

# Hayek, Keynesian Economics, and Planning Against Competition: A Caveat?

Andrew Farrant and Edward McPhail\*

**Abstract:** Hayek wrote *The Road to Serfdom* as a warning to intellectuals who were supposedly much taken with the idea of a 'planned' economy. Jeremy Shearmur (1997) makes use of unpublished material drawn from the Hayek archives to suggest that Hayek did not seemingly deem Keynesian full-employment policy to be incompatible with what Hayek would view as a free society. Our reading of the archival material invoked by Shearmur arrives at a rather different conclusion. Hayek's view of the logic supposedly inherent in Keynesian policy is markedly congruent with the general tenor of *The Road to Serfdom*. We demonstrate that Hayek deemed activist monetary policy incompatible with Hayek's favoured planning for competition.

## 1 Introduction<sup>1</sup>

The past year has seen a mighty flurry of interest in the ideas of F. A. Hayek. Indeed, Hayek's classic *The Road to Serfdom* (1944) sold over 100,000 copies in a mere week or so following heavy and repeated plugs by leading popular conservative US media pundits such as Glenn Beck (Farrant and McPhail 2010a). Beck and company (for example, Rush Limbaugh) find much reason in Hayek's writings to object to the policy stance adopted by the Obama administration (Beck *et al.* 2010). Other pundits, by contrast, draw upon Hayek's writings to support President Obama's advocacy of national health insurance (Matthews 2010).<sup>2</sup>

In an earlier issue of the *History of Economics Review*, Jeremy Shearmur (1997, p. 68) persuasively argued that J.M. Keynes's critical assessment of Hayek's *The Road to Serfdom* may have spurred Hayek to further develop his ideas.<sup>3</sup> As Shearmur explains, Hayek was never an advocate of full-blown *laissez faire* and rejected any do-nothing 'agenda' for government policy (Shearmur 1997, p. 72). In particular, Hayek made an important distinction between two types of planning: planning for competition and planning against competition (Hayek 1994, p. 48). Indeed, Hayek argued that while 'competition can bear some admixture of regulation, it cannot be combined with planning to any extent we like' (pp. 47-8). Accordingly, Hayek maintained that 'planning and competition can be combined only by planning for competition but not by planning against competition' (p. 48). As Shearmur notes, Hayek's later writings – and apparently in response to Keynes's suggestion that *The Road to Serfdom* had provided no adequate 'guidance ... as to where to draw' the line between planning of the apparently 'good' and 'bad' variety (Shearmur 1997, p. 70) – heavily emphasise the way in which the Hayekian ideal of the rule of law would supposedly allow one to adequately 'demarcate between legitimate and illegitimate forms of state activity' (Shearmur 1997, p. 68).<sup>4</sup>

Accordingly, Shearmur (1997, p. 68) makes use of unpublished material drawn from the Hayek archives to explore the way in which Hayek began to flesh out the important distinction between 'legitimate and illegitimate forms of state

activity' (p. 68). Shearmur's article is wide-ranging in scope. Accordingly, we only focus here on the particular use that Shearmur makes of this archival material when evaluating Hayek's stance towards activist monetary policy and Keynesian demand management (Shearmur 1997, pp. 71-3). In particular, Shearmur (1997, p. 72) suggests that Hayek did not appear to deem Keynesian full-employment policy and activist monetary policy to be incongruent with what Hayek would view as 'planning for competition'. As we argue below, however, the particular archival evidence invoked by Shearmur (for example, Hayek's draft 1948 *Postscript to The Road to Serfdom*) shows that Hayek thought that activist monetary policy (and Keynesian policy) was ultimately incompatible with a free society. Indeed, the archival evidence makes clear that Hayek viewed discretionary monetary policy and Keynesian activist policy in much the same negative light as he had viewed partial planning and interventionist policy in the published draft of *The Road to Serfdom*. Accordingly, Hayek argues that any dogged adherence to Keynesian policy would ultimately lead to full-blown command planning. Although, and as Shearmur rightly notes, Hayek allows 'a fairly full agenda for governmental action' – for example, providing public goods such as signposts and roads (p. 71), controlling weights and measures (p. 71), and correcting for various external effects (p. 71) – the archival evidence suggests that Hayek's policy 'agenda' has no role for activist monetary policy *per se*.<sup>5</sup> Accordingly, our intention here is merely to provide an important caveat to Shearmur's 1997 discussion of whether Hayek deemed activist monetary policy to be compatible with 'planning for competition'.

