

FANATICAL, NOT REASONABLE:  
A SHORT CORRESPONDENCE BETWEEN  
WALTER BLOCK AND MILTON FRIEDMAN

WALTER BLOCK

WHEN I FIRST RECEIVED Milton Friedman's letter in response to my article "Hayek's Road to Serfdom"<sup>1</sup> I did not realize it would lead to more. Over the past few years I have shared these letters with several colleagues, friends, and students. However, such are his fame and accomplishments that I thought these back and forth letters might be of interest to a wider audience of *JLS* readers.

December 17, 1997

Dear Walter:

Having just read your piece on Hayek (Block 1996)—a piece written by a fanatic, not by a reasonable man—I have but one question I want to ask you. Please specify for me in not more than two brief paragraphs how you perceive a feasible transition in a nongradual way from the present state of affairs to your ideal, justified state of affairs. Have you ever thought seriously about the problem of transition? It is long past time that you should do so.

Sincerely yours,  
Milton

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<sup>1</sup>*Journal of Libertarian Studies* 12, no. 2 (Fall, 1996): 327–50.

January 9, 1998

Dear Milton:

Thanks for your letter of December 17, 1997. I'm sorry you think my article on Hayek fanatical, not reasonable. I reread it, and I can't understand your opposition to it. All I did was show many, many instances where Hayek's views were incompatible with a defense of free enterprise. If you could share with me what you see as my errors in this (e.g., I have wrongly defined free enterprise; Hayek really did not deviate from these principles at all; or as much as I claim; it is inappropriate to set this task for myself) I would greatly appreciate it. Hayek has a reputation as a free-market advocate, and I thought it reasonable to test this against the facts.

I can't see how you can be unhappy with my citation of your book (Friedman 1963). I was making the point that based on your research, the great depression was not a market phenomenon, but rather due to governmental (central banking) failures. Surely I have not misconstrued your work?

Nor can I understand the transition from my criticism of Hayek to my views on transition from our present state of affairs to an ideal one. Nevertheless, since you ask it of me, I will try to answer.

If we are ever to move from our present mixed economy to a very much more free one, I don't think it can be done nongradually. After all, it took us (at least in the U.S.) dozens of decades to go from relative freedom to the semi-socialism we now have. Why should the way back be more abrupt? I at least think it unlikely.

However, if it were to occur, and this is a big *if*, the only way I could conceive of it happening is under the aegis of a very powerful spokesman for liberty. He would have to have the eloquence of a Ronald Reagan, and the passion for justice and economic sophistication of a person such as yourself. If I could combine the two of your best relevant traits, that is, somehow get you to be president for eight years, I think we'd have a pretty nongradual change. I can just see you putting Ward Connolly in charge of Equal Opportunity, Walter Williams as Labor Secretary, myself in charge of HUD, David Henderson in Commerce, Tom Sowell as Education Secretary, etc. etc., and you telling us you'll fire us if our departments are not ended within one year. You would then pull out of Nafta and WTO and instead unilaterally declare free trade with all nations. You would end the minimum wage, rent control, the Wagner Act and all those other regulations—not gradually, but abruptly. Taxes would quickly fall from some 50 percent of GDP to, say, 10 percent. This is the stuff of dreams, unfortunately.

You talk of “feasible,” and this is hardly feasible. There would be too much opposition. You would never be elected. If you were, and you started to dismantle government, you would be impeached. The only way this could work is if the mass of citizens, or at least some critical number less than 50 percent (say 35 percent and the two opposition parties were divided—this, in my opinion, is why Canada was able to join Nafta) were appreciative of free enterprise. And how can that happen? Why, in the way all of us folks are working, and dedicating our careers: teaching at a university, publishing articles and books, giving speeches, etc. Your own efforts, for example, in trying to attain drug legalization is a case in point and an example for all of us.

I have tried to answer your query, at least as it is written. I’ve passed “two brief paragraphs” but so far at least I am being reasonably concise. However, I feel that while I have answered the “letter” of your question, I have not yet even touched its “spirit.” Reading between the lines, I think you are really asking me to defend my opposition to such activities with which you have become prominently associated such as educational vouchers, flexible exchange rates, opposition to the gold standard, the voluntary military (during the Viet Nam war), the negative income tax. We also disagree as to whether we should privatize all roads and highways, have tradable emissions rights for pollution or ITQs for fish, eliminate the fed and central banking (as opposed to adopting the “3 percent” rule), totally eliminate antitrust, just to name a few. Needless to say, were I to even summarize my opposition to all of these, I could hardly be brief. However, let me just say that none of this has anything to do with the transition period to freedom, about which you explicitly ask.

