Journal of the History of Economic Thought, 2025

THE SOCIALISTS' HYPOTHESES AND *THE ROAD TO SERFDOM*

BY
GABRIEL F. BENZECRY[1]
NICHOLAS JENSEN[2]
AND
DANIEL J. SMITH[3]

This paper examines the writings of socialist scholars who played a pivotal role in shaping Friedrich Hayek's perspective in The Road to Serfdom*, including William Beveridge, Stuart Chase, Henry Dickinson, Hugh Dalton, Evan Durbin, Oskar Lange, Harold Laski, Abba Lerner, Barbara Wootton, and the contributing authors in Findlay MacKenzie's* Planned Society *(1937). Many of these socialist thinkers held two main hypotheses. First, industrial concentration was inevitable under capitalism. Second, they argued, government ownership or control of key economic sectors was necessary to protect democracy from industrial consolidation in the capitalist system and to reduce political opposition to complete state ownership or control over the means of production. Despite sharing Hayek's concern for socialism's potential erosion of democratic freedoms, these socialist hypotheses have received much less scholarly attention than Hayek's* The Road to Serfdom*. We conclude that Hayek formalized socialist scholars' fears and developed a well-defined hypothesis that central planning could threaten democratic freedoms.*

INTRODUCTION

There is a growing literature interpreting and analyzing the central hypothesis of Friedrich A. Hayek's *The Road to Serfdom* (*TRTS*). While Hayek dedicated *TRTS* ([1944] 2007, p. 36) "To Socialists of All Parties," there has been a relatively limited

[1]Gabriel F. Benzecry: Assistant Professor of Economics and Bretzlaff Scholar, Northwood University.
[2]Nicholas Jensen: PhD Fellow, Political Economy Research Institute and Department of Economics and Finance at Middle Tennessee State University.
[3]Daniel J. Smith: Professor of Economics, Political Economy Research Institute at Middle Tennessee State University. Email: daniel.smith@mtsu.edu.
We thank our two anonymous referees for helpful feedback on our manuscript.

ISSN 1053-8372 print; ISSN 1469-9656 online/25/000001-26
doi:10.1017/S1053837224000336

scholarly focus on interpreting and analyzing the hypotheses put forth by the socialist scholars with whom he was intellectually engaging. Peter Boettke (1995, 2020), Bruce Caldwell (1997, 2007), Ben Jackson (2010, 2012a), and Lawrence White (2012, ch. 6), however, offer some notable exceptions. A better understanding of the arguments of the socialist thinkers of Hayek's time could provide crucial context for properly interpreting his arguments in *TRTS* (Lavoie 1991). While previous works have advanced our understanding of *TRTS* by contextualizing it within the historical and intellectual context of its time (Boettke 1995, 2020; Boettke and Candela 2017; Caldwell 1997, 2004, 2007, 2010; Epstein 1999; Farrant and McPhail 2009, 2010a, 2010b, 2011a, 2011b, 2012; Jackson 2010, 2012a; Jones 2002; White 2012, ch. 6), this paper broadens the scope of these works by identifying the central hypotheses posited by prominent socialist thinkers, especially economists, with whom Hayek sought to engage in *TRTS*.

According to Hayek ([1944] 2007, p. 39), *TRTS* originated "in many discussions" he had with "friends and colleagues whose sympathies had been inclined toward the left."[1] While *TRTS* was not specifically written to engage their ideas on a technical level (Caldwell 2007, pp. 18–31), Stuart Chase, Henry Dickinson, Hugh Dalton, Evan Durbin, Oskar Lange, Harold Laski, Abba Lerner, Barbara Wootton, and the authors of the essays in Findlay MacKenzie's *Planned Society* (1937) undoubtedly were among the most distinguished socialist scholars of their era, frequently engaging in both technical and popular discourse, precisely during the period when Hayek wrote *TRTS*.

Hayek was intimately familiar with the work of these notable socialist scholars. For instance, in *TRTS* ([1944] 2007, p. 124), he referred to Stuart Chase as "one of the most prominent economic planners." In his 1940 article published in *Economica*, titled "Socialist Calculation: The Competitive 'Solution,'" Hayek engaged directly with Henry Dickinson's (1939) influential work, *Economics of Socialism.* Moreover, not only were Dalton, Durbin, Laski, and Wootton colleagues of Hayek's at the London School of Economics (Caldwell 2007, p. 8; Jackson 2012b, p. 57; Wootton 1945, p. v),[2] but Hayek also extensively addressed Oskar Lange's work within the context of his own technical publications surrounding the socialist calculation debate (Hayek 1940, 1945; Caldwell 2004, pp. 217–220). Furthermore, Abba Lerner was a student of Hayek's at the London School of Economics (Lerner 1944, p. viii), and Findlay MacKenzie (1937) authored an edited volume of essays on socialism, which Hayek (1938) reviewed in *Economica.* In *TRTS*, Hayek described MacKenzie's edited volume as "the most comprehensive collective studies on planning" (Hayek [1944] 2007, p. 163).

We contextualize Hayek's arguments in *TRTS* by considering two central hypotheses advanced by these socialist intellectuals. The first hypothesis posited that capitalism was inevitably moving towards industrial concentration. The second hypothesis was that

[1] *TRTS* originated in a memo to William Beveridge in the early 1930s disputing Beveridge's "claim that fascism represented the dying gasp of a failed capitalist system" (Caldwell 2007, p. 1). Hayek argued that it was the adoption of socialist ideas that paved the way for Nazism in Germany (Jackson 2012b, p. 61; see also Hayek ([1944] 2007, pp. 58–61).

[2] Durbin (1945) reviewed Hayek's *TRTS* in the *Economic Journal.* Laski was cited multiple times by Hayek in *TRTS.* Wootton's *Plan or No Plan* was praised by Williams (1934, p. 15) in the *Daily Herald* as "one of the clearest and most brilliantly written explanations of the differences between planned and unplanned societies, and of the [sic] case for a planning, ever published." Fraser (1935, p. 15) in the *Daily Herald* described it as the "best book on planning in the English language."

https://doi.org/10.1017/S1053837224000336 Published online by Cambridge University Press

government ownership of key sectors of the economy, at the very minimum, was necessary to safeguard democracy against the dangers associated with industrial concentration. While the central hypothesis of Hayek's *TRTS* has received considerable scrutiny (Durbin 1945; Alves and Meadowcroft 2014; McInnes 1998; Merriam 1946; Samuelson 2008; Shapiro 2001; Stigler 1988; Wootton 1945), the writing of socialist scholars contemporaneous with Hayek have received relatively limited scholarly examination. A noteworthy observation is that many of these socialist thinkers championed the idea of state ownership or control of key industries as a first-step measure aimed at mitigating resistance on the path toward full state ownership or control of the means of production.

While many prominent liberal intellectuals expressed concern about the relationship between socialism and totalitarianism (Cassel 1937; Chamberlin 1937; Jewkes 1948; Knight 1938; Lippmann 1938), we find that this concern was also widely shared by the socialist thinkers Hayek was engaging in *TRTS*. The socialist scholars were concerned about conflict emerging from irreconcilable interests, and thus, the totalitarian threat stemming from the use of concentrated power necessary to impose a central plan. Several socialists, such as Lange and Lerner (1944), Wootton (1945), and Herman Finer (1945), advocated for modified forms of socialism, such as market socialism, where the state limited its ownership of the means of production to key industries or centrally planned the economy through directives issued to private owners of capital, explicitly in order to preserve private ownership of the means of production as an institution necessary to protect democratic freedom.