## 2 Hayek and Keynesian Economics?

Hayek wrote *The Road to Serfdom* as a warning to intellectuals who were supposedly much taken with the idea of partial planning and interventionist policy. As Hayek – using the word planning to denote a wide spectrum of interventionist policies – put it in 1945, while the 'more sensible planners ... [say] they never wanted a completely planned system, but merely a judicious admixture of planning to correct the evils of competition', they inadequately realise that 'principles to which one commits oneself have a way of producing corresponding social systems, whether we wish it or not ... There is such a thing as the inherent logic of events, which forces us forward on a given path whether we logically think it out beforehand or not' (Hayek 1945, p. 75, emphasis added). Accordingly, Hayek insists that 'contemporary planners' are wrong to deny 'that there is no stopping halfway on the road to a centrally planned society' (p. 75). They are much 'mistaken when they think they can stop the movement long before any of the horrors are reached which ... the more sensible among them admit that a completely planned society would involve' (p. 75).

Shearmur rightly notes that Hayek provided only a relatively brief and sketchy discussion of macroeconomic policy and the business cycle in the published draft of *The Road to Serfdom* (Hayek [1944] 1994, pp. 134-5). As Hayek explains, the problem of the business cycle and the large-scale unemployment accompanying any economic downturn is 'one of the gravest and most pressing problems of our time' (Hayek 1994, p. 134). Importantly, Hayek notes that 'many economists' argue that the 'ultimate remedy' for the business cycle 'may be found in the field of monetary policy' (Hayek 1994, p. 134) while others argue that 'real success can be expected only from the skilful timing of public works programs undertaken on a very large scale' (Hayek 1994, p. 135). In his article, Shearmur

(1997, pp. 71-2) considered Hayek's discussion of various 'remedies for unemployment' (p. 71) and notes Hayek's suggestion that 'very large scale' public works programs 'might lead to much more serious restrictions of the competitive sphere' (1994, p. 135). Shearmur, however, having noted Hayek's important caveat about the dangers that are supposedly inherent to public works programs, maintains that Hayek 'explicitly states that *such governmental activity* [Keynesian "remedies for unemployment"] does not amount to a form of planning which "constitutes a threat to freedom"' (Shearmur 1997, p. 72, emphasis added). Accordingly, Shearmur would apparently have Hayek arguing that he does not deem Keynesian policy *per se* (one particular 'remedy' for cyclical unemployment) to be necessarily incompatible with a 'free' society. This, however, is a misreading of the tenor of Hayek's argument.

Tellingly, Hayek concludes his 1944 discussion of unemployment and the business cycle (1994, pp. 134-5) by noting that while Keynesian public works programs provide 'neither the only nor ... the most promising way of meeting the gravest threat [the business cycle] to economic security' (p. 135), the 'very necessary efforts to secure protection against these fluctuations do not lead to the kind of planning which constitutes such a threat to our freedom' (Hayek 1994, p. 135, italics added). Accordingly, we do not interpret Hayek's remarks to imply, as Shearmur would apparently have it, that Hayek thinks Keynesian policy is not a threat to 'freedom'. Instead, we suggest that Hayek – rather than nodding approval of Keynesian policy *per se* – is simply noting that the 'very necessary efforts to secure protection' against the 'grave problem' of large-scale cyclical unemployment are not necessarily incompatible with Hayek's favoured 'planning for competition'.

Indeed, Hayek is not arguing that any variant of counter-cyclical policy whatsoever (for example, Keynesian 'remedies for unemployment') is compatible with 'good' planning (planning that does not pose 'a threat to freedom'). Instead, and as we shall see, Hayek takes a markedly opposite tack. Importantly, Shearmur seeks to buttress his case by invoking Hayek's unpublished 1948 *Postscript to the Road to Serfdom*. Hayek supposedly 'draws attention to the fact that he had made this point ["such governmental activity" does not pose a threat to freedom] in his book' (Shearmur 1997, p. 72).<sup>6</sup> Similarly, Shearmur notes that Hayek 'explains that while he dissents from "Keynesian" views, his reasons for doing so are not related to the main argument of the book' (Shearmur 1997, p. 72).<sup>7</sup> Again, we think that Shearmur is misinterpreting Hayek's 1948 remarks. Indeed, our reading of Hayek's 1948 Postscript (3 pages of typescript are dedicated to a negative assessment of Keynesian policy) strongly suggests that Hayek would not 'call for government to pursue an active monetary policy' (Shearmur 1997, p. 72). For Hayek, activist monetary policy is incompatible with planning for competition.