I guess what I’m trying to say is that we are aiming at (slightly) different goals, mine more extreme than yours, but I don’t see that we have any real disagreement as to means. At least, I have never read anything of yours (and I think I’ve read virtually everything you have ever written) on the subject of transitions with which I disagree. I don’t favor picking up the gun and shooting bureaucrats and politicians. I don’t favor violent revolution. On the contrary, at least in this regard, I have modelled my career after your own: education, writing, speaking, publishing, etc. (I don’t compare myself with you as far as *success* in these endeavors is concerned; I only say that I am trying to the best of my abilities to emulate you.)

Let me take another hack at this. Consider education for a moment. I think educational vouchers are a moral and economic disaster. I totally oppose them. They remind me of nothing so much as market socialism. What, then, is my “transition plan” for education? It is simply to do what you have tried to do for drugs, or rent control,

or minimum wages: educate people against them. In your magnificent “Roofs or Ceilings” (Friedman 1946)<sup>2</sup> you don’t call for any “voucher” plan, or transition period. No. You just forthrightly make the case against rent control, and advocate *nothing* at all in its place, except, of course, an end to controls and a free market in rental housing. This sounds reasonable to me, and not at all fanatical. Why does the case reverse itself when I apply to education the very (lack of?) “transition” plan that you yourself apply to rent control? What is fanatical about making the case against public education, and advocating privatization, with no halfway house of vouchers in this direction? (I don’t believe that vouchers are even a tiny step in the right direction, but that is a topic for another day. But do I have to be fanatical to entertain this belief?)

I am sorry I was not as brief as you asked. But I could not do justice to your questions in any shorter space. I am honored that you would criticize my views, and would be delighted if you replied to this letter.

Best regards,  
Walter

March 13, 1998

Dear Walter:

I appreciate the lengthy reply you sent to my earlier letter as well as the e-mail I got about the same subject.

There are two different things you and I have written about. One is about an ideal society. The other, that I and to a far lesser extent you have written about, is how, given the imperfect world as it is, we can adopt changes that will make it better and will move us in the direction of that ideal society. My problem with your writing and the respect in which it is fanatical is that you treat Hayek as if every sentence he wrote was devoted to specifying the ideal world. You do not recognize that most of the time he is talking not about that ideal world where he and you would very largely agree, but about how we can move the existing world in the direction we want to go even if it be only a small step in that direction.

Your attempt to answer my question referring to a nongradual transition brings out clearly that you recognize that a nongradual transition is hard to conceive, that any transition will certainly be gradual, will consist of a great many small measures. There may be some cases, as was the case with rent control, where it is possible to go all the way

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<sup>2</sup>This is an article which every intro student of mine has read.

in one fell swoop, but there are other cases, as I believe in education, where you cannot at the moment hope to go all the way—not only because of political feasibility but because of commitments made by the community and expectations that have led to irrevocable actions—but you can hope to move in the right direction. I realize that in this case you do not agree with me that vouchers would be a step in the right direction and obviously I can well be wrong about that. But my ultimate goal is to have a situation in which parents are fully responsible for schooling their own children and in which the government is not involved in education. Today the government is involved in administering education as well as financing it. It seems to me that it is a step in the right direction to limit its role to financing and eliminate its role as an administrator. Indeed, it seems to me that that will set up forces which will tend to further reduction in the role of the state. And, most important, I do not regard myself as being in any way a traitor to my basic values when I propose and discuss such changes in existing circumstances, though I may of course in a particular case misjudge how such a change would work.

Similarly, most of the items for which you criticize Hayek are cases in which he is discussing changes that would improve the present situation but would still leave us far from utopia. Your tone is that of a theologian examining scripture, not a social scientist tackling existing institutions to improve them, or an open-minded analyst of partial improvements. You treat Hayek as if he didn't understand the simple largely *a priori* principles of economic analysis that constitute your armory. Truth to tell, he was trying to analyze a far more complex reality than you are prepared to admit exists. There are indeed market failures, externalities, conflicts of "ultimate" values, ruled out by logic but not by imperfect human understanding. Every question does not have a simple logical answer.

I believe those of us who want to move to an ideal world have an obligation to concern ourselves with the current problems and with the problem of transition from this world to that. I believe Hayek has been a great force for good and has done a great deal to promote an appreciation of the role of markets in a free society. He deserves better than your self-satisfied diatribe.

Sincerely yours,  
Milton

April 10, 1998

Dear Milton:

Thanks for your letter of March 13, 1998.

I had never before read Hayek's *Road to Serfdom* (1944) with the question in the back of my mind: is he advocating something about the ideal world, or, about "how we can move the existing world in the direction we want to go even if it be only a small step in that direction."