The context of *TRTS* can be re-examined through the lens of these hypotheses advanced by socialist thinkers who were contemporaries of Hayek. In *TRTS*, Hayek rejected the first hypothesis put forth by socialist scholars that capitalism had an inevitable trajectory toward industrial concentration. The second hypothesis of the socialist scholars, that government ownership or control of key industries was necessary to protect democracy, was openly advanced by many of these socialist thinkers as a requisite first step that would, favorably in their eyes, lead down a "slippery slope" towards complete ownership of the means of production. In *TRTS*, Hayek rejected the hypothesis that capitalism would inevitably undermine democracy due to industrial concentration. In his central hypothesis, Hayek built upon the concerns he shared with some socialist thinkers regarding the threat that central planning represented to democracy. We argue that Hayek's primary purpose in *TRTS* was to posit a formal hypothesis of the specific mechanisms through which democracy would be undermined under socialism.[3]

The remainder of this paper proceeds as follows. In section II we highlight the two central hypotheses advanced by socialist thinkers that Hayek endeavored to engage within *TRTS*. Section III expounds upon the apprehensions expressed by socialist thinkers, focusing on their concerns about the likelihood of social conflict and the potential misuse of central planning, which could jeopardize democratic freedoms. Section IV re-evaluates Hayek's arguments in *TRTS* in light of the socialist thinkers' hypotheses. Section V offers our concluding remarks.

[3] This interpretation of his hypothesis, as opposed to the "slippery slope" interpretation (Alves and Meadowcroft 2014; McInnes 1998), does appear to empirically hold true (Lawson and Clark 2010; Benzecry, Reinarts, and Smith 2024a).

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II. THE SOCIALIST HYPOTHESES

In this section, we identify two hypotheses advanced by leading socialists, including Stuart Chase, Henry Dickinson, Hugh Dalton, Evan Durbin, Oskar Lange, Harold Laski, Abba Lerner, Barbara Wootton, and the authors of the essays in Findlay MacKenzie's *Planned Society* (1937), that were made in their critiques of capitalism and defenses of market socialism. First, they hypothesized that industrial concentration was inevitable under capitalism. Second, they hypothesized that government ownership of key industries was a minimum necessary restraint to protect democratic institutions from capitalism. In this paper, we focus on those socialist intellectuals who Hayek primarily engaged in *TRTS* and his other works, and thus were likely part of the "socialists of all parties" to whom he dedicated the book. This includes a special emphasis on the socialists who were Hayek's colleagues at the London School of Economics (Ebenstein 2001, ch. 6).[4] Table 1 lists each of the primary socialist intellectuals we analyze and briefly summarizes our justification for their inclusion.

It is important to point out that we are using the term "socialism" in the context of Hayek's thought, and it requires some clarification. First, there are numerous variations of socialist views with their own individual intellectual heritage. The only similar feature connecting all these thinkers is the belief in central planning through state control or partial or full ownership of the means of production (Benzecry, Jensen, and Smith 2024; Giffiths 1924; Rappaport 1924, p. 40; Ritschel 1997, ch. 1). Second, the people whom Hayek believed to be socialists were not necessarily on the left of the political spectrum but shared an overall optimistic attitude towards government control or ownership of the means of production (Ritschel 1997, ch. 1). An example is his disagreement with the University of Chicago Press regarding the title of *TRTS*. The University of Chicago Press wanted the title to be "Socialism: The Road to Serfdom," but both Fritz Machlup (who was handling many of the negotiations) and Hayek resisted, on the grounds that central planning could be undertaken by either the left or right: after all, that was why the dedication was to socialist of *all* parties" (Caldwell and Klausinger 2022, p. 525). Third, it is common for intellectuals to change their thinking during their lives, and by no means do we claim that such characterization is a static representation of their overall intellectual tradition. However, in the historical context of when Hayek wrote *TRTS*, these intellectuals were associated with the views highlighted in Table 1 and held an optimistic view toward government control or ownership of the economy.

William Beveridge may be the best representative of the fluidity of ideas. He engaged with Hayek in the early 1930s in a discussion about National Socialism and whether it was "the last gasp of capitalism" or just a variation of socialism (Caldwell and Klausinger 2022, p. 438). Although Beveridge supported socialism early on (Harris 1977, p. 89), he gradually retreated from the position because, while he supported a certain degree of state ownership of the economy, he fell short of supporting complete state

[4] The London School of Economics was founded by socialists Sidney and Beatrice Webb, Graham Wells, and George Bernard Shaw (https://www.lse.ac.uk/about-lse/our-history#:~:text=From%201895%20to%20today&text=LSE%20was%20the%20brain%20child,members%20of%20the%20Fabian%20Society), accessed November 28, 2024.

https://doi.org/10.1017/S1053837224000336 Published online by Cambridge University Press

ownership of the economy (Beveridge 1945).[5] On a case-by-case basis, he advocated for "public monopoly ownership in certain fields" and "private enterprise subject to public control in other fields" (Beveridge 1943). In the *Daily Herald* Michael Foot (1944) describes Beveridge as having adopted "part of the Socialist diagnosis of the ills of our

Table 1. Critics of Capitalism[6]

Name	Intellectual tradition	Overview	Reference	Major Reason for Inclusion
Stuart Chase	Fabianism	Married to a Fabian socialist. Early in his life, he was a member of the Socialist Party.	Westbrook (1980, p. 391)	Hayek ([1944] 2007, p. 124) considers him "one of the most prominent economic planners."
Henry Dickinson	Market Socialism	Part of the socialist calculation debate. Described by Lavoie as a "market socialist."	Collard (2018) | Lavoie (1981, p. 41)	Hayek (1940) engaged with Dickinson's book *Economics of Socialism.*
Hugh Dalton	Fabianism	Important Labour Party member. Became a Fabian during his time at the University of Cambridge.	Pimlott (1977, p. 27) | Ebenstein (2001, p. 57).	Hayek's colleague at the London School of Economics
Evan Durbin	Market Socialism	A significant figure in the Labour Party, an economist, and a complex thinker. David Marquand considers his work, *The Politics of Democratic Socialism* (1940), as a union of Fabianism and Keynesianism. Described by Lavoie as a "market socialist."	Marquand (1991, p. 56) | Lavoie (1981, p. 41)	Hayek's colleague at the London School of Economics

[5] Beveridge was a member of the Liberal Party, but members held "radically different views on public ownership," with Beveridge holding more interventionist views (Sloman [1986] 2015, p. 159).

[6] The intellectuals analyzed in this study are just a sample of Britain's much broader intellectual scene. Due to constraints, we omitted many other socialists, especially those outside the social sciences. For instance, this study did not include the "men of science" (Caldwell and Klausinger 2022, pp. 440–448). Other candidates, such as Richard Tawney and Sidney Webb, were excluded due to a lack of relevant content in their writings.