### 3 Hayek's Dissent from Keynesian Views: The 1948 Postscript?

Hayek (1948b, p. 12) makes it clear that he believes the remedy for large-scale cyclical unemployment can be found – and much as he had initially implied in *The Road to Serfdom* – in an appropriately designed monetary policy (what we might deem monetary 'planning for competition'). As Shearmur puts it, Hayek supposedly stresses that he 'would call for government to pursue an *active* monetary policy' (1997, p. 72, emphasis added). Importantly, Shearmur – in an endnote – points out that his usage of the word 'active' with reference to Hayek's

favoured monetary policy is supposedly 'justified by Hayek's argument' (1997, p. 80). As Shearmur (paraphrasing Hayek) explains, Hayek makes clear that the 'existing monetary and credit mechanism contains disequilibrating forces which ought ... to be counteracted by a sensible monetary policy' (p. 80). Indeed, this is by and large the analytical core of Hayek's discussion of monetary policy and unemployment in the 1948 postscript. As Hayek makes clear, however, his favoured monetary regime is one that is based upon binding rules rather than discretion. To this end, Hayek (1948b, p. 12) favourably invokes Henry Simons's 1936 article on 'Rules versus Authorities in Monetary Policy'. Accordingly, we suggest that 'active' is a rather less than apt term to apply when describing Hayek's 'ideal' monetary policy. Indeed, Hayek's envisaged rules-bound policy does not supposedly require any 'active' or discretionary management of the money stock *per se* by a monetary authority. Instead, 'policy' would – and as Hayek thought had been much the case under the gold standard – supposedly operate automatically.<sup>8</sup> Hayek notes that his ideal monetary 'policy' would automatically compensate for any undesirable changes in the public's desired currency-deposit ratio or the banking system's desired excess reserve ratio. As Hayek makes clear, under the prevailing (*circa* 1948) monetary regime, changes such as these have undesirable consequences for the money supply and economic activity. As Hayek put it in 1937, the 'seat of the trouble is ... the perverse elasticity of bank deposits' (Hayek 1937, p. 80). Accordingly, Hayek maintained that the 'most pernicious feature of our present system ... [is] that a movement towards more liquid types of money [e.g., an increase in the public's desired currency-deposit ratio] causes an actual decrease in the total supply of money and *vice versa*' (1937, p. 82). Similarly, Hayek argued that the gold standard – despite proving relatively superior to discretionary monetary policy – had one 'really paradoxical feature ... namely, the fact that the striving of all individuals to become more liquid did not put society into a more liquid position at all' (Hayek 1948a, p. 211).<sup>9</sup>

Though Hayek notes that it may not prove possible to wholly eliminate discretionary decision-making in the monetary realm, he still maintains that any remaining discretion should be sharply circumscribed by binding rules (1948b, p. 12). Accordingly, Hayek's ideal is a monetary regime whereby any requisite adjustments in the money stock occur automatically and where any remaining residual discretion is sharply constrained by binding rules.<sup>10</sup> At this juncture, however, we note an apparent lacuna in Hayek's thinking about the rules versus discretion issue: the case of a secondary deflation.<sup>11</sup> As noted by Gottfried Haberler (1986) and Lawrence White (2008), Hayek regretted that he had paid insufficient attention to the possibility of secondary deflation during the Great Depression (see Haberler 1986, p. 426). In particular, Hayek came to accept that deflation may – under certain conditions – become self-reinforcing with cumulative deflationary expectations taking root.<sup>12</sup> As Hayek put it in a 1974 interview, under such circumstances, 'deliberate attempts to maintain the money stream are appropriate' (Hayek quoted in Haberler 1986, p. 426).<sup>13</sup> While Hayek does not specify what such 'deliberate attempts' may entail, the case of secondary deflation appears to provide an important exception to his general insistence on eliminating discretionary management from monetary policy. Importantly, Hayek argued that the 'moment there is any sign that the total income stream may actually shrink, I should certainly not only try everything in my power to prevent it from dwindling, but *I should announce beforehand that I would do so in the event the problem arose*' (Hayek quoted in White 2008, p. 27, our emphasis). Accordingly, Hayek –



implicitly skirting any issues relating to policy credibility or lack of such – appears to think that the public anticipation of said policy *per se* will suffice to prevent deflationary expectations from initially taking root.