Thanks to your letter, I have made good this oversight of mine. Unhappily for your thesis, however, I can find no evidence that he ever makes practical suggestions for moving us, however marginally, in the ideal direction. On the contrary, a fair reading of this book, in my opinion, shows him talking about ends, not means.

Let us consider the evidence (all unidentified page numbers refer to *The Road to Serfdom*):

"The attitude of the liberal [that's how Hayek categorizes his own position] toward society is like that of the gardener who tends a plant and, in order to create the conditions most favorable to its growth, must know as much as possible about its structure and the way it functions" (p. 18).

This, as far as I am concerned, talks about goals, not movement toward them. Unhappily this is the leftish goal of central planning, not that of *laissez-faire*, which he explicitly disavows (p. 17).

Hayek (p. 37) calls upon the government "to limit working hours." There is no way to construe this as a movement toward a free society. On the contrary, this is a *per se* violation of liberty, with no gains in freedom anywhere on the horizon.

He calls for welfare for the poor (pp. 37 and 120). But this is not in the context of compromise; giving up some liberty here, in order to attain it elsewhere. This is not one step back in order to attain two steps forward. This advocacy of welfare is clearly the way Hayek sees the *ideal* society. Say what you will about it, it cannot be reconciled with the libertarian worldview.

Hayek (p. 38) favors government action in cases of neighborhood effects or externalities. Now I know that you agree with him on this. But this is irrelevant to our present disagreement. To reiterate, we are not now discussing the parameters of the ideal society. You are claiming, and I am denying, that Hayek is advocating these policies as a step in the right direction. I am claiming, and you are denying, that in his ideal society, governments would act so as to overcome neighborhood effects. I have read this page of *The Road to Serfdom* several times.<sup>3</sup> I cannot for the life of me understand how you could see in it anything related to marginal changes.

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<sup>3</sup>I cite a paragraph from *The Road to Serfdom* on page 333 of my "Hayek's Road to Serfdom" article.

Hayek (pp. 120–21) calls for governmental health and accident insurance. I admit it is somewhat of a low blow to tie this in with the Clintons' attempt to further socialize medical care, but the shoe sure fits. In any case, I see nothing in Hayek's statement which supports your view that he advocated this as a means toward freedom. In my reading, this is part and parcel of Hayek's ideal society.

Aha! One point for your side! Although, strictly speaking, this does not really apply since it did not occur in *The Road to Serfdom*, I am willing to concede that to you when it comes to rent control (Block 1996, p. 339). Hayek is trying to move us toward the free society, which, for all of us, consists of one in which rent control is totally eliminated. I think he is tragically mistaken in taking this moderate position on the elimination of rent control, but that is another matter. (I note that in your letter you agree with my assessment: "There may be some cases, as was the case with rent control, where it is possible to go all the way in one fell swoop.")

Last point. On antitrust (p. 49). Hayek thinks this law is compatible with the free society. The fact that I do not is irrelevant. Again, the point is that he does not advocate antitrust law as a means toward the free or ideal society. He sees this as part and parcel of it.

I am sorry to go on so long about this, but I thought it appropriate to marshal the evidence. How else can we decide whether you or I are correct on this?

In your third paragraph you note that whether school vouchers will actually bring us closer to the free society is a complex issue. I certainly agree. But, strictly speaking, this is not apropos of our disagreement over Hayek. He doesn't talk about educational or any other kind of vouchers. Nor, with the exception of rent control, does he talk about *any* transitions from our present society to a more free one. Thus, I can't see my way clear to agreeing with you that my "tone is that of a theologian examining scripture." Hayek and I are both discussing the ideal society. Surely it is permissible for me to point out that there is a vast discrepancy between the ideal society Hayek actually advocates, and the one for which he is typically credited. Surely, to do so is not necessarily to be "fanatical."

In your second paragraph you state that I "treat Hayek as if every sentence he wrote was devoted to specifying the ideal world." Yes, I do, at least as far as *The Road to Serfdom* is concerned. (Again, his concern for rent control transitions came from a different book.) You state: "most of the time (Hayek) is talking not about the ideal world . . . but about how we can move the existing world in the direction we want to go." If this is true, then you should be able to find many, many cases where he talks about transitions. There is a simple

way to settle this dispute: just cite a few of them. Even if you can find them, however, this is still not a valid criticism of my article. For I was attacking Hayek not for his views of the transition (if you can find any) but for his notion of the ideal society.

You raise a fascinating point about whether you are “a traitor to (your) basic values” when you advocate such things as educational vouchers. I think that “traitor” is far too harsh. To me, this word implies a knowing renunciation of your goals, a lying superficial public acceptance of them, while behind the scenes working to undermine them. Utter nonsense, in the present case. However, I do think it can be fairly said that educational vouchers are logically incompatible with the free society, and, given that your basic values are those of economic liberty, that your advocacy of them is inconsistent with this goal.