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Table 1 Continued

Name	Intellectual tradition	Overview	Reference	Major Reason for Inclusion
Oskar Lange	Market Socialism	A major figure in the socialist calculation debate. Don Lavoie described him as a "market socialist."	Lavoie (1981, p. 41) | Shapiro (1989)	Hayek (1940) engaged with Lange's book *On the Economic Theory of Socialism*
Harold Laski	Marxism and Fabianism	In his formative years, he displayed a keen fascination with Marxism but subsequently shifted his focus towards Fabianism. He struggled to reconcile his adherence to Marxism with his commitment to libertarianism. Became more radical during the 1930s. Described by Caldwell and Klausinger as the "quintessential public intellectual" of the 1930s. Ebenstein describes as "democratic socialist."	Jones (1977, p. 16) | Newman (1993, p. 63) | Caldwell and Klausinger (2022, p. 438) | Ebenstein (2001, p. 55)	Hayek's colleague at the London School of Economics
Abba Lerner	Market Socialism	A significant figure in the socialist calculation debate. Described by Lavoie as a "market socialist."	Lavoie (1981, p. 41)	Hayek's colleague and student at the London School of Economics
Barbara Wootton	Democratic Socialism | Fabianism	According to Ellen Jacobs, she was a prominent member of the Labour Party and the Fabian Society during the 1930s. Rosenboim claims that she aimed to combine socialism, liberal democracy, and internationalism.	Rosenboim (2014, p. 894) | Jacobs (2007, p. 432)	Hayek's colleague at the London School of Economics

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Table 1 Continued

Name	Intellectual tradition	Overview	Reference	Major Reason for Inclusion
Findlay MacKenzie	Various	Findlay MacKenzie was the editor of an important book, *Planned Society: Yesterday, To-day, To-morrow*, containing a compilation of essays on central planning. The book contains diverse political traditions and perspectives.	Hayek (1938, p. 362)	Hayek (1938, [1944] 2007) engaged with MacKenzie's work. Hayek ([1944] 2007, p. 163) referred to MacKenzie (1937) as "one of the most comprehensive collective studies on planning."
William Beveridge	Welfare-State | Moderate	The original recipient of the memo that Hayek turned into *TRTS*. While he denied he was a socialist, he supported state ownership or control of the economy on a case-by-case basis.	Caldwell (2007, p. 1) | Caldwell and Klausinger (2022, p. 438) | Beveridge (1943, 1945)	He was the LSE director in the early 1930s. *TRTS* originated in a memo to William Beveridge in 1933.

society without having the wisdom to adopt the full Socialist remedy." Hayek considered Beveridge, as the recipient of Hayek's initial memo that became *TRTS*, to be part of the "socialists of all parties."

The Inevitability of Industrial Concentration under Capitalism

The primary concern among socialist thinkers regarding capitalism, namely its perceived inevitability to lead to industrial concentration (Lange and Lerner 1944), can be traced back to Karl Marx (Durbin 1940, p. 83; Sau 1979).[7] The argument was based on the belief that industrial concentration would give rise to economic power, which would then translate into political power, thereby posing a threat to democratic institutions. For instance, Dickinson (1939, pp. 230–231) writes, "So long as the private ownership of land and capital and the private organization of business enterprise for profit continue, the purpose of 'planning' is bound to be not the satisfactions of human needs but the preservation of the existing vested interest of rent, interest, and profit receivers." In a

[7] See Munger (2020) on an analysis of the early public choice themes found in Marx.

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similar vein, Dalton (1935, pp. 31–32) contends, "Political democracy, moreover, in a regime of capitalism and great social inequality, is only half-alive. Political forms are twisted by economic forces. Citizens, legally equal, wield unequal power. Political democracy will only be fully alive when married to economic democracy."

Lange (1937) held that attempts at using regulation to prevent industrial concentration would fail. Anticipating public choice arguments regarding lobbying and regulatory capture (Stigler 1971; Tullock 1967; Peltzman 1976, 2022; Yandle 2022), he argued that regulation would fail due to the immense lobbying power of concentrated industries. Lange (1937, pp. 131–132n4), for instance, states, "The best lobbyist becomes the most successful business leader." Lange and Lerner (1944, p. 60) argue:

> Each group strives to protect itself from the encroachment of others by restricting entry into the market, or to increase its share and influence through monopolization and exclusion of other groups. Capitalists want to protect their investments, producers their markets, small traders and professionals their business, workers and salary earners their jobs. Business opportunities are protected through combination and collusion, through restriction upon entry, and other means.

Ultimately, according to Lange and Lerner (1944, p. 60), "In the universal scramble for special protection and special privileges the free market goes down," creating industrial concentration that will undermine the "economic foundations of democracy."[8]

A similar concern was echoed by other socialist thinkers, including Clement Attlee (1937, ch. 6), Dickinson (1939, p. 4), Durbin (1940, pp. 100, 135–137; 1945, p. 366), Sidney Hook (1937a, pp. 665, 668), Laski (1933, p. 27), and Kemper Simpson (1941, p. 10).[9] For instance, somewhat akin to Lange and Lerner (1944), Durbin (1940, pp. 135–136) posits that the system of free enterprise is progressively giving way to a new system of "State-organized, private-property, monopoly capitalism":

> Freedom of enterprise is rapidly ceasing to exist. Whatever party is in power, the area of the economy brought, whether for good or for ill, within the supervision and control of the State is steadily and relentlessly increased. Freedom of enterprise is not only withering spontaneously away, but it is also being deliberately, consciously and carefully destroyed amid popular acclamation. In its place is appearing an ever-thickening jungle of uncoordinated government control, whose main purpose is restriction, and whose chief fruit is the substitution of monopoly for competition.[10]

Durbin (1940, pp. 88–89) argued that this transition was inevitable. In his view, the shift from freedom of enterprise to monopoly capitalism was an inherent and unstoppable development. Durbin (1940, p. 88) identifies several factors that make the transition to monopoly capitalism inevitable, including "the rise in the standard of living, the extent of insecurity of economic life, and the degree of inequality in the distribution of wealth," and "the invention of money and credit and … joint stock enterprise." His perspective suggests that rigid social dynamics made redirection unlikely.

Wootton (1945, p. 12; also see p. 129) notes that concern about the concentration of special interests was the primary reason that most socialists held that government must

[8] See also Persky (1991).
[9] Clement Attlee, the Labour Party prime minister from 1945 to 1951, held a lecturer position at the London School of Economics from 1912 to 1922, prior to Hayek's arrival (Ebenstein 2001, p. 57).
[10] See Durbin (1985, ch. 8) for a more detailed review of Durbin's views on socialism.

https://doi.org/10.1017/S1053837224000336 Published online by Cambridge University Press

own the means of production. In fact, even the Liberal Party in Britian saw monopolization as "inevitable" in its defense of its middle way planning (Ritschel 1997, pp. 42–43). Wootton (1945), however, in contrast to the prevailing viewpoint among most socialist thinkers, asserts that the challenge of special-interest group lobbying could be effectively addressed within a centrally planned system that included directives for private owners of the means of production.

The Inevitability of Industrial Concentration under Capitalism

A considerable number of socialist thinkers believed that industrial concentration was inevitable, and that governmental regulatory efforts were bound to fail. Thus, policymakers faced a stark choice: either relinquish endeavors to regulate industry, thereby accepting the concentration within capitalism and the consequent erosion of democracy, or opt to nationalize key economic sectors prone to such concentration. As Dickinson (1939, p. 233) writes, "political freedom as understood by the nineteenth century liberals —is impossible under capitalism." Consequently, many of the socialist scholars Hayek was addressing in *TRTS* saw government ownership of those key industries susceptible to concentration as a legitimate way to preserve democracy (Attlee 1937, ch. 6; Chase 1935, chs. 13–14; Durbin 1935, p. 382; Durbin 1940, pp. 135, 147; Lange and Lerner 1944, pp. 55–56; Lange and Taylor 1938, p. 120; Laski 1933; MacKenzie 1937, p. vii).[11]

Laski (1923, p. 203) unequivocally articulated this challenging policy dilemma confronting politicians, asserting that "the problem of capitalist democracy can … only be solved either by the supersession of capitalism or by the suppression of democracy." For Laski (1923, p. 126), "Clearly, there is therefore implicit in the private ownership of the means of production a basic antagonism between the interests of capital and labour." Similar to Laski (1923), Hook (1937a, pp. 668–669) rejected the possibility of directive-based central planning, arguing that, where power is concentrated in trusts and cartels, "there can be no planning of the national economy in its totality under capitalism, because of the absence of homogeneous social interest."

