

**Friedrich Hayek and the legacy of Milton Friedman  
Neo-liberalism and the question of freedom  
(In part, a response to Naomi Klein)**

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*The following was prepared for presentation at the University of Chicago teach-in on "Who was Milton Friedman and what is his legacy?" Tuesday, October 14, 2008.*

A good approach to the topic of Milton Friedman and his legacy today can be made indirectly, by reference to Friedman's intellectual predecessor and mentor, Friedrich Hayek.

It has been our point of departure in Platypus to regard the present as being conditioned by the undigested, and therefore problematic, legacies of at least two generations of failure on the "Left": the 1960s-70s "New" Left, and the "Old" Left of the 1920s-30s. We have critiqued the assumptions inherited from the 1960s not least because of problematic legacies they contain undigested from the 1930s, which have not been properly thought through even today.

This is a good opportunity, then, to register our exception in Platypus to the politics of the perspective on Friedman and his legacy offered at the October 1 talk given by Naomi Klein, author of the 2007 anti-Friedmanite book *The Shock Doctrine*, which we co-sponsored at the University of Chicago.

Two statements made by Klein at her talk opposing the establishment of a Milton Friedman Institute at the University of Chicago can be used to frame a discussion of Friedman's legacy in light of Hayek and the classical liberal tradition more generally.

We in Platypus had the opportunity at her talk to ask Klein two direct questions to which she gave answers that we find to be indicative of fundamental problems on the "Left" today.

One was on the question of freedom: whether and how Klein would respond to the neo-liberalism of Friedman and his followers as attempts to promote greater *freedom*.

Klein responded by saying that she was suspicious and didn't think there was any "need" for any "grand projects of human freedom," and she emphasized instead their "danger."

Klein's critique of Friedman was that he was a "utopian" "ideologue," and that any such ideology of utopian politics can have potentially disastrous effects "in the real world," on whose behalf she offered to speak "as a journalist." Klein analogized neo-liberalism to "Trotskyism" as a "purist" ideology that might seem good in theory but is bad in practice. Klein dealt with Friedman's legacy as being about the "power of ideas," which she said must be regarded as "dangerous."

But in addressing Friedman and his legacy this way, Klein neglected what is perhaps the most important aspect of his thought, Friedman's *critique* and opposition to what he called the "tyranny of the status quo," something any purported "Left" should not regard too cynically.

One of the principal but mistaken assumptions that the "Left" makes politically is to regard the emphasis on "individual" freedom to be characteristic of the Right, whereas the "Left" is supposed to be more collective and "social" in its focus, emphasizing the principle not of "individualism" but "solidarity" and common welfare.

This is a serious error. It neglects important aspects of the history of the Left, and thus gives a distorted view of history and of the present.

Left and Right cannot be distinguished properly along the axis of individual vs. collective rights and responsibilities, but rather must be understood in terms of *how* these are related socially. A Marxian approach attempts to be attentive to the desiderata of both individual and collective freedom, how *capital* is a problem in each of these aspects of modern *society*.

To help illustrate this point, the example can be raised of a recent *bête noire* of the media coverage of the current campaign for the U.S. Presidential election, Bill Ayers, the former '60s radical and member of the Weather Underground, who has since become known for his more significant effort as a grade school reformer, an advocate of the "small schools" program in Chicago.

Milton Friedman was also a critic of the public school system in the United States, and Ayers and his colleagues have complained that their project of school reform has been "hijacked" by the Right, in the form of "school choice," "charter schools," and "vouchers." But Ayers and others advocated, for example, the establishment of publicly funded schools for the separate education of black males to which parents could choose to send their children, in the interest of overcoming the supposedly inherent "racism" of the public school system. Whereas Friedman was coming from a libertarian perspective, Ayers has come from a racial-communitarian one. But their convergence is significant, as is their compatibility with actual processes of change underway in the recent period.

