Society*. This book became very influential owing to its wealth of ideas and to the courage with which Simons discussed such delicate problems as trade unionism. Today, the nucleus of a group of like-minded economists—no longer confined to Chicago—is formed by Simons’ closest friend, Aaron Director, and two of the best-known younger American theoreticians, George Stigler and Milton Friedman. Director has edited Simons’ papers and carried on his work.

Alas, good manners make it impossible to claim a great nation’s head of State for any particular economic school; I should, otherwise, name a fourth scientist whose influence in his own country is of comparable consequence. Instead, I shall complete the picture by turning at once to the last group which interests us here. It is a German group, and differs from the others in that its origin cannot be traced back directly to any great figure of the preceding generation. It came into being through the association of a number of younger men whose common interest in a liberal economic system brought them together during the years preceding Hitler’s seizure of power. There can be no doubt that this group too received decisive stimulus from Mises’ writings. This group had not yet made its mark in economic literature by 1933, and at that time some of its members had to leave Germany.

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3. The reference is, of course, to the late Luigi Einaudi, at the time when this article appeared President of the Italian Republic.

4. In the original version of this sketch I unpardonably omitted to mention a promising beginning of this liberal renaissance which, though cut short by the outbreak of war in 1939, provided many of the personal contacts which after the war were to form the basis of a renewed effort on an international scale. In 1937 Walter Lippmann had delighted and encouraged all liberals by the publication of his brilliant restatement of the fundamental ideals of classic liberalism in his book *The Good Society*. Recognizing the importance of this work as a possible rallying point of dispersed efforts, Professor Louis Rougier of the University of Paris then called a symposium at which at the end of August 1938 about twenty-five students of public affairs from several European countries and the United States met at Paris to discuss the principles stated by Lippmann. They included Louis Baudin, Walter Lippmann, Ludwig von Mises, Michael Polanyi, Lionel Robbins, Wilhelm Röpke, Alexander Rüstow, Marcel van Zeeland and the present author. The meeting approved the proposal for the creation of a Centre International des Études pour la Rénovation du Libéralisme—but when its report appeared in print (*Colloque Walter Lippmann*, Paris, 1939), only a few weeks were left before the outbreak of the Second World War and the consequent suspension of all efforts of this kind.
There remained, however, one of the group’s oldest members, Walter Eucken, who was then as yet relatively little known. Today we realize that his sudden death a little over a year ago robbed the liberal revival of one of its really great men. He had matured slowly, had long refrained from publication and had mainly devoted himself to teaching and to practical problems. It was not until after Germany’s collapse that it became apparent how fruitful and beneficial his quiet activities had been during the National Socialist period; for only then was the circle of his friends and students in Germany revealed as the most important bulwark of rational economic thinking. That was also the time when Eucken’s first major work began to spread its influence and when he undertook the exposition of his whole economic thought in several other works. The future will show how much of this remains to be recovered from the papers he left at his death. The annual _Ordo_ which he founded continues to be the most important publication of the entire movement.

The second leading fixture of this German group, Wilhelm Röpke, had been in close contact with Eucken from the beginning. By 1933, Röpke had made such a mark in public life that his stay in Hitler’s Germany immediately became impossible. He went to Istanbul first, and has now been in Switzerland for many years. He is the most active and the most prolific writer of the whole group and has become known to a wide public. If the existence of a neo-liberal movement is known far beyond the narrow circles of experts, the credit belongs mainly to Röpke, at least so far as the German-speaking public is concerned.

It has been said above that all these groups which came into being in the course of the last quarter of a century did not really get to know each other until after the Second World War. We then witnessed a lively exchange of ideas. Today, it has almost become a matter of history to speak of separate national groups. For that very reason, this is perhaps the right moment to give a brief outline of this development. Gone is the day when the few remaining liberals each went his own way in solitude and derision; gone the day when they found no response among the young. On the contrary, they bear a heavy responsibility now, because the new generation demands to be told of liberalism’s answers to the great problems of our time. An integrated structure of liberal thought is required and its application to the problems of different countries needs to be worked out. This will only be possible by a meeting of minds within a large group. There remain serious difficulties, in many countries, with regard to the dissemination of the available literature, and the
lack of translations of some of the most important works still stands in the way of a more rapid propagation of these ideas. But there is, today, personal contact between most of their supporters. Twice already Switzerland has been host to the informal, yet cohesive group which met there for the common study of its problems and whose name derives from a Swiss place-name. Another meeting took place in Holland in 1950, and a fourth conference in France in 1951.

The period which we have discussed in this paper can, then, be regarded as closed. Thirty years ago liberalism may still have had some influence among public men, but it had well-nigh disappeared as a spiritual movement. Today its practical influence may be scant, but its problems have once more become a living body of thought. We may feel justified in looking forward with renewed faith to the future of liberalism.

About the Author

Friedrich A. Hayek (1899-1992) was a social philosopher born and raised in Austria but who spent most of his career in Britain, the United States, and Germany. Originally a soft socialist, he converted to liberalism during his twenties, being influenced particularly by Ludwig von Mises. Hayek led the creation of the Mont Pelerin Society, early meetings of which are referred to in the present text. In 1974, Hayek was a co-recipient of the Riksbank Prize in Economic Sciences in Memory of Alfred Nobel.

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