Many of these socialist scholars saw state ownership or control of key industries as the necessary first step in a gradual transition to full state ownership or control of the means of production.[12] As Gustav Cassel (1928, p. 179) observed, "Socialists of the Western world want to proceed with certain moderation and carry out their program piecemeal."[13] Socialism's gradual implementation was seen as a political necessity to reduce resistance to the program (Durbin 1985, p. 60). Durbin (1935), an advocate for democratic socialism, argues that achieving socialism through "peaceful means" (p. 382) must involve taking steps that include "the socialisation of a number of basic industries" (p. 383) and the financial sector, in order to "not provoke the opponents of Socialism to appeal to force or frighten them into an uncontrollable financial panic" (p. 382). A slow transition, as detailed in Hugh Dalton's (1935) *Practical Socialism for*

[11] The Labour Party (1934, p. 8) issued a program of action that stated, "The choice before the nation is either a vain attempt to patch up the super-structure of a capitalist society in decay at its very foundations, or a rapid advance to a Socialist reconstruction of the national life." The program went on, "Fascism is merely Capitalism in its worst and brutal form" (p. 9).

[12] See also Catlin (1935) and Cole (1935a, p. 293; 1935b).

[13] See also Carlson (2011).

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Britain, while "repugnant to the Right, could not press them to the point of armed revolt" (Durbin 1935, p. 385).[14]

Furthermore, Dalton (1935, p. 93) proposed, "Socialists hold that public ownership and control should replace private ownership and control over a steadily increasing part of the economic field." Like Durbin (1935), Dalton (1935) defends a gradual progression toward socialism. Dalton (1935) proceeds to offer a plan for expanding planning in stages: "As the number of these socialised enterprises grows, there must be a plan for their relations to one another, including, in particular, some machinery for determining the prices at which they sell their products to one another and to other purchasers. This machinery can, I think, best be supplied through the Supreme Economic Authority" (p. 310). Similarly, Wootton (1945, pp. 128–129), in her defense of advocating for socialist planning with private ownership of the means of production, recognized, "The smoothest path towards social ownership of industry is along the road of the demonstrated failure of private enterprise.… The roughest possible road, calculated to arouse the bitterest opposition and to minimize disinterested support, is a comprehensive program of socialization for its own sake." Angelo Solomon Rappoport's (1924, p. 116) *Dictionary of Socialism*'s definition of state socialism corroborates this view, noting "the Socialist doctrine which demands State intervention with a view to changing the capitalist into a collective regime. This is to be effected by gradually nationalizing the means of production, especially the big enterprises, such as railways, mines, banks, tramways, factories, etc." The dictionary stressed that true socialists considered partial state ownership of the means of production to be "half-measures" (p. 117). Dan Giffiths's (1924, p. x) *What is Socialism?*, while acknowledging a wide range of definitions, argues that there is fundamental agreement on the need for "the *social* ownership and control of the *resources* of life" (italics in original).

The major political parties, including the Tory, Liberal, and Labour, all adopted forms of planning as part of their central platforms, though they varied by degree and type (Ritschel 1997, ch. 1). The Labour Party most explicitly advocated for socialism (Durbin 1985, pp. 12–13). For instance, the Labour Party (1934, p. 8) issued a program of action, *For Socialism and Peace*, a project that had been three years in the works (Dalton 1935, p. viii), which set out "[t]o convert industry, with due regard to the varying needs and circumstances of different sections, from a haphazard struggle for private gain to a planned national economy owned and carried on for the service of the community." For the Labour Party (1934, p. 8), "There is no half-way house between a society based on private ownership of the means of production, with the profit of the few as the measure of success, and a society where public ownership of those means enables the resources of the nation to be deliberately planned for attaining the maximum of general well-being." Laski (1933, p. 38) noted, "National ownership and control of the banks, the land, power, transport, the mines, investment, and industries like cotton and iron and steel under government control, these were put in the forefront of its [the Labour Party] programme." By 1944, Beveridge observed that socialism was "the central formula of the Labour Party" (Foot 1944, p. 2).[15] The Liberal Party, of which Beveridge was a part,

[14] George G. H. Cole wrote that "it is vitally necessary to ease the transition to a Socialist system based on the complete abolition of property rights in the means of production" (1933, p. 165).

[15] Charles Trevelyan (1933, p. 21) declared that the Labour Party "in its declarations, in its professions of faith, in its formal and solemn expositions of its intentions to the country, is now Socialist."

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set a middle path as its primary platform during the 1930s (Ritschel 1997, ch. 1; Sloman [1986] 2015, ch. 4).

Chase (1935, p. 91) saw "[p]ublic business…on the march around the world" and provided many international examples of the expansion of government ownership of the means of production. Chase (1935, p. 70) thought, however, that once the state took ownership of some industries, it would become difficult to draw a line between the private and public sectors. He believed that the public sector would naturally expand and that it was already, at that time, too late to stop the growth of government ownership of the means of production (p. 32). Under this progress, attempts to prevent the growth of government programs would have to be justified, and, according to Chase (1935, p. 69), "traditional property rights, especially of intangibles, may not be good enough" justification, citing the Supreme Court's series of gold clauses that gave "traditional property rights a body blow." Chase (1935, p. 91–92) goes on to state that the only choice left was who should run public business, given that capitalism was inevitably collapsing around the world:

> Dictators leaning to the left; dictators leaning to the right; dictators leaning down the middle of the road; parliamentary States slowly forcing back the claims of private property; cooperative States widening their scope of economic action; confused States hoping for a revival of private business, but in its absence experimenting with collectivism in many forms.

Similarly, Durbin (1940, p. 96; also see p. 98) argued, "The area of the economy directly controlled by the Government, the section of expenditure consumption and production that is already socialized, has grown enormously, is still growing, and is likely to grow still further." Durbin (1940, pp. 98–99) takes care to note that while the Second World War may have accelerated this trend, the war itself was not the driving force towards socialism.[16]

Lange (1937, p. 132), made an even stronger argument, stating that government ownership of key industries would "lead straight to socialism." He (1937, p. 133) elaborates:

> When this state of things will have become unbearable, when its incompatibility with economic progress will have become obvious, and when it will be recognised that it is impossible to return to free competition, or to have successful public control of enterprise and of investment without taking them out of private hands, then socialism will remain as the only solution available. Of course, this solution will be opposed by those classes who have a vested interest in the *status quo*. The socialist solution can, therefore, be carried out only after the political power of those classes has been broken.

Harold Macmillan (1938, p. 178), while disagreeing with the inevitability of the socialism argument in his defense of "the middle way," acknowledged that socialists may easily conclude that capitalism is in inevitable collapse and that the only answer is comprehensive state ownership and control of the means of production.[17]

[16] Durbin (1940, pp. 100–101, 147) and Laski (1933, pp. 163, 233) argue that the advancement of welfare state policies requires the abandonment of private ownership of the means of production.

[17] "Hayek called this view "the muddle of the middle" (Caldwell 1997, p. 1867). For a more in-depth discussion of the Liberal Party and its embrace of the middle way, see Ritschel (1997), Sloman ([1986] 2015), and Warwick (1964).

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By drawing insights from the writings of socialist thinkers who were contemporaries of Hayek, we arrive at the conclusion that these scholars put forth arguments for an inevitable and step-by-step shift away from the principles of free enterprise towards socialism. Their collective body of work not only advocated for this transition but also provided comprehensive theoretical frameworks to explain this development.