Leaving aside the thorny issue of secondary deflation (let alone the issue of Hayekian capital theory and the various heated Cambridge controversies over related matters), we now turn to Shearmur's allusion (1997, p. 72) to Hayek's 1948 suggestion that his 'technical' differences with his 'Keynesian' colleagues have no bearing on the veracity of his thesis – 'the main argument of the book' – in *The Road to Serfdom*. Again, our parsing of Hayek's remarks differs from that apparently favoured by Shearmur.

#### 4 Hayek and Keynesian Policy?

As is well known, Hayek took a distinctly cold attitude throughout the 1960s and 1970s towards the supposed merits of Keynesian demand management policy. As we now show, however, the tenor of Hayek's highly negative 60s and 70s objections to Keynesian policy – and his pessimistic prediction that any dogged adherence to such policy would supposedly lead us to a regime of full-blown totalitarian planning – is readily apparent in his 1948 *Postscript to the Road to Serfdom*. Importantly, Hayek notes that in the published draft of the *Road to Serfdom* he was only able to provide relatively brief discussions of a variety of issues that had much importance for his general thesis (1948b, p. 11).<sup>14</sup> In particular, Hayek makes it abundantly clear that Keynesian analysis is one of the topics that had to be squeezed into the less than adequate compass of a few passages in the draft as published. Indeed, Hayek notes that the Postscript provides an apt opportunity to address the various issues that he had been unable to address adequately in the published draft (for example, Keynesian policy) and also to respond to a variety of supposedly common misreadings of his thesis (Hayek 1948b, pp. 11-12).

As noted earlier, Shearmur explains that 'while ... [Hayek] dissents from "Keynesian" views, his reasons for doing so are not related to the main argument of the book' (Shearmur 1997, p. 72). Importantly, Hayek's remarks about his 'dissent' from Keynesian views appear in a section of the 1948 Postscript where Hayek explains that his primary reason for providing only a very brief discussion of the business cycle and cyclical unemployment in the published draft of his 1944 book was – binding space limitations aside – his desire to avoid bringing a variety of 'technicalities which have nothing to do with the main issue' itself (Hayek 1948b, p. 12, quoted in Farrant and McPhail 2010b, p. 4, emphasis added) into the discussion. Hayek explains that the various 'technicalities' underlying his 'dissent' from the supposedly 'now prevalent view' (Keynesianism *per se*) have 'little to do with the main argument of ... [the] book' (Hayek quoted in Jackson 2010, p. 149, our emphasis).<sup>15</sup> As Hayek makes clear, however, the 'technicalities' to which he is alluding are the particularly thorny issues in capital theory and monetary theory that had been at the centre of his earlier exchanges with Piero Sraffa, J. M. Keynes and Frank Knight. Anyone familiar with the debates over those particularly thorny and highly abstruse issues will not be surprised that Hayek wisely chose to leave them aside when drafting *The Road to Serfdom*. Similarly, it is scarcely surprising that Hayek would consider the issue as to whether he or Sraffa have the better grasp of the supposed natural rate of interest to have little bearing *per se* on the veracity of his 1944 thesis that any dogged adherence to partial planning and interventionist policy would ultimately lead to totalitarianism (see, for example, Hayek 1945).

More importantly, however, Hayek suggests that Keynesian policy *per se* has much to do with the ‘main argument of the book’ (p. 12). Indeed, Hayek explains that had he adequately foreseen the dangers that Keynesian policy would supposedly pose in the postwar era he would – when drafting *The Road to Serfdom* – have ‘overcome ... [his] reluctance to bring in technicalities’ (Hayek 1948b, p. 13, quoted in Farrant and McPhail 2010b). As Hayek explains, he had inadequately foreseen the supposed ‘harm the particular theories which have become associated with the phrase “full employment” would do ... and how much their influence would contribute to drive us towards a centrally planned system’ (Hayek 1948b, p. 13, emphasis added, quoted in Farrant and McPhail 2010a). Indeed, Hayek – clearly belying the frequently invoked claim (see, for example, Caldwell 2007, 2011) that he had intended his warning in *The Road to Serfdom* to have applicability only to any regime that had already adopted full-blown command planning – notes that the pervasive and seemingly hidden inflation supposedly generated by Keynesian policy is forcing us onwards towards a regime of ever ‘more controls and more planning ... [T]he alternative is often only between abandoning these policies and extending the system of controls of prices and production almost indefinitely’ (Hayek 1948b, p. 13, quoted in Farrant and McPhail 2010a).