While Friedman and Ayers would not recognize their shared agenda in something like school reform, it in fact exists, although rationalized differently. What needs to be pointed out is how, unwittingly, Friedman's discontent was thus part of the historical moment of the "New Left" (for instance, it finds consonance with Foucault's critique of Fordist social rationalization and "discipline"), and, likewise, how Ayers has been just as much a part of the New *Right*!

This example demonstrates that it would be one-sided and false to imagine that the present situation is the simple result of the politics of either the Left or Right, as each would like to imagine, blaming the other for the problems of the present. Rather, the

present needs to be understood as the shared result of what both the “Left” and the Right have had in common since the 1960s, discontent with the Keynesian-Fordist state. The forms such discontent has taken are collectively responsible for the world in which we live today, which needs to be understood not merely as neo-liberal, but also as post-Fordist.

The two dimensions of mid-20th Century society need to be distinguished so that their relation can be properly evaluated and critiqued. For the Keynesian and Fordist aspects are different, however they may have come to be related in the practical social-politics of the mid-20th Century. Keynesianism was an economics of growth; Fordism was a social politics geared to assure the national basis of that growth: Keynes was not the nationalist Ford was.

To say that we live today in a “post-Fordist” society is to emphasize the legacy of Fordism and not to indicate that we have somehow gotten beyond it. The Fordist state is alive and well in key respects, even if Keynesian economics has not fared so well. The Friedmanite turn to neo-liberal economics has taken place in the context of the Fordist national state, even if aspects of this state have been transformed accordingly. We hardly live in the libertarian relation of state to society that Friedman wished from his attack on Keynesianism.

The specific relation of Keynesian economics and Fordist state politics that characterized the mid-20th Century has become unraveled, and this change can allow us to perceive and disentangle the relation between the classical political liberalism of Friedrich Hayek and the neo-liberal economics of Milton Friedman. This retrospective appraisal can help us get a better *critical* grasp of problems of the present financial-economic crisis, as neo-liberal economic policies are passing into disfavor, and the name of John Maynard Keynes and the policies of the 1930s New Deal era are coming up for reconsideration.

Hayek and Keynes should not be opposed, but rather Hayek, as a classical liberal, was opposed to and warned of the dangers of the Fordist-national dimension of the emergent Keynesian-Fordist synthesis of social-politics and economics in the mid-20th Century.

To illustrate this distinction, it should be pointed out that not only was Keynes a great admirer of Hayek’s critique of nationalist socialism in his 1944 book *The Road to Serfdom*, but Keynes had been an early critic and opponent of the nationalism informing the punitive terms of the post-WWI resolution of the 1919 Treaty of Versailles. Keynes, no less than Hayek, saw in the emergence of the national state a great threat to human freedom. Whatever their differences on economics, Hayek and Keynes shared an opposition to the reactionary, regressive character of contemporary “anti-capitalism” (fascism and Stalinism), and so defended capitalism, albeit differently.

Hayek’s critique of the “road to serfdom” and the potential unfreedom in early-20th Century “socialism” was specifically in its *nationalist* character, to which he opposed the freedom of earlier liberal and cosmopolitan capitalism. Hayek’s critique of the inherent affinity of fascism and Nazism with Stalinist national socialism and their shared roots in

problems of the character of pre-WWI ostensibly “Marxist” social democracy is profoundly insightful, and cannot be ignored by any purported Left that is concerned with the problem of freedom. A Marxian critique of such “Marxism,” that could satisfy these issues raised by Hayek and other classical liberals, was— and remains— necessary.

The problem of Milton Friedman’s legacy is that its liberalism is one-sided in its too readily identifying the state policies of Keynesian-economics with Fordist social-politics and nationalism. The regressive character of the latter cannot be simply chalked up to the effects of the former without adopting an economistic framework that Hayek’s critique of Fordism, for instance, would not have sanctioned. This is why it is important to raise Hayek to help inform the question of Friedman and his legacy. For we should be able to address the intellectual tradition from which Friedman emerged as one concerned first and foremost with the problem of *freedom*, and not merely as a matter of the technocratic policy concerns of “economics,” as Naomi Klein does, comparing “theory” to “reality” at the level of efficacy. It is not a matter of whether either a Keynesian or Friedmanite economics “works,” but rather the nature and character of the *problems of capitalism* both seek to address. Apparently “economic” problems need to be properly situated *politically* in light of the question of freedom. Any critique of Friedman needs to address this dimension and not neglect it by reference to Friedman’s own opportunistic politics.