III. THE SOCIALIST CONCERN ABOUT DEMOCRACY UNDER SOCIALISM

The socialist scholars Hayek was engaging in *TRTS* shared two primary concerns regarding the threat to democracy posed by socialism.[18] The first was the threat of social conflict that could emerge from imposing a central plan on groups with irreconcilable interests. The second major concern was the looming threat of totalitarianism, which emerged from the necessity of exploiting governmental power to enforce a centralized plan within the context of pre-existing societal conflicts of interest.

Social Conflict under Socialism

Many of the socialists Hayek was engaging in *TRTS* also recognized the inevitable conflict of interests that would emerge even under democratic socialism. Some of these socialists even accepted the likelihood of violent clashes in a transition to socialism (Durbin 1940, pp. 148, 159–161, 191; Laski 1923; Strachey 1936). The concept of social conflict resulting from a shift in the socio-economic system is deeply rooted in socialist thought. In the earliest days of socialism, as articulated by Marx and Friedrich Engels, the ideas surrounding class struggle were a clear recognition of conflicting interests. Marx's words underscore this point: "in times when the class struggle nears the decisive hour, the progress of dissolution going on within the ruling class, in fact within the whole range of old society, assumes such a violent, glaring character, that a small section of the ruling class cuts itself adrift, and joins the revolutionary class, the class that holds the future in its hands" (Marx and Engels [1848] 1978, p. 481). This statement illuminates the idea that during class struggle, internal divisions within the ruling class can become pronounced due to the violent nature of the class conflict, leading a portion of the bourgeois establishment to align itself with the proletarians.

For instance, Laski (1933, p. 247) weighed the risks of losing "improvements in material well-being" with "the hazards of a largely unknown experiment" but ultimately decided that the possibility of "disaster" was no justification to "surrender to privilege." The position, Laski (1933, p. 248) suggests, that "alterations in a property system can be made save as its owners consent to it; this, clearly, is a principle that no government can accept."

Once a socialist state was adopted, socialists continued to see the potential for conflict and violence. Beveridge (1936, p. 18) observed that reallocating scarce resources to their highest valued use under central planning would face resistance from special-interest

[18] Attlee (1937, pp. 148–152) is an example of a politician who dismissed these concerns, arguing simply that the socialists rejected dictatorship and embraced democracy.

https://doi.org/10.1017/S1053837224000336 Published online by Cambridge University Press

groups. According to Beveridge (1936, p. 18), "The central authority will have to be strong enough to sacrifice sectional to general interests." The socialist scholars of the first half of the twentieth century were not naive about the pressure and threat imposed by special-interest groups. Those groups were always a threat to the greater socialist plan.

MacKenzie (1937, p. xx) noted, "Until the ends and designs of economic control are agreed upon, no planning is possible. Planning involves the redirection of social and economic forces from the paths which they would follow if unopposed." For MacKenzie (1937, p. xx), then, the core problem of socialist planning was not technical but ethical, since they had "available and powerful" means to pursue ends that were "muddled and evanescent." Hook (1937a, p. 669) also expressed concern over conflict generated by the necessity of having a shared social vision when a "common social objective is practically impossible."[19] Similarly, Durbin (1940, p. 264) noted that the mutual frustration of groups with conflicting ends must be worked out tolerantly with compromise. Durbin (1940, pp. 271–272), for instance, writes:

> *When individuals or groups disagree—including nations and classes and Parties within the state—the most important question is not what they disagree about, but the method or methods by which their disputes are to be resolved.* If force is to be the arbiter between them, international war, civil war, cruelty and persecution are the inevitable consequences. Civilization cannot be built upon these crises of destruction. (italics in original)

MacKenzie (1937, p. xiv) also writes that "special consideration must be given to the existence of friction resulting from the interplay of inertia, ignorance, and anti-social preferences" and that ways must be found "for the modification or removal of this friction." He (1937, pp. xiv–xv) questions whether "the group interests dominating the present system of free enterprise will be sufficiently enlightened to consider the effects of their pressure upon the welfare of the community, and to permit adjustments necessary to the public interest."[20]

Given the imminent social conflict, socialist scholars endeavored to formulate a strategy aimed at safeguarding peace within a socialist regime. For instance, Durbin's (1940, p. 272) plan for peaceful socialism was through the cultivation of a culture of social duty for contending groups to agree not to use force and rather compromise to settle disputes.[21] Other scholars argued for the use of propaganda and education to resolve these inevitable conflicts (Lasswell 1937, p. 639). For instance, Lewis Mumford (1937, p. x) supported "widespread educational re-orientation" to support economic planning. Mumford (1935, p. 278) elaborates:

> What combination of forces and sentiments will be powerful enough to engender this worldwide economic organization? If one hopes for such an organization without counting upon the drive of collective loyalties and ideals, one might just as well admit frankly that one looks forward to suicide. The correct method is not to deny the existence or value of sentiments; but to create fresh sentiments attached to more appropriate kinds

[19] Hook (1937a, p. 669) cites the National Recovery Act as a failed example.
[20] Cole (1935a, pp. 221–223) argued that once the state started directing production, it would lead to clashing political and economic interests over its ends.
[21] This fits with Robbins's ([1947] 1957, p. 77) critique of "a strong tendency [under state ownership of the means of production] to adapt the people to the plan rather than the plan to the people."

https://doi.org/10.1017/S1053837224000336 Published online by Cambridge University Press

> of political and economic agents. In this work art and literature and philosophy and science have as critical a part to play as the more pragmatic economic programs.

Due to this concern about the necessity for creating a shared social vision in the economic plan, Eduard Lindeman (1937) argued for extending central planning concerns to education, art, recreation, and religion. MacKenzie (1937, p. 613), recognizing this, stated, "It may well be that economic planning is only a prelude to cultural planning." Nonetheless, socialist scholars did not provide a comprehensive plan for preventing the infiltration of special-interest groups into the educational system, a domain frequently subject to competing interests (Benzecry and Smith 2023, pp. 52–53).

The Totalitarian Threat to Democracy

Due to the inevitable conflicts of interest in central planning, some of these socialist thinkers openly embraced direct state power and control. As long as socialism was adopted by democratic means, or at the very least a "willingness of the legislative assembly," Laski (1933, p. 250) held, the state must "defend its programme with all the resources of the state behind it," and "the duty of the party is to experiment as a government to the limit it deems reasonable of the mandate with which it is entrusted." Laski (1933, p. 251) does note that the "holders of political power" in a socialist state should "do their utmost to conciliate the minority which dissents from their measures. They ought not deliberately to provoke them to revolt."

Noting the conflict of interests that inevitably emerge under central planning, Harold Lasswell (1937) argues for the necessity of a central planning authority with broad power to compel, stating, "Planning in modern large-scale societies is likely to be inaugurated, not by democracies but by dictator-ships" (pp. 639–640).[22] Laski (1933, pp. 164–165; also see pp. 240–241) notes this relationship between dictatorship and economic control, claiming, "To ask from the capitalist a peaceful abdication is like asking a pagan Emperor to admit the intellectual compulsion of Christianity." He hopes for "a peaceful acceptance of socialism" because it "avoids the horrors of violent civil war" and "[i]t permits us also to avoid the costs involved in scrapping a democratic parliamentary system, with the highly efficient administrative machine it has created, and replacing them by a dictatorship which, at least for a period, is bound to mean grave hardship and suffering for the whole community."