Accordingly, we view Shearmur’s usage of ‘active’ to describe the type of monetary ‘policy’ supposedly finding favour with Hayek in 1948 as anachronistic to say the least (particularly to an economist’s ear).<sup>16</sup> Hayek makes it abundantly clear throughout his 1948 discussion of monetary policy and macroeconomics that he favours a rule-bound monetary regime and stringently objects to discretionary monetary policy. Indeed, Hayek suggests that discretionary or ‘unpredictable’ monetary policy – activist policy *per se* – is ‘as harmful’ and ‘similar in its effects to ... other interferences into the functioning of the price system’ (Hayek 1948b, p. 13, quoted in Farrant and McPhail 2010b).

## 5 Conclusion

Importantly, Hayek’s 1960 view on these matters largely mirrors what he had to say in the 1948 postscript. Indeed, Hayek’s 1960s phraseology is remarkably similar to his 1948 comments about ‘technicalities’ drawn from economic theory and their lack of bearing on the veracity of his argument in *The Road to Serfdom*. As Hayek puts it in 1960: ‘[E]conomic stability and the prevention of major depressions depends in part on government action ... a systematic survey [of these topics] would lead us into *highly technical and controversial issues of economic theory, where the position I should have to take as the result of my specialized work in this field would be largely independent of the principles discussed in the present book*’ (1960, p. 264). Again, Hayek is arguing that whether or not he or Sraffa had the better of their early 1930s exchange over Hayek’s *Prices and Production* (1931) has no bearing *per se* on the veracity of the claim that ‘planning against competition’ (partial planning and interventionist policy) may – if doggedly pursued – lead us down the road to serfdom. Similarly, and as in the 1948 postscript, Hayek makes it clear that Keynesian policy – conjunct with trade ‘[u]nionism as it is now’ – ‘tends ... to produce that very system of over-all socialist planning which few unions want’ (1960, p. 273). And again, as in *The Road to Serfdom* and the 1948 postscript, any failure to heed Hayek’s warning will supposedly end in disaster: ‘The situation in most countries leaves us no choice but

to await some such outcome [government exercising wholesale control over “employment and production” (p. 283)] or to retrace our steps’ (p. 283).

Accordingly, we argue that Hayek’s 1948 Postscript sheds much light on what Hayek deemed his supposed dichotomy between planning ‘for’ and ‘against’ competition to imply in the realm of money and credit. Indeed, it would appear that Hayek would deem activist monetary policy of the variety finding favour with his postwar contemporaries to fall squarely within the category of government policy which is supposedly incompatible with a ‘free economic system’ and which could ultimately ‘lead to a planned economy’ (Shearmur 1997, p. 75).

---

\* Economics Department, Dickinson College, PO Box 1773, Carlisle, PA 17013-2896. Email: farranta@dickinson.edu; mcphail@dickinson.edu.

## Notes

1 We thank the editors and two anonymous referees for very helpful comments and suggestions.

2 As Hayek notes in *The Road to Serfdom*, where ‘we deal with genuinely insurable risks ... the case for the state’s helping to organize a comprehensive system of social insurance is very strong’ (1994, p. 134).

3 Jacob Marschak – reviewing Hayek’s draft manuscript for the University of Chicago Press – argued in a similar vein to Keynes: ‘[I]n this country [the United States] the terms “plan” and “socialism” have often been used to include monetary and fiscal policies, social security, and even progressive income tax ... the American reader will ... [expect] a more concrete demarcation between ... [Hayek’s] “planning in the good sense” and the (undesirable) planning proper’ (Marschak [1943] 2007, p. 251).

4 Burczak (2006) – drawing heavily upon the tenets of legal realist theory – persuasively argues that Hayek’s view of the rule of law is incompatible with Hayek’s subjectivist economics.