You say “Today the government is involved in administering education as well as financing it. It seems to me that it is a step in the right direction to limit its role to financing and eliminate its role as an administrator.”

Let us test the logical consistency of this statement by applying it to several other cases:

Right now the U.S. government is involved in administering the Post Office as well as financing it. In Canada this applies to radio and television (the Canadian Broadcasting Corporation), to airlines (Air Canada) and to the oil industry (Petro Canada). Previously, coal mines were financed, owned, and operated by the British government. In India, this applies to such things as steel mills. In Italy, to autos (Fiat). And this of course is but the tip of the iceberg. Is it really a step in the right direction to limit the role of all these governments to financing and only to eliminate their role as administrators?

Suppose I were to argue that the U.S., Canada, England, India, and Italy should continue to finance these myriad industries, but not directly administer them. This sounds to me like nothing but economic fascism, the economic system employed by Nazi Germany, and Mussolini’s Italy. In these cases, there was a thin veneer of private property rights, but the underlying economic reality was one of government control. Surely, this is not something that the libertarian in the U.S. can advocate as a step in the right direction, although, I concede to you, that possibly a libertarian now living in Cuba or North Korea might claim that it is a step in the right direction. Further, I question whether a libertarian, even in such countries, could consistently advocate it, whether or not it is a step in the right direction from something worse.



Let me make this point in a far more radical way. The Nazis both administered and financed concentration camps for Jews, Gypsies, and other unfortunates. Surely no one whose basic values were centered on liberty could advocate that the Nazis give up administering these camps, but *keep* on financing them, supporting private efforts along these lines.

Now the obvious objection is that concentration camps of this sort are intrinsically evil, while education, post offices, broadcasting, airlines, oil, coal, autos, etc., are not. However, for the libertarian, it is wrong for the government to engage itself in these industries, through *either* finance or administration, since it does so through the use of coercive force, and we want to minimize such activities. Therefore, while the libertarian may of course consistently with his principles advocate elimination of government administration of these industries, he may not counsel continued financing, in my opinion.

It is also interesting to explore the disagreement you have with Hayek regarding rent control. In your view, we should eliminate these regulations in “one fell swoop.” Hayek demurs. It seems to me that your difference with him is your view that “*it is possible to go all the way* in one fell swoop.” That is, you believe, and he does not, that it is politically possible to rid ourselves of rent controls at once. Presumably, if the two of you switched views on this (e.g., you now took on his assessment that it is not politically feasible to eradicate rent control all at once, and he, yours, that it is) then he would advocate doing just that, and you would champion his public policy recommendation, that rent control be eliminated slowly, in stages.

William Hutt wrote a magnificent little book on just this topic called *Politically Impossible . . . ?* (1971). What I learned from him is that specialization and the division of labor applies, also, to public-policy recommendations. That is, as libertarians, we must (logically) stick to advocating the ideal solution. We must leave it to others to determine what is or is not politically feasible. The reason I think you are inconsistent with (not traitorous toward) your basic values is that you are trying to straddle two incompatible horses: libertarianism on the one hand, and political feasibility analysis on the other. According to my understanding, did you but share Hayek’s assessment of the (in)feasibility of totally eliminating rent control in one shot, you would not have advocated this. Instead, you would have joined him in favoring its gradual phasing out. And this, as I see it, would be incompatible with your basic values of economic freedom.

Let me end with one last radical (hopefully not fanatical) analogy. During the 1850s in the U.S., the radical abolitionists advocated

the total, complete, and immediate cessation of slavery. At that time, this goal was politically infeasible. The radicals knew this full well, and yet they continued their efforts as if this was irrelevant. Well, it *was* irrelevant to their basic values; they *had* to regard the political feasibility of implementing their goals as irrelevant, if they were to act in a consistent basis with them.

Extrapolating from your views on educational vouchers, you would not have been a radical abolitionist. Instead, you would have advocated some sort of compromise, or what you saw as a marginal improvement. You would have wanted to “move the existing world in the direction we want to go even if it be only a small step in that direction.” In doing so, you would have been incompatible with your basic values, just as is the case with your present advocacy of educational vouchers.

There is nothing I enjoy more than drag out knock down debates about issues such as these, that I consider to be of utmost importance. I am honored that you should be willing to engage in such with me.

