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Hayek's Enduring Relevance

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Hayek defies ready classification, but his central insights are very much needed in our time.

THE TREND IS TO HEAP VITUPERATION ON HISTORICAL OR classical liberalism. A leading critic of liberalism, Patrick Deneen, writes in *Regime Change* that Western liberalism sought “a new governing class,” “a new ruling elite” or “ruling class” to constrain majorities while advancing “progress in a modernizing world.” He adds, “The cognitive basis of the new ruling class would eventually manifest itself in a set of distinct philosophical and political positions, a comprehensive worldview increasingly *required* as a basis of the social, political, and economic order” (his italics).

Friedrich Hayek doesn't fit that caricature. Nor do his ideas.

Hayek's liberalism is predicated *not* on the superior intellectual ability of an elite body with a coherent *Weltanschauung*, but rather on the limitations of the mind and the fallibility of reason. He decried rational constructivism and portrayed markets as an epistemic process for sorting distributed knowledge that no one person or group of people could possess. Markets, in his view, yielded signals about dispersed information regarding local circumstances that no expert planners fully or adequately comprehended.

The Hayekian paradigm does not involve rule by a Gnostic panoply of gifted elites with totalizing plans for the masses. Rather, it celebrates the decentralization and diffusion of power, and the everyday, tacit knowledge of innumerable agents making ordinary decisions about their immediate circumstances.

Vikash Yadav's account of Hayek, *Liberalism's Last Man*, is a welcome corrective. Only it doesn't go far enough to redeem Hayek's seminal teachings because it's "primarily a close reading of *The Road to Serfdom*," which even the author dubs a "political pamphlet" rather than a tome. How much more rewarding could this effort have been if it focused instead on Hayek's three-volume *Law, Legislation, and Liberty* and the essays comprising *Individualism and the Economic Order*?

Criticizing the book that Yadav didn't write is unfair, however. Better to focus on his persuasive case for Hayek's continued relevance and a revitalized liberalism more broadly. Here he succeeds admirably.

Why does Hayek retain staying power? In short, it is because he speaks to our present reality of ascendent populism and nationalism, with emergent economies in developing countries. Yadav invokes Hayek to reanimate liberalism properly understood. A professor of international relations and Asian studies, he warns that "the challenge to liberalism in the twenty-first century will come not from socialism and centralized state planning, but from a divergent strain of capitalism that evolved in East Asia." Its name is *political capitalism*, and it is prevalent in China, Vietnam, and Singapore.

Political capitalism, Yadav says, is “associated with efficient technocratic bureaucracy, the absence of the rule of law, and the autonomy of the state in matters of private capital and civil society.” It is “usually the product either of a communist revolution or of a revolutionary one-party state that successfully leveled pre-colonial cultural impediments in order to achieve economic transformation and political sovereignty.” Its corporatist character is also nationalist, and it seeks to stamp out dissent with state power. It features a mixed economy, recognizing the necessity of markets to pricing and the effective allocation of resources. Yet the state remains its locus of control, and its leaders enjoy elite status as managerial technocrats.

In other words, political capitalism—which Yadav deems *a threat* to liberalism—resembles the system that Deneen *calls* liberalism. Both men cannot be right. Is political capitalism the epitome of liberalism or its opposite?

In a memorandum to the Volker fund in 1958, Rothbard worried that market opponents would preface their arguments by proclaiming that “even Hayek believes” in this or that form of government intervention. And that has happened.

Yadav addresses numerous relevant questions to contemporary readers (alas, no spoilers): Does industrial policy improve developing economies? Can artificial intelligence sort aggregate data to solve Hayek’s so-called “knowledge problem”? Does progress require compulsory standardization of new technologies such as electronic vehicles or solar panels? Can the rule of law flourish in political-capitalist states like China, Vietnam, or Singapore? Does Hayek offer solutions to climate change, an issue he doesn’t tackle?

Yadav dispels popular misconceptions. He explains why Nordic countries are not socialist, for example, and why Chinese communism involves markets and strategic privatization. He describes socialism and fascism as derivatively similar: “State control over key industries, limits on income earning, restrictions on the international flow of people and goods, and of course a centralized dictatorship mark fascism and socialism as consanguine.” He attributes the success of certain East Asian economies, like China’s or Japan’s, not to bureaucratic management or state-controlled enterprises but to tactical departure from such government constraints. And he teases out distinctions between political capitalism and national socialism, concluding that they are both antiliberal.

Whether or not he intended to, Yadav demonstrates that Hayek does not easily fit into current political boxes, especially as the Republican base and conservative cognoscenti divide over economics, specifically trade and industrial policy. Yadav inadvertently supplies ammunition to critics in some of his interpretations of Hayekian liberalism. “Liberalism is not conservative,” he submits, labeling it as “progressive” and “universal.” “Hayek,” furthermore, according to Yadav, “rises above the provincial concerns of Western civilization to champion an internationalist outlook.” Deneen would probably agree! Only he would see in these aspects of Hayek symptoms of decay, oikophobia, and deracination.

Yadav's depictions of Hayek could also alienate those inclined toward pure libertarianism. He celebrates in Hayek what Murray Rothbard condemned, namely that "Hayek was not hostile to market regulations that were applied uniformly." For instance, Hayek supported "a form of minimum income for all citizens." Moreover, "Hayek readily concedes that the state could and should do more to spread knowledge and assist in social mobility." Yadav insists, correctly, that "Hayekian liberalism is not intrinsically averse to planning for market competition, the regulation of industry, a minimum income, or even a (Thatcherite) people's capitalism." He means that as a compliment.

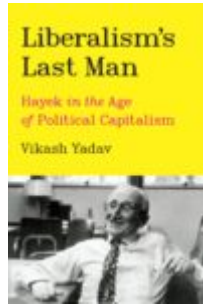
In a memorandum to the Volker fund in 1958, however, Rothbard worried that market opponents would preface their arguments by proclaiming that "even Hayek believes" in this or that form of government intervention. And that has happened. Presumably, the attraction for Yadav resides in Hayek's moderation, as if he's worried about an audience that might dismiss Hayek as extreme or unseemly. You can almost imagine this assurance: "*It's okay to like Hayek, my progressive friends. He's not one of those libertarians!*"

Yet there's much here with which "those libertarians" would agree. Consider this charge: "It is time to update and reinvigorate the cause of economic and political liberalism, to cast off the cronyism and state protection that bleeds the economy of its vigor and face the intellectual challenges emanating from all parties on the horizon." Note, as well, his optimism that a "revised liberalism" will restore "the prestige attached to individualism as an essential component of a great civilization."

Liberalism's Last Man should appeal to political theorists, economists, historians, and scholars of international relations. As for the quality of Yadav's scholarship, I concur with Pete Boettke's endorsement on the back cover: "It's a highly original work—and refreshing in that it takes Hayek's critics seriously while also refraining from shortchanging Hayek for his supposed intellectual sins."

Hayek is a complex figure. A careful analysis of his work is necessarily complex. Yadav provides clarity and understanding around this oft-

misunderstood intellectual who is too important to misconstrue or misrepresent.



REVIEWED

Liberalism's Last Man

by Vikash Yadav

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