5 Though Shearmur notes Hayek’s advocacy of limited welfare measures and social insurance in *The Road to Serfdom*, he points to Hayek’s apparent disavowal of such supposedly ‘interventionist superstitions’ (Hayek quoted in Shearmur 1997, p. 81) at a later date. Needless to say, Hayek’s 1944 vision of the ideal ‘welfare state’ bears scant resemblance to the actual postwar welfare state in Britain. Indeed, though Hayek argued that it was not possible to argue ‘against the welfare state’ – the ‘term does not designate a definite system’ *per se* – with the same cutting stringency that one could argue against full-blown command planning (Hayek 1960, p. 259), Hayek clearly objected to the postwar welfare state. As Hayek makes clear, he has no objection *per se* to government activity that would provide ‘public amenities’ and other public goods (1960, p. 259). Similarly, Hayek favours the ‘assurance of a given minimum of sustenance’ – a basic minimum income – ‘for all’ (p. 259). And, as in *The Road to Serfdom*, Hayek argues that government has a role to play – how large a role is debatable (Hayek seemingly having different views at different times) – in ‘areas such as social insurance’ (p. 258). By ‘social insurance’, however, Hayek means insurance against genuine – and actuarially ascertainable – risk: insurance against various ‘common hazards of life’ (p. 286). Accordingly, income redistribution is ruled out: ‘Though all insurance involves a pooling of risks, private competitive insurance can never effect a deliberate transfer of income from one’ (p. 288) group to another. Indeed, income redistribution has supposedly now become ‘the avowed ... purpose of the apparatus of social security’ (p. 289). Any welfare state that seeks to redistribute

income 'is bound to lead back to socialism and its coercive and essentially arbitrary methods' (p. 260).

6 Hayek – and as per our interpretation of his 1944 remarks ('necessary efforts') – argues that he accepts the necessity for a policy to counter 'grave disturbances' to economic activity while seriously differing from many of his professional colleagues as to the appropriate nature of such a policy (Hayek 1948b, p. 12).

7 As we note later, we interpret Hayek's 1948 references to his technical differences with Keynesian analysis in a way that differs markedly from Shearmur's apparent interpretation of the very same evidence.

8 As Hayek explains, despite 'grave defects ... the gold standard ... made monetary policy in a great measure automatic and thereby predictable ... the changes in the supply of basic money which its mechanism secured were on the whole in the right direction' (1948a, p. 209). Similarly, though 'the automatic operation of the gold standard is far from perfect ... under the gold standard policy is guided by known rules' (1948a, p. 210).

9 Hayek (1960, p. 326) argues much the same 'perverse elasticity' point. White (1999) provides an excellent survey of the evolution of Hayek's thinking about monetary theory and policy.

10 Also see Hayek's favourable analysis of a commodity reserve currency (1948a, pp. 209-19). We leave aside any consideration of whether it is possible to bind discretion with rules. Burczak (2006) persuasively argues that Hayek's vision of the rule of law (ostensibly eliminating discretionary decision-making and human agency from policy) is ultimately flawed.

11 We thank an anonymous referee for drawing our attention to this important lacuna in Hayek's thinking about rules versus discretion in monetary policy.

12 Any adequate consideration of Hayek's business cycle theory (intimately intertwined with his thinking about monetary policy and capital theory) is clearly beyond our scope here. Haberler and White provide excellent and detailed discussions of the evolution of Hayek's thinking on these issues. We especially thank an anonymous referee for drawing our attention to Haberler's paper and Hayek's view of monetary policy and secondary deflation.

13 As White (2008, pp. 8-12) notes, Hayek interprets constancy of the money stream to imply a policy norm of MV stabilisation.

14 Hayek (1948b) explains that binding space constraints necessitated that he had to neglect – or inadequately discuss – many topics (for example, education policy, law, and the welfare state) that had much importance for his general thesis. As Hayek explains, '[i]n all of them [the "many other fields" to which Hayek had alluded] *the general tendency towards a paternalistic welfare state, which is the result of a misunderstood rationalism ... is constantly producing results which are only too similar to those produced by economic planning and which also had shown themselves clearly in Germany long before they became visible elsewhere. They contribute almost as much as the economic factors to that profound transformation of society which follows from increasing governmental regulation and leads towards another direction not in the least intended by those who advocated these regulations*' (Hayek 1948b, quoted in Farrant and McPhail 2009, p. 8, emphasis added).

