

I. Individualism: *True and False**

Du dix-huitième siècle et de la révolution, comme d'une source commune, étaient sortis deux fleuves: le premier conduisait les hommes aux institutions libres, tandis que le second les menait au pouvoir absolu.

—ALEXIS DE TOCQUEVILLE.

1

TO ADVOCATE any clear-cut principles of social order is today an almost certain way to incur the stigma of being an impractical doctrinaire. It has come to be regarded as the sign of the judicious mind that in social matters one does not adhere to fixed principles but decides each question "on its merits"; that one is generally guided by expediency and is ready to compromise between opposed views. Principles, however, have a way of asserting themselves even if they are not explicitly recognized but are only implied in particular decisions, or if they are present only as vague ideas of what is or is not being done. Thus it has come about that under the sign of "neither individualism nor socialism" we are in fact rapidly moving from a society of free individuals toward one of a completely collectivist character.

I propose not only to undertake to defend a general principle of social organization but shall also try to show that the aversion to general principles, and the preference for proceeding from particular instance to particular instance, is the product of the movement which with the "inevitability of gradualness" leads us back from a social order resting on the general recognition of certain principles to a system in which order is created by direct commands.

After the experience of the last thirty years, there is perhaps not

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much need to emphasize that without principles we drift. The pragmatic attitude which has been dominant during that period, far from increasing our command over developments, has in fact led us to a state of affairs which nobody wanted; and the only result of our disregard of principles seems to be that we are governed by a logic of events which we are vainly attempting to ignore. The question now is not whether we need principles to guide us but rather whether there still exists a body of principles capable of general application which we could follow if we wished. Where can we still find a set of precepts which will give us definite guidance in the solution of the problems of our time? Is there anywhere a consistent philosophy to be found which supplies us not merely with the moral aims but with an adequate method for their achievement?

That religion itself does not give us definite guidance in these matters is shown by the efforts of the church to elaborate a complete social philosophy and by the entirely opposite results at which many arrive who start from the same Christian foundations. Though the declining influence of religion is undoubtedly one major cause of our present lack of intellectual and moral orientation, its revival would not much lessen the need for a generally accepted principle of social order. We still should require a political philosophy which goes beyond the fundamental but general precepts which religion or morals provide.

The title which I have chosen for this chapter shows that to me there still seems to exist such a philosophy—a set of principles which, indeed, is implicit in most of Western or Christian political tradition but which can no longer be unambiguously described by any readily understood term. It is therefore necessary to restate these principles fully before we can decide whether they can still serve us as practical guides.

The difficulty which we encounter is not merely the familiar fact that the current political terms are notoriously ambiguous or even that the same term often means nearly the opposite to different groups. There is the much more serious fact that the same word frequently appears to unite people who in fact believe in contradictory and irreconcilable ideals. Terms like “liberalism” or “democracy,” “capital-

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ism” or “socialism,” today no longer stand for coherent systems of ideas. They have come to describe aggregations of quite heterogeneous principles and facts which historical accident has associated with these words but which have little in common beyond having been advocated at different times by the same people or even merely under the same name.

No political term has suffered worse in this respect than “individualism.” It not only has been distorted by its opponents into an unrecognizable caricature—and we should always remember that the political concepts which are today out of fashion are known to most of our contemporaries only through the picture drawn of them by their enemies—but has been used to describe several attitudes toward society which have as little in common among themselves as they have with those traditionally regarded as their opposites. Indeed, when in the preparation of this paper I examined some of the standard descriptions of “individualism,” I almost began to regret that I had ever connected the ideals in which I believe with a term which has been so abused and so misunderstood. Yet, whatever else “individualism” may have come to mean in addition to these ideals, there are two good reasons for retaining the term for the view I mean to defend: this view has always been known by that term, whatever else it may also have meant at different times, and the term has the distinction that the word “socialism” was deliberately coined to express its opposition to individualism.¹ It is with the system which forms the alternative to socialism that I shall be concerned.

2

Before I explain what I mean by true individualism, it may be useful if I give some indication of the intellectual tradition to which it

1. Both the term “individualism” and the term “socialism” are originally the creation of the Saint-Simonians, the founders of modern socialism. They first coined the term “individualism” to describe the competitive society to which they were opposed and then invented the word “socialism” to describe the centrally planned society in which all activity was directed on the same principle that applied within a single factory. See on the origin of these terms the present author's article on “The Counter-Revolution of Science,” *Economica*, VIII (new ser., 1941), 146.

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belongs. The true individualism which I shall try to defend began its modern development with John Locke, and particularly with Bernard Mandeville and David Hume, and achieved full stature for the first time in the work of Josiah Tucker, Adam Ferguson, and Adam Smith and in that of their great contemporary, Edmund Burke—the man whom Smith described as the only person he ever knew who thought on economic subjects exactly as he did without any previous communication having passed between them.² In the nineteenth century I find it represented most perfectly in the work of two of its greatest historians and political philosophers: Alexis de Tocqueville and Lord Acton. These two men seem to me to have more successfully developed what was best in the political philosophy of the Scottish philosophers, Burke, and the English Whigs than any other writers I know; while the classical economists of the nineteenth century, or at least the Benthamites or philosophical radicals among them, came increasingly under the influence of another kind of individualism of different origin.