In the 1970s-80s, as the Keynesian-Fordist synthesis became undone, Friedman found that his ideas received a hearing and practical political opportunities on the Right.

But it is wrong, or at the very least not very useful, to try to prosecute Friedman by reference, for instance, to Augusto Pinochet’s dictatorship in Chile. For it was not the case that Pinochet was Friedman’s creature but rather the opposite: Friedman allowed his critique of the Keynesian-Fordist synthesis to be abused politically by the Right, and thus served ends other than freedom. Any “Left” opposition to Friedman would position itself not against his critique of Keynesian Fordism per se (however partial and one-sided it was in its wholesale advocacy of “capitalism,” and tendency, as previously indicated, to collapse the distinction between Keynesian economics and the Fordist state) but rather against the degree to which Friedman in his political thought and action became a figure of the *Right*. The Fordist state was not “anti-capitalist” but was an expression of inherent problems in the history of capital that drop out of Friedman’s account.

Friedman was of the Right to the degree to which he opportunistically adapted himself to the very “status quo” against which he protested, becoming its apologist despite his avowed intentions. Friedman chose his battle, against Keynesian economics, and made his devil’s bargain compromise, with the power of the Fordist state, and we have paid the price for this politics. This is a real aspect of Friedman’s legacy, and deserves critique and opposition, and not least from the perspective of the tradition of classical liberalism from which Friedman drew his thinking but ultimately ended up betraying. As Naomi Klein correctly points out, the irony of Friedman and his legacy is that his anti-Keynesian economic policy advocacy depended upon the very power of the (Fordist, national) state against whose unfreedom he was ostensibly aiming his critique.

But Klein and the “Left” she represents are also not free of such inconsistency from the standpoint of the struggle for greater freedom. They share the inability to regard properly the (post-) Fordist (national) state, for which Klein explicitly apologizes, especially when advocating its developing-world varieties, at least as much as Friedman did by default in his opportunism. But Hayek would have known better.

The second question we in Platypus posed to Klein at her talk was “what is to be done?” Initially, Klein had little to say in this regard. But later in the Q&A, she responded, in an intentionally “provocative” way, that one thing that could be done would be to “nationalize the oil industry.” Klein understands such a demand to be part of her greater advocacy of a “new New Deal,” an idea gaining traction in light of the present economic crisis and the expectations of change with the coming election.

But we need to be careful not to conflate the different dimensions of the historic Keynesian-Fordist state and its social-politics as well as its economic policies, for in doing so we would lose the distinction between its liberal and illiberal aspects, and thus lose the criterion of *freedom*. Hayek’s critique of the problems of the 1930s Left and its ostensibly “socialist” collusion with the emergent national-state form remains valid. For such “socialism” fell below the threshold of the freedom of capitalism as it had developed under preceding, more “liberal” historical conditions, prior to WWI, an important turning-point Hayek recognized. Hayek was harking back to earlier thinkers in the classical liberal tradition such as Benjamin Constant, who in the early 19th Century saw in national-collectivist politics the betrayal of modern forms of both individual and social freedom.

For not only Friedman but his mentor Hayek would have blanched at Klein’s thought of universal oil nationalizations — from Hugo Chavez’s Venezuela and Ahmedinejad’s Iran to Putin’s Russia, and an Obama “new New Deal” America — and for good reason. As Friedman’s mentor Hayek perceived in the emergence of the Fordist national state after WWI, in both its relatively benign as well as grossly pathological forms, such a wave of nationalizations would lay the ground very well, and very quickly, for future wars and other forms of social destruction, at the expense of the freedom-potential a more liberal and cosmopolitan capitalism makes possible.