Best regards,  
Walter

April 24, 1998

Dear Walter:

I believe you have completely misread *The Road to Serfdom*. It is not in any way whatsoever a statement of what Hayek regards as the ideal society though it does contain statements that bear on that issue. Remember *The Road to Serfdom* is dedicated to the socialists of all parties. It was written in a period when the ideas of economic freedom, the ideas of libertarianism, were regarded as extreme views held by very few people; the great bulk of the intellectual community rejected them completely and was rather taken by the notion of scientific central planning. Hayek wrote a book trying to persuade people of that kind that they might be mistaken and trying to persuade them to consider alternatives. Accordingly, his aim is to be as persuasive as possible on what he regards as the key central issues.

For example, you say that “Hayek (p. 37) calls upon the government ‘to limit working hours’.” You have not read that correctly. He is not calling upon the government to do that. He is saying instead something very different. Read the fuller quotation:

Though all such controls of the methods of production impose extra costs, they may be well worthwhile. . . . To limit working hours . . . is fully compatible with the preservation of competition. The only question here is whether in the particular instance the

advantages gained are greater than the social costs which they impose.

That is not a recommendation to limit working hours. It is simply saying to the people he is addressing, “ Look, we don’t have to argue about such issues as whether to limit working hours. We want to argue on more important issues, on how we preserve competition, and lots of the things that you people may want to do could be done without destroying competition and while maintaining a very, very large degree of individual freedom.”

At repeated points the same situation arises. Hayek is trying to say, “How big a concession can I make to you people so that I won’t completely alienate you? I want to attack you on the grounds that I regard as absolutely key and essential,” and there he does a very good job.

On a different level having to do with your differences with me as well as with Hayek, neither he nor I is a libertarian in the sense in which you are a libertarian. Neither he nor I believe that you can have zero government. Take in particular the point you raise about his statement on page 120 about providing a basic minimum level of living. I favored that in *Capitalism and Freedom* (1996) when I proposed substituting the negative income tax for a whole present collection of welfare measures. I believe there is an enormous difference between a situation in which 90 percent of the people are willing to tax themselves to help the bottom 10 percent and a situation in which the middle 80 percent of the people tax the top 10 percent ostensibly to help the bottom 10 percent but probably in fact to tax both ends of the scale to help themselves. I agree with Hayek that “some minimum of food, shelter, and clothing . . . can be assured to everybody.” He would have agreed with me that taxation for the purpose of redistribution is wrong.

I think you ought to be a little careful about your last radical analogy, namely the elimination of slavery. I do not know whether you have read the book *Emancipating Slaves, Enslaving Free Men: A History of the American Civil War* by Jeffrey Hummel (1996) on Lincoln and the Civil War. Hummel is a libertarian closer to you than he is to me, but he believes that Lincoln did a great deal of harm rather than good by forcing the Civil War to keep the country together, that the outcome may have been the elimination of slavery, but not without an enormous and perhaps unjustifiable cost.

Incidentally, with respect to rent control, you are right. If I had thought it was politically feasible to take several steps but not to go all the way, I would have said I would like to go all the way but unfortunately we can’t so let’s do what we can, just as now I have written that I would like to eliminate our present tax system, I would

like to replace our present tax system with a simple flat-rate tax, but that is not going to be politically feasible and so let's do those incremental changes which we can. I do not regard it as in any way incompatible with my basic values, contrary to your view, to let my actions depend on the circumstances and the possibilities. On the contrary, I believe it would be incompatible with my basic values to insist that, unless I can achieve my ultimate objective, I am going to pick up my marbles and go home.

Sincerely yours,  
Milton

May 13, 1998

Dear Milton:

Thanks for your letter of April 24, 1998. Let me reply to your points in the order you make them.

*1. Context*

I must once again beg to differ with your interpretation of our debate. I pretty much know the context in which Hayek was writing. I fully agree with your assessment that Hayek wrote in a situation in which socialist ideas were very much more in the ascendency than they are now. (By the way, this is thanks to people such as, preeminently, yourself and Hayek and a mere handful of others who carried the torch in the previous generation. Now, thanks again to this small number of people, for example, who started the Mont Pelerin Society, thousands of their students, or students of students, amongst whom I count myself, have taken up this battle.) I agree with you that Hayek was trying to present his case in a way which would be as attractive to the socialists as possible, without giving away the store. Without, that is, compromising with his own (presumptive) ideology of free enterprise.

My complaint against Hayek is that he gave too much away in his attempt to defang the socialists. Were I to have been writing in the early 1940s (I was born in 1941, by the way), and I wanted to change their minds, I would have tried to show how free enterprise *helps* the poor, and that government regulations (e.g., rent control, minimum wage, working hour limitations, occupational licensure, unions, welfare, centrally planned money, etc., etc.) although ostensibly enacted with this end in mind, actually have the very opposite effect. Hayek, in contrast, tried to do this, but in his attempt conceded far too much of a role for government, in my opinion. In my footnote one I noted that there were others writing at this time, particularly Mises, who

also wanted to show the socialists the error of this way but did so without making the numerous concessions made by Hayek.