Beveridge (1936, p. 22) held that while socialism could solve some of the perceived problems of capitalism, it would not be easy to reconcile it with democracy, claiming, "It might appear impossible to set up a government capable of socialism, at least without risking essential liberties" (p. 30). He (1936, p. 27) also notes, "Success of socialistic planning in Russia would still leave open the question of the price in essential liberties at which it had been bought." When discussing socialism, Beveridge (1936, p. 29) assumed that socialism would work as if implemented by omniscient and benevolent actors, but he acknowledged that he did not "consider what kind of political authority would be required to work it successfully, whether the establishment of such an authority could be counted on, what effect its establishment might have on the life of the citizens." While

[22] Lasswell's essay, along with Hook, Cassel, and Lindeman, was included in an edited volume, MacKenzie (1937), cited by Hayek ([1939] 2012, pp. 5–6). Hayek ([1944] 2007, p. 139) uses a quote from Harold Lasswell (1936) in *TRTS*.

https://doi.org/10.1017/S1053837224000336 Published online by Cambridge University Press

this was acceptable for a lecture, Beveridge (1936, p. 29) said, "In real life, however, the technically best machine is of little value if the owner cannot work it; a fool-or-knave-proof machine of lesser technical merit may be better worth having." More explicitly, Beveridge (1945, p. 5) argued that complete state ownership of the economy "involves an unnecessary interference with liberties."

Dickinson (1939, p. 235) writes, "During the period of transition from a capitalist to a socialist society both forms of liberty [economic and political] may be abridged." Dickinson (1939, pp. 235–236) goes on: "Lenin and Stalin have shown scant respect for the preferences of the individual consumer, yet, if they shall have been the means of establishing a classless society, their ultimate influence will be for economic liberty. After a socialist order has been safely established, the *raison d'être* of restrictions on liberty will have ceased." Consequently, for democracy to endure, it would require adaptation to the evolving principles of social harmony and governance.

The socialist thinkers who did not accept totalitarianism openly wrestled with this democratic threat under socialism.[23] As Harry Laidler (1944 [1968], p. 643), observed, "The question of whether the type of social planning which democratic socialists aim to achieve is consistent with freedom has in recent years likewise occupied the thought of many progressive thinkers." Durbin (1945, p. 360), in his review of *TRTS*, noted that the comprehensive imposition of central planning on production, consumption, and labor markets "could only be fettered upon us by dictatorship and terror." Thus, in arguing for the abolition of private ownership of the means of production (Durbin 1940, p. 135), he (1940, pp. 148, 163–205) found it necessary to address the use of violence in his defense of socialism since he held that violent and undemocratic means could not be used, even temporarily, to achieve socialism.[24]

Durbin (1940, p. 213) recognized that there was a threat of dictatorship under socialism, which "always represents the complete and unconditional triumph of one participant in a struggle" with "nothing to check the expression of the aggression by the victorious group." He (1940, p. 218) was deeply concerned about the fate of the Soviet Union and Nazi Germany, where "victims tramp down to death. There is no end to the suffering, the river of blood flows on." And "[p]lenty of people, and most Communists, believe in the 'dictatorship of the proletariat' as originally defined, and as practised in Russia during the last twenty years. They believe in the concentration camp and the firing squad" (Durbin 1940, p. 208).

Durbin (1940, p. 218) emphatically stressed that totalitarianism was not the outcome of socialism he envisioned, explicitly arguing, "*This is not the road!"* (italics in original) for the socialism he advocated. Durbin (1940, p. 213) believed that the survival of democracy under socialism was contingent upon the cultural recognition of "the necessity for

[23] Burnham's (1941) *The Managerial Revolution* hypothesized an alternative route to the loss of democratic freedom through the growing power of industrial managers in a socialist society. Bertrand Russell ([1918] 2002), whom Hayek ([1944] 2007, p. 164) cites as a "contemporary socialist" in *TRTS*, argued that the interest in anarcho-socialism and guild socialism was driven in part by the observation that state socialism tended to undermine freedom.

[24] See also Durbin (1935, p. 382) where he addresses "the difficulty of achieving democratic Socialism by peaceful means." Cole (1935a, p. vii) writes that "the great mass of those who desire to change the basis of the existing economic order in Great Britain hope to achieve this change by constitutional methods and not by revolution."

toleration" and the need to set "a limit to the expression of aggression in action."[25] He argued that the anti-democratic tendencies occurring under communism and fascism had distinct cultural origins from socialism (Durbin 1940, pp. 249–258). Germany, for instance, lacked the necessary spirit of "tolerance and self-restraint" (Durbin 1945, p. 369).

Ultimately, however, Durbin (1940, p. 191) acknowledges that whether democracy can survive under socialism "is a purely empirical issue. It can only be supported or refuted by historical evidence."[26] He argues that three anecdotal cases, the UK Reform Act of 1832, the subsequent expansion of the voting franchise in the UK, and the Ulster Crisis of 1912 to 1914 (Durbin 1940, pp. 191–205), demonstrate that "the use of force is not primarily or exclusively involved in disputes over economic ends or class privilege" (Durbin 1940, p. 204). Thus, according to Durbin (1940, p. 205), "Historical evidence, then, shakes to the foundation the doctrine that there must necessarily be bloodshed in the process of destroying economic privilege or in the transition from capitalism to socialism."

Unlike Durbin (1940), however, Lange and Lerner (1944) did not hold that government should abolish all markets or even all private property.[27] In the context of the socialist calculation debate, for example, they argued that labor and consumer markets should remain under private sector control since the ability to freely consume and work was necessary to maintain democracy. Looking at the troubling experiences of Russia and Germany, they held that democracy was a vital foundation of socialism (Lerner 1944, p. vii). Lange and Lerner (1944, p. 58) argue that effective democratic rights are impossible without the freedom of consumption and occupation because administrative assignment "would give to the administrators control over the most personal and intimate aspects of human life."[28] They held that complete government ownership of the economy would lead to totalitarianism (Lange and Lerner 1944, p. vii; Lerner 1944). For instance, Lange and Lerner (1944, p. 55), made the argument that "private ownership of the means of production (private enterprise) provides economically independent citizens and thus form a bulwark of political democracy."[29] Allowing all resources to be distributed via central planning would be incompatible with the division of labor and democratic socialism, resulting in concentrated economic power and the possibility of "favoritism or discrimination" (Lange and Lerner 1944, p. 58). Markets, by allowing "impersonal and automatic 'rules of the game' rather than … a superordinate personal authority" (Lange and Lerner 1944, p. 58), would enhance individual freedom. As Lerner (1944, p. 1), argued, "The fundamental aim of socialism is not the abolition of private property but the extension of democracy."[30]

[25] Durbin (1940, p. 241): "the most essential condition for the existence and maintenance of democracy" is "the existence of *an implicit undertaking between the Parties contending for power in the State not to persecute each other"* (italics in original).

[26] Eduard C. Lindeman (as quoted in MacKenzie 1937, p. xiv) writes, "Social planning does not necessarily involve autocracy."

[27] There is an obvious contention here with Lange's (1937, p. 132) earlier views that government ownership of key industries would eventually result in an expansion of state ownership to all industries.

[28] Lange and Lerner (1944, pp. 60–61) also recognized large-scale public expenditure as a mechanism that could undermine democracy. This is because it would give government "a centralized economic power" (Lange and Lerner 1944, p. 60). But Lange and Lerner (1944, p. 60) viewed this as a worthwhile risk to combat economic stagnation and contraction, which they saw as posing a greater totalitarian threat.

[29] Empirical research supports this argument (Lawson and Clark 2010; Benzecry, Reinarts, and Smith 2024a).

[30] Lange and Lerner (1944) also hypothesize that the monopolistic behavior of key industries could negatively impact democracy. This hypothesis was just recently partially tested (Benzecry, Reinarts, and Smith 2024b).