15 Our initial interest in Shearmur's article was stimulated by Jackson (2010). In particular, Jackson argues that Hayek was not particularly opposed to Keynesian policy. Jackson (2010, p. 148) notes that his reading of Hayek's 1948 remarks concerning monetary policy and Keynesian economics draws upon the reading provided by Shearmur (1997).

16 It is noteworthy that Shearmur (1997, p. 80) notes that Bruce Caldwell had made much the same point when commenting on Shearmur's draft manuscript.



## Bibliography

- Beck, G. *et al.* 2010. 'Is U.S. Traveling Down "Road to Serfdom"?' [http://www.foxnews.com/printer\\_friendly\\_story/0,3566,594265,00.html](http://www.foxnews.com/printer_friendly_story/0,3566,594265,00.html)
- Burczak, T. 2006. *Socialism after Hayek*. Ann-Arbor: University of Michigan Press.
- Caldwell, B. 2007. 'Introduction' in F. A. Hayek, *The Road to Serfdom: Text and Documents*, edited by Bruce Caldwell. Chicago: University of Chicago Press, pp. 1-33.
- Caldwell, B. 2011. 'Hayek on Socialism and on the Welfare State: A Comment on Farrant and McPhail's 'Does F. A. Hayek's "Road to Serfdom" Deserve to Make a Comeback?' forthcoming *Challenge* 54(1).
- Farrant A. and McPhail, E. 2009. 'Hayek, Samuelson, and the Logic of the Mixed Economy?', *Journal of Economic Behavior and Organization* 69(1), pp. 5-16.
- Farrant, A. and McPhail, E. 2010a. 'Does F. A. Hayek's "Road to Serfdom" Deserve to Make a Comeback?', *Challenge* 53(4), pp. 96-120.
- Farrant, A. and McPhail, E. 2010b. 'A Substitute End for Socialism? F. A. Hayek and Keynesian Full-Employment Policy', Mimeo.
- Haberler, G. 1986. 'Reflections on Hayek's Business Cycle Theory', *Cato Journal* 6(2), pp. 421-35.
- Hayek, F. A. 1937. *Monetary Nationalism and International Stability*. London: Longmans, Green.
- Hayek, F. A. 1945. 'Genius for Compromise', *The Spectator*, January 26, 1945, pp. 75-6.
- Hayek, F. A. 1948a. *Individualism and Economic Order*. Chicago: University of Chicago Press.
- Hayek, F. A. 1948b. Unpublished 'Postscript' to the 'Road to Serfdom'. Box 106, folder 10, in the Hayek Archives, Hoover Institution, Stanford, CA.
- Hayek, F. A. 1960. *The Constitution of Liberty*. Chicago: University of Chicago Press.
- Hayek, F. A. [1944] 1994. *The Road to Serfdom*. Chicago: University of Chicago Press.
- Jackson, B. 2010. 'At the Origins of Neo-Liberalism: The Free Economy and the Strong State, 1930-1947', *The Historical Journal*, 53, pp. 129-151.
- Marschak, J. [1943] 2007. 'Readers report - Hayek's "Road to Serfdom"', in B. Caldwell (ed.), *The Road to Serfdom*. Chicago: University of Chicago Press, pp. 251-2.
- Matthews, D. 2010. Hayek on Social Insurance. [http://voices.washingtonpost.com/ezra-klein/2010/07/hayek\\_on\\_social\\_insurance.html#comments](http://voices.washingtonpost.com/ezra-klein/2010/07/hayek_on_social_insurance.html#comments)
- Shearmur, J. 1997. 'Hayek, Keynes and the State', *History of Economics Review* 26, pp. 68-82.
- Simons, H. C. 1936. 'Rules versus Authorities in Monetary Policy', *The Journal of Political Economy* 44(1), pp. 1-30.
- White, L. H. 1999. 'Hayek's Monetary Theory and Policy: A Critical Reconstruction', *Journal of Money, Credit, and Banking* 31 (February): pp. 109-20.
- White, Lawrence H. 2008. 'Did Hayek and Robbins Deepen the Great Depression?' <http://economics.sbs.ohio-state.edu/jmcb/jmcb/07056/07056.pdf>