### 2. *Misconstrual of Limiting Working Hours*

Let us consider a specific case in point, the limitation of working hours. In your letter of April 24, 1998 you attribute to me the view that “Hayek (p. 37) calls upon the government ‘to limit working hours’.” This is roughly correct, but not precisely so. What I in fact said (Block 1996, p. 330) was “And what roles does he (Hayek) assign the state? One of them is ‘to limit working hours’.” Now I admit that there is not very much difference between the point I actually made and the one you attribute to me, but it is important. You are quite correct to point out the context in which Hayek was saying this, namely, his previous sentence: “Though all such controls of the methods or production impose extra costs . . . they may be well worthwhile.” No, Hayek is not assigning to government the role to limit working hours. But I didn’t say that he was (although you attributed to me this claim). I said only that Hayek was assigning to government the role of deciding *whether or not* to limit working hours. And this, precisely, is what he does do. That is, for Hayek, the decision of whether or not to limit working hours is one which is to be taken by the state. If they act wisely (ha, ha) they will do so when the costs of the limitation are more than offset by the gains, thereby; when these gains are less than the costs, on the other hand, otherwise (ha, ha) government will not limit working hours. But in either case, for Hayek, it is the government which should decide whether or not to limit working hours. Do you not agree with me, given these points, that Hayek is assigning to the state the role of “limiting working hours,” or not, depending upon its empirical assessment of the costs and benefits? Again, I am not now claiming, nor did I in my article, that for Hayek the state *must* limit hours (the view you mistakenly attribute to me) only that it *can*, if it thinks this is beneficial, on net. But surely to do this is to assign to the state the *role* (e.g., the responsibility) of possibly limiting working hours.

### 3. *What was Hayek Trying to Say and Why?*

Why did Hayek write as he did? There are several hypotheses. One is that he was a lone voice crying out in the socialist wilderness; he couldn’t be too radical since he would be ignored, summarily dismissed, etc. I have rejected this in my footnote one and in my last paragraph (Block 1996, p. 350) on the ground that there were dozens of other people writing from a free-market perspective in those days who were far more radical and consistent advocates of free enterprise

than was Hayek. To the extent that this was true it is hardly complimentary to Hayek. Rather, it perceives him as a person with more than a little bit of moral cowardice.

A second view is that Hayek was in effect a politician, or mediator, or conciliator; he was trying to save the socialists from the error of their ways, and hit upon compromise as the best means to this end. You state in this regard: "Hayek is trying to say, 'How big a concession can I make to you people so that I won't completely alienate you? I want to attack you on the grounds that I regard as absolutely key and essential,'" and there he does a very good job'."

In my view, the second hypothesis has far more of the truth than the first. My objection to it is not that it is not true, but that it is (almost) despicable. Let me not be misinterpreted on this. I do not at all think that to try to convert socialists to the one true path (I can't help sounding like the "fanatic" you call me in your letter of December 17, 1997; I really do think that free enterprise is the only one true path in all of political economy) is despicable. I would only use such a characterization for doing this by purposefully lying about the free market philosophy, or recklessly disregarding it. What would you think of me trying to convert you to orthodox Judaism by telling you that under this philosophy it is all right to eat pork, work on the Shabbat, etc.? Surely, this would not be a "good job" from the perspective of the Hasidim; rather, it would be a betrayal. Well, I feel that Hayek betrayed the philosophy of libertarianism with his numerous concessions. Please read again the transcript of Hayek's 1945 radio interview with Krueger and Merriam, two University of Chicago professors who were avowed socialists, and tell me it does not make you sick to your stomach. Here is but one tidbit:

Krueger: "Is a minimum-wage law permissible?"

Hayek: "A general, flat minimum-wage law for all industry is permissible . . ." (Hayek 1994, p. 112).

#### 4. *Anarchism*

Yes, I happen to be an anarchist libertarian (along with your son; do you think of his views as "fanatical" on this score?) and, yes, "neither [Hayek] nor [you] is a libertarian in this sense." But nothing in my article turned on the complete absence of government. In my article, I did not at all criticize him for finding a small limited role for government (e.g., courts, armies, and police). On the contrary, I criticized him for compromising all over the place on everything else under the sun.

### 5. *Negative Income Tax*

I think that the best way to provide “a basic minimum level of living” for the poor is to establish the free enterprise system, not a negative income tax nor any other form of coercive welfare. If I were placed behind a Rawlsian “veil of ignorance” and told I would have grandchildren who might be poor, and I wanted to protect their lives, I would surely pick capitalism, not a welfare state, as their best protection.