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Hook (1937a, p. 674–675) also expressed concern about the concentration of political power under central planning, calling it "a really serious problem … for which no superficial or simple solutions may be offered." Similarly, James Meade (1948), a self-styled liberal-socialist, summarized the planning debates up to that point and argued that central planning, entailing state ownership of the means of production, "contains a threat to personal freedom" (p. 6). Meade (1948, p. 6) writes that "the direction of labour, is the hallmark of the Servile States; and it is a sobering observation that there appears to be at present a widespread preference for this alternative."

While strongly advocating for the growth of public enterprises, Chase (1935, p. 158) also articulates apprehensions regarding the potential threat of totalitarianism arising from excessive government control over the economy, arguing, "We must rigorously oppose the domination and meddling of the State over an area which belongs to the individual and his free choices," and even offers a list of industries that falls within this domain. But, if the state were to guarantee education, water, and playgrounds, then Chase (1935, p. 277) wondered whether it should also provide "food, clothing, and other essentials as well. … If water, why not milk; if roads, why not an automobile to run upon them?" For the areas he felt should be controlled by government, Chase (1934, p. 313) argued that it must be by an "industrial general staff with dictatorial powers covering the smooth technical operation of all the major sources of raw material and supply. Political democracy can remain if it confines itself to all but economic matters."

Hook (1937b, p. 840) wrote, "Sooner or later this second type of socialism will degenerate into the servile state of Fascism," and, "There is no economic law which *guarantees* that socialism will be achieved or the form—democratic or dictatorial—it will take when it is achieved" (italics in original). MacKenzie (1937, p. 775) frankly admitted, "The danger, however, is that economic dictatorship may lead to political dictatorship." Dickinson (1939, p. 227), sharing a similar concern, wrote, "In the hands of an irresponsible controller (or group of controllers) it *could* be made the greatest tyranny that the world has ever seen" (italics in original), but brushed off the threat by saying that we simply had to make freedom the end of planning to ensure that it was achieved. Dickinson (1939, p. 234) writes, "Abolish exploitation and substitute a society of freely co-operating agents, then the root cause of tyranny is taken away."

It is evident, therefore, that the connection between totalitarianism and socialism was a valid and somewhat paramount concern for certain socialist thinkers. To others, democratic institutions were undeniably under threat, but they still considered the alternative to be preferable, in their eyes. It is within this context that we now delve into Hayek's work, offering a fresh conceptualization of the academic and political environment that preceded *TRTS*.

IV. CONTEXTUALIZING *THE ROAD TO SERFDOM*

Hayek found it necessary in *TRTS* to address the prevailing socialist hypothesis that capitalism was inevitably leading to industrial concentration. As Lionel Robbins (1939, p. 45) noted, the inevitability of industrial concentration hypothesis was "[w]elcomed by the socialist as support for the view that there can be no organization conducive to the general interest while private property persists." Early in *TRTS*,

Hayek ([1944] 2007, p. 91) summarizes and argues against the hypothesis, relying on the academic work of Robbins (1939, ch. 3) and Clair Wilcox ([1940] 2017) on market concentration.

In accordance with Hayek's claim ([1944] 2007, p. 92), the prevailing rationale for the emergence of industrial concentration was predominantly attributed to technological progress.[31] Hayek ([1944] 2007, p. 92) rejects this argument, stating, "The conclusions that the advantage of large-scale production must lead inevitably to the abolition of competition cannot be accepted." Hayek ([1944] 2007, p. 92), in line with Robbins (1939, p. 51), argued that it was primarily government policies that restricted competition and drove the concentration of monopoly.[32] While Hayek ([1944] 2007) does not explain who is driving anti-competitive policies, the reference to Robbins (1939, ch. 3) suggests that he concurred with Robbins's assessment that it was special-interest groups. Hayek appears to also concur with Robbins's (1939, p. 79) conclusion that "the victory of the pressure groups is not inevitable."[33]

By critiquing the hypothesis that capitalism would inevitably lead to concentration, Hayek also undermined the subsequent hypothesis held by socialists that state ownership or control of the means of production, at least for key industries, was necessary to preserve democracy from the concentrated power of industry. The fact that many of the socialists Hayek was engaging explicitly saw state ownership or control of key industries as a necessary step towards full state ownership or control of the means of production provided Hayek with additional support for his hypothesis when it came to the unrelenting support of socialism. Hayek ([1944] 2007, p. 59) acknowledged the prevalent notion that democracies were moving in the direction of socialism but firmly rejected the inevitability of such a development: "Scarcely anybody doubts that we must continue to move towards socialism.... It is because nearly everybody wants it that we are moving in this direction. There are no objective facts which make it inevitable." While there is a literature with conflicting interpretations of whether Hayek was making a "slippery slope" argument in *TRTS* (Boettke and Candela 2017; Caldwell 1997, 2004, 2007, 2010; Epstein 1999; Farrant and McPhail 2009, 2010a, 2010b, 2011a, 2011b, 2012; Jackson 2010, 2012a), socialist scholars were making a similar argument to Hayek's. Many prominent socialist thinkers were advocating for state ownership or control of key industries with the specific belief that it would ultimately result in complete state ownership or control of the means of production.

When it came to the totalitarian threat that socialism posed to democracy, Hayek (1938, p. 362) was well aware that the socialists he was engaging shared this concern, noting in his review of MacKenzie (1937):

> Considerable space is devoted to a survey of the cultural effects of planning, and it is interesting to observe how much all the authors are concerned about the compatibility of planning with freedom and democracy. Whether this finds expression in outright

[31] Another argument was that a firm would adopt a new beneficial technology only if it were granted a monopoly.

[32] Robbins ([1947] 1957, p. 75) held that "much of monopoly is the creation of policy." More modern work by Armentano (1990) suggests that antitrust law itself can be used by special-interest groups to undermine competition.

[33] Robbins ([1947] 1957, p. 78), however, did express concern that the producer's concentrated power under socialism could lead to monopolies with even more power than they held in private markets.

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> scepticism on this point, or whether it leads the authors to reassert again and again that the two things are compatible without any attempts to show how this is to be achieved, it is at any rate clear that this begins to be recognised as the central problem.

This critique on the incompatibility of democracy and socialism that Hayek noted was directed at the section of MacKenzie (1937) that was explicitly on comprehensive economic planning, not the earlier section that dealt with limited interventions (Hayek 1938, p. 362). In addition, in *TRTS*, Hayek wrote:

> Of late, it is true, some academic socialists, under the spur of criticism and animated by the same fear of extinction of freedom in a centrally planned society, have devised a new kind of "competitive socialism" which they hope will avoid the difficulties and dangers of central planning and combine the abolition of private property with the full retention of individual freedom. ([1944] 2007, p. 88n4)

But Hayek was not the first scholar to recognize the potential threat that socialism posed to democracy. Gustav Cassel (1937, p. 796–797; see also Carlson 2011), one of the most prominent economists of the era, made a similar argument, writing, "The arbitrariness, the mistakes and the inevitable contradictions of such policy will, as daily experience shows, only strengthen the demand for a more rational coordination of the different measures and, therefore, for unified leadership. For this reason Planned Economy will always tend to develop into dictatorship."[34] Cassel (1937, p. 797) goes on, "Strong resistance can be expected only from countries where individual freedom has been looked upon through centuries as one of the most precious attainments of civilization and, at the same time, as a fundamental condition for its further development. But even in such countries the modern fancy for planned economy has driven people much further on the way to dictatorship than is generally recognized." Many other academics inclined to defend a liberal society were also concerned about the threat that socialism posed to democratic freedom (Chamberlin 1937; Lippmann 1938).[35]

For instance, John M. Keynes ([1936] 1997, pp. 378–380), in *The General Theory*, though he recognized that government control of the means of production could help a country achieve full employment, opposed such a scenario due to its threat to personal liberties.