I really am completely unable to make sense of the statement “there is an enormous difference between a situation in which 90 percent of the people are willing to tax themselves to help the bottom 10 percent, and a situation in which the middle 80 percent of the people tax the top 10 percent ostensibly to help the bottom 10 percent but probably in fact to tax both ends of the scale to help themselves.” As far as I am concerned, as a libertarian (whether of the anarchist or limited government variety, it matters not one whit), a tax is a tax is a tax and they all amount to theft (that is, when their purpose is to redistribute money from *anyone* to *anyone* else, and is not confined, at least for the limited government libertarian, to financing the legitimate roles of government such as courts, armies, and police). Ten percent, 80 percent, 90 percent, none of this matters; it is all coercive. Moreover, how can people be “willing” to tax themselves? This, it seems to me, is no less than a logical contradiction. Take the case you favor, where the richest 90 percent pay taxes to subsidize the poorest 10 percent. If the 90 percent are “willing,” there is no tax at all! Rather, there are voluntary payments, e.g., charity. On the other hand, if there is a tax, this constitutes a refutation of the claim that it is voluntary. If it is so voluntary, why the need for compulsion?

Of course, you answered this, at least to your own satisfaction, in *Capitalism and Freedom* (p. 191):

It can be argued that private charity is insufficient because the benefits from it accrue to people other than those who make the gifts—again, a neighborhood effect. I am distressed by the sight of poverty; I am benefited by its alleviation; but I am benefited equally whether I or someone else pays for its alleviation; the benefits of other people’s charity therefore partly accrue to me. To put it differently, we might all of us be willing to contribute to the relief of poverty, *provided* everyone else did.

But I find this intellectually incoherent. First, this really doesn’t answer the question. Even if, somehow, welfare redistributionism could be justified on this ground, it still can’t turn a coercive tax into a voluntary “willing” payment. You just can’t square the circle.

Second, suppose that there are some of us in the 90 percent who are not distressed by the sight of poverty. On the contrary, they relish this. How can forcing such misanthropes to contribute taxes for the alleviation of poverty help *them*? Obviously, it cannot. Rather, it hurts them. Nor can we conclude that the external economy benefits to most rich people (in the top 90 percent) will outweigh the losses to the few misanthropes in this group without engaging in illicit interpersonal comparisons of utility.

Third, suppose that all of us in the top 90 percent of the income distribution are indeed “distressed by the sight of poverty.” Why, then, not consider poverty as an external diseconomy? That is, instead of subsidizing the poor out of their poverty (assuming that this could work) why not penalize them for it? Surely, this is the tack that most economists (well, the Pigouvian ones, if not the Coasean ones) take with regard to, say, prostitution, drugs, air and water pollution, etc.

If the negative income tax cannot be justified on *any* libertarian grounds, in and of itself, can it at least be defended as an improvement on welfare with an implicit 100-percent marginal tax rate on earned income by welfare recipients? At first blush, it can be. You elsewhere make much of the fact that such a marginal tax rate has serious and negative implications for recipients’ incentives. And, of course, you are correct in this. However, do you not concede the fact that there are always some people on the margin between going on welfare and not going on welfare, and that any efficiency improvement in welfare, such as the negative income tax, will induce more of them to apply for the dole? If so, it is then very difficult to say whether this is a move in the direction of liberty or not. Yes, welfare is perhaps more efficient, at least in some sense; but, as a result, there are more welfare recipients. No clear gain for liberty here.

#### 6. *Slavery and the Civil War*

In my last letter to you (of April 10, 1998) I stated that were you to cleave to your views on school vouchers, you would not have been a radical abolitionist of slavery; rather, you would have been a gradualist. I take the former, not the latter, to be the only position consistent with libertarianism.

Yes, I have read Jeff Hummel’s book on the Civil War. And, yes, certainly, his libertarianism is closer to mine than it is to yours. However, nowhere in his book do I find any attack on radical abolitionism of slavery. Things are very much to the contrary. For example, he attacks Lincoln, and defends the radical abolitionists in ringing terms:

Conventional wisdom often contrasts wild eyed intransigent and fanatical abolitionists with a moderate, temporizing and humane



Abraham Lincoln. Yet . . . the radical abolitionists never proposed extinguishing slavery in a war of self immolation. . . . The Civil War directly resulted from Lincoln's policy of political compromise, as harnessed in the interests of the nation-State, and not from the ideological radicalism of principled abolitionists. (Hummel 1996 p. 365)

I fail to see how your side of our debate can take much comfort from Jeff.

Let me say once again in closing, at the risk of being repetitive, that I regard it as an honor that you would take the time to engage me in a discussion of these very important ideas. We don't see eye to eye on the substantive issues, but if I treat students of mine who disagree with me half as courteously, intensively and fulsomely as you do me, I shall be delighted with myself.