> [I]ndividualism, if it can be purged of its defects and its abuses [through adjusting the propensity to consume and the inducement to invest] is the best safeguard of personal liberty in the sense that, compared with any other system, it greatly widens the field for the exercise of personal choice. It is also the best safeguard for the variety of life, which emerges precisely from this extended field of personal choice, and the loss of which is the greatest of all losses of the homogeneous or totalitarian state. (p. 380)

Keynes ([1936] 1997, p. 381) concludes, "The authoritarian state systems of to-day seem to solve the problem of unemployment at the expense of efficiency and of freedom."

[34] Hayek ([1939] 2012, pp. 5–6) cites Cassel.

[35] Several years after the publication of *TRTS*, Robbins ([1947] 1957, ch. III, sec. 3) and Jewkes (1948) elaborated on these concerns.

https://doi.org/10.1017/S1053837224000336 Published online by Cambridge University Press

Keynes ([1936] 1997, p. 381) rather sought to "cure the disease [of unemployment] whilst preserving efficiency and freedom."

Frank Knight was another scholar to note the association between collectivism and totalitarianism. In Frank Knight's (1938, pp. 865–868) review of Lippmann's (1938) *The Good Society*, he agrees completely with Lippmann's central hypothesis that "collectivism means dictatorship is correct beyond reasonable doubt," stating that it was both inevitable and necessary. Hayek's *TRTS* built on similar themes but focused his discussion on the experience of Britain rather than the United States (e.g., Jackson 2012b).

Importantly, additional context for *TRTS* is provided by the fact that MacKenzie's (1937) volume of essays, with many authors explicitly wrestling with how to maintain democratic freedoms under socialism, included essays by Joseph Stalin and Benito Mussolini. Stalin's (1937) essay was included, according to MacKenzie (1937, p. 843), "[i]n order that a brief official picture of the progress of planning might be made available" because "[i]n Russia, economic planning is a pulsing reality." Wootton (1935), similarly, highlighted the success of central planning in the Soviet Union. Dalton (1935, p. 250) gave the Soviet Union as an example of planning, stating, "The surrounding conditions of British planning, and many of its methods, will differ widely from the Russian, but we shall have many objects, though not all, in common." Dalton (1935, p. 332) argued that the case for socialism was strengthened "by concentrating real power in the hands of a small number of men, who have come to exercise a dangerously dictatorial influence over our economic and financial life" because they "simplified the technical task of socialisation" and because the strength of property rights had been sapped.

MacKenzie (1937, p. xiii) embraced socialism because he saw a "conflict … between vested property rights and human rights" (p. xii), and yet one of the prime examples he offered of successful socialism, the Soviet Union, within a few short years became a primary concern of socialists such as Durbin (1940), Lerner (1944, p. vii) and Eugene Lyons (1937).[36] One can imagine Hayek's frustration that the very example held up by Wootton, one of his well-intended colleagues with a deep appreciation and commitment to democracy, had resulted in the suppression of democracy.

Even after Hayek published *TRTS*, Wootton (1945, pp. 28, 68, 76, 119) continued to offer specific successes of Soviet planning, while admitting, "The [overall] success of the Soviet Union is more difficult to estimate, since the results of social equality are there obscured by the insecurity of civil freedoms" (p. 179). In his book intended to refute *TRTS*, Finer (1945), while disavowing the Soviet Union and unqualified economic planning (pp. 21–22), notes that "the origin and motivation of the [Soviet] system lie in the quest of freedom and equality" (p. 105). He writes, "Whether the complete planning they undertake, and the speed with which they have pushed it forward, would require everywhere the techniques they use, whether the fear they inspire and the peculiar rewards and punishments they invoke would have to be used everywhere, we have no means whatever of telling" (p. 105). Some of the intellectual socialists of the time, despite the observed experience of Germany and the Soviet Union, were still willing to risk violence and totalitarianism in the pursuit of socialism.

[36] See also Lyons (1937).

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Hayek sent Beveridge his initial memo in 1933. In a 1935 lecture, Beveridge (1936, pp. 29–30) seemed to have conceded Hayek's point, stating that while examining socialism, he did not look at the "persons or authorities who would be required," simply assuming they would work as intended. He admitted that he failed to consider the effect of socialism on citizens and that it might be impossible to adopt it without "risking essential liberties" (Beveridge 1936, p. 30).[37]

Given this intellectual context, we argue that the central hypothesis of *TRTS* should be interpreted as a detailed account of the mechanisms that drove the observed association between socialism and totalitarianism. As Hayek ([1939] 2012, p. 6) wrote in the essay that served as the basis for *TRTS*: "It will be useful to inquire whether this must necessarily be so or whether, as even Professor Cassel half suggests, the coincidence is accidental." This association was well-recognized by the socialists of the era. Attempting to discover methods to prevent or mitigate the abuse of power under socialism was a driving concern of socialists. It led many socialists of the era to specifically moderate their arguments for socialism as defined as state ownership or control of the means of production and instead advocate for maintaining private ownership and control of the means of production to some extent explicitly as a safeguard for democratic freedom. Many socialists, however, advocated for a gradual transition to socialism, starting with the moderate and more pragmatic proposal of state ownership or control of key sectors prone to monopolization, specifically to avoid resistance and bloodshed before advancing to complete state ownership or control of the means of production.

V. CONCLUSION

This paper contributes to the ongoing discourse by providing a contextual and interpretive analysis of Hayek's *The Road to Serfdom* within the framework of socialist thinkers who were Hayek's intellectual opponents. The socialist thinkers discussed in this paper encompass figures such as Stuart Chase, Henry Dickinson, Hugh Dalton, Evan Durbin, Oskar Lange, Harold Laski, Abba Lerner, Barbara Wootton, and the authors featured in Findlay MacKenzie's 1937 work, *Planned Society*.

Two primary hypotheses are identified among these socialist thinkers. First, they posited that capitalism was inevitably progressing towards industrial concentration. Second, they argued that government ownership of key sectors in the economy was imperative to safeguard democracy from the influence of special-interest groups.

Furthermore, this paper observes that many of these socialist thinkers advocated for state ownership or control of key industries as an initial step towards full state control over the means of production. Their arguments for a gradual approach were driven by the desire to mitigate political opposition and, consequently, the potential for violence. Notably, these socialist thinkers, whom Hayek opposed in the context of *TRTS*, shared a common concern that concentrated economic power had the potential to undermine democratic freedoms by fueling social conflicts, and could even lead to totalitarianism.

[37] Beveridge's views, however, continued to evolve. While Harris (1977, ch. 5) suggests evidence that he became increasingly less socialist, by 1944, he was willing to state that private property in the means of production was not a fundamental right and could be readily disbanded in the pursuit of full employment (Beveridge 1944, p. 23). See also Jay (1944).

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In light of this intellectual context, this paper contends that understanding the writings of Hayek's intellectual opponents is pivotal for interpreting the central hypothesis in *TRTS*. Hayek fundamentally rejected the socialist notion that capitalism was inevitably leading to industrial concentration. He then systematically described the mechanisms in central planning capable of undermining democracy. In this sense, Hayek built upon the arguments of many socialist thinkers regarding the association between central planning and totalitarianism.

COMPETING INTERESTS

The author declares no competing interests exist.

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