Best regards,  
Walter

June 6, 1998

Dear Walter:

I enclose a copy of a page from a recent *Far Eastern Economic Review*.<sup>4</sup> I wonder why you believe that Hayek is on that page and not "others writing at this time who also wanted to show the socialists the error of this ways, but did so without making the numerous concessions made by Hayek."

More generally, you are a fanatic who finds it absolutely impossible to understand the thinking of anybody other than himself. It is time to close our discussion.

Cordially,  
Milton

June 21, 1998

Dear Milton:

Thanks for your letter of June 6, 1998. You once again call me a "fanatic" and say that "It is time to close our discussion." As for the latter, this seems unfair to me, in that you had the first word in this interchange (your letter to me of December 17, 1997). That being the case, it seems only proper that I should have the last word. Hence, this letter.

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<sup>4</sup>"Hayek's Children: An Idea Grows in China," the editorial from the *Far Eastern Economic Review* of May 14, 1998.

If “fanatical” means being consistent with my principles (in this case, free enterprise), then, yes, I plead guilty. I base my political philosophy on the nonaggression axiom of libertarianism, and *nothing* in my writings is incompatible with that. If fanatical means unwilling to consider both sides of a debate, unwilling to see clearly what my opponent is saying, misrepresenting the views of my intellectual adversaries (e.g., attacking straw men), then I plead innocent. Certainly, I didn’t do it in this case; that is, I criticized Hayek for positions he actually took, not that I falsely attributed to him.

My Merriam-Webster dictionary defines fanatic as “moved by excessive enthusiasm” and “moved by intense uncritical devotion.” I don’t know about “excessive,” but I am certainly enthusiastic about the concept of liberty. But if I am a fanatic in this regard, then so are you, in that you are one of the most enthusiastic people I have ever met concerning the ideas of liberty. When you were in Vancouver, and I was shepherding you around, I saw you time and again engage waiters, cameramen, producers of tv shows, electricians, etc., in issues of political economy. Needless to say, Milton, I mean this as a sincere compliment to you. Would that I shall always keep in me a level of enthusiasm which has fueled your intellectual life.

I’m not sure I care for “devotion,” something which seems more religious than secular to me. As for “uncritical,” surely the very reverse is the case, and I can cite no better authority on this than you, yourself. This whole dialogue began with your dismissal of my piece on Hayek; and you were unhappy with me for being too *critical* of him, not *uncritical*.

I tried to do Hayek the honor of treating his writings seriously, unlike those who have uncritically accepted whatever he said because, after all, it came from the pen of Hayek. The Chinese scholars who are now discovering him can perhaps be excused for seeing in him a pure vision of free enterprise. They know no better. They have probably never been confronted with any more radical defense of markets than Hayek’s. But what can be said for those of us in the west who are, or could be, or should be familiar with less compromising advocates of capitalism such as Mises, Rothbard, Rand, Hoppe, Spooner, Oppenheimer, and still prefer the likes of Hayek? I suppose the best that can be said of them is that they are *not* “fanatics.”

Too bad for them.

I am sorry you do not choose to continue this dialogue with me. I felt sure I could eventually convince you that the libertarian nonaggression axiom was the only worthwhile basic premise in political economy, and that its logical implications lead to a far more radical

version of *laissez-faire* than the one envisioned by Hayek. (Heck, on my good days, I feel I can convince everyone of this.)

I am honored that you have chosen me as a debating partner to the degree you have. I have bragged to my children of this, and my grandchildren one day, hopefully, will know of it too. I shall be even more honored if you should change your mind and decide to continue it with me, until neither of us has anything more to say to each other on these topics. I would relish exploring differences between us on school vouchers, the negative income tax, the neighborhood effects argument, the fed, the gold standard, government itself, the voluntary military, flexible exchange rates, Austrian economics, and much more.

Even though you see me as a fanatic, I persist in thinking of you as my intellectual parent. (Officially, perhaps, you are my intellectual grandparent, because Gary Becker was your student, and my teacher at Columbia.) Paradoxically, because of your career (during which, on numerous occasions, I expect, you have been called a fanatic) my own views are seen by many as less fanatical than would otherwise have been the case.

Best regards as always,  
Walter

P.S. I think a more accurate assessment of me than “fanatical,” from your own point of view, would be “extremist.” To that, I gladly plead guilty. In any version of the political economic spectrum, my views place me further to the extreme than do yours place you. But I wonder in this connection how you would evaluate the perspective of your son David? After all, he and I share an “extremist” vision of free-market anarchism, while you favor government, albeit a limited one. Just out of curiosity, would you place David and I in the same category as far as extremism or fanaticism is concerned?

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