This second and altogether different strand of thought, also known as individualism, is represented mainly by French and other Continental writers—a fact due, I believe, to the dominant role which Cartesian rationalism plays in its composition. The outstanding representatives of this tradition are the Encyclopedists, Rousseau, and the physiocrats; and, for reasons we shall presently consider, this rationalistic individualism always tends to develop into the opposite of individualism, namely, socialism or collectivism. It is because only the first kind of individualism is consistent that I claim for it the name of true individualism, while the second kind must probably be regarded as a source of modern socialism as important as the properly collectivist theories.³

2. R. Bisset, *Life of Edmund Burke* (2d ed., 1800), II, 429. Cf. also W. C. Dunn, "Adam Smith and Edmund Burke: Complimentary Contemporaries," *Southern Economic Journal* (University of North Carolina), Vol. VII, No. 3 (January, 1941).

3. Carl Menger, who was among the first in modern times consciously to revive the methodical individualism of Adam Smith and his school, was probably also the first to point out the connection between the design theory of social institutions and

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I can give no better illustration of the prevailing confusion about the meaning of individualism than the fact that the man who to me seems to be one of the greatest representatives of true individualism, Edmund Burke, is commonly (and rightly) represented as the main opponent of the so-called "individualism" of Rousseau, whose theories he feared would rapidly dissolve the commonwealth "into the dust and powder of individuality,"⁴ and that the term "individualism" itself was first introduced into the English language through the translation of one of the works of another of the great representatives of true individualism, De Tocqueville, who uses it in his *Democracy in America* to describe an attitude which he deplores and rejects.⁵ Yet there can no doubt that both Burke and De Tocqueville stand in all essentials close to Adam Smith, to whom nobody will deny the title of individualist, and that the "individualism" to which they are opposed is something altogether different from that of Smith.

socialism. See his *Untersuchungen über die Methode der Sozialwissenschaften* (1883), esp. Book IV, chap. 2, toward the end of which (p. 208) he speaks of "a pragmatism which, against the intention of its representatives, leads inevitably to socialism."

It is significant that the physiocrats already were led from the rationalistic individualism from which they started, not only close to socialism (fully developed in their contemporary, Morelly's *Le Code de la nature* [1755]), but to advocate the worst despotism. "L'État fait des hommes tout ce qu'il veut," wrote Bodeau.

4. Edmund Burke, *Reflections on the Revolution in France* (1790), in *Works* (World's Classics ed.), IV, 105: "Thus the commonwealth itself would, in a few generations, be disconnected into the dust and powder of individuality, and at length dispersed to all winds of heaven." That Burke (as A. M. Osborn points out in her book on *Rousseau and Burke* [Oxford, 1940], p. 23), after he had first attacked Rousseau for his extreme "individualism," later attacked him for his extreme collectivism was far from inconsistent but merely the result of the fact that in the case of Rousseau, as in that of all others, the rationalistic individualism which they preached inevitably led to collectivism.

5. Alexis de Tocqueville, *Democracy in America*, trans. Henry Reeve (London, 1864), Vol. II, Book II, chap. 2, where De Tocqueville defines individualism as "a mature and calm feeling, which disposes each member of the community to sever himself from the mass of his fellows, and to draw apart with his family and friends; so that, after he has thus formed a little circle of his own, he willingly leaves society at large to itself." The translator in a note to this passage apologizes for introducing the French term "individualism" into English and explains that he knows "no English word exactly equivalent to the expression." As Albert Schatz pointed out in the book mentioned below, De Tocqueville's use of the well-established French term in this peculiar sense is entirely arbitrary and leads to serious confusion with the established meaning.

What, then, are the essential characteristics of true individualism? The first thing that should be said is that it is primarily a *theory* of society, an attempt to understand the forces which determine the social life of man, and only in the second instance a set of political maxims derived from this view of society. This fact should by itself be sufficient to refute the silliest of the common misunderstandings: the belief that individualism postulates (or bases its arguments on the assumption of) the existence of isolated or self-contained individuals, instead of starting from men whose whole nature and character is determined by their existence in society.⁶ If that were true, it would indeed have nothing to contribute to our understanding of society. But its basic contention is quite a different one; it is that there is no other way toward an understanding of social phenomena but through our understanding of individual actions directed toward other people and guided by their expected behavior.⁷ This argument is directed primarily against the properly collectivist theories of society which pretend to be able directly to comprehend social wholes like society, etc., as entities *sui generis* which exist independently of the individuals which compose them. The next step in the individualistic analysis of society, however, is directed against the rationalistic pseudo-individualism which also leads to practical collectivism. It is the contention that, by tracing the combined effects of individual actions, we discover

6. In his excellent survey of the history of individualist theories the late Albert Schatz rightly concludes that "nous voyons tout d'abord avec évidence ce que l'individualisme n'est pas. C'est précisément ce qu'on croit communément qu'il est: un système d'isolement dans l'existence et une apologie de l'égoïsme" (*L'Individualisme économique et social* [Paris, 1907], p. 558). This book, to which I am much indebted, deserves to be much more widely known as a contribution not only to the subject indicated by its title but to the history of economic theory in general.

7. In this respect, as Karl Pribram has made clear, individualism is a necessary result of philosophical nominalism, while the collectivist theories have their roots in the "realist" or (as K. R. Popper now more appropriately calls it) "essentialist" tradition (Pribram, *Die Entstehung der individualistischen Sozialphilosophie* [Leipzig, 1912]). But this "nominalist" approach is characteristic only of true individualism, while the false individualism of Rousseau and the physiocrats, in accordance with the Cartesian origin, is strongly "realist" or "essentialist."

that many of the institutions on which human achievements rest have arisen and are functioning without a designing and directing mind; that, as Adam Ferguson expressed it, "nations stumble upon establishments, which are indeed the result of human action but not the result of human design";⁸ and that the spontaneous collaboration of free men often creates things which are greater than their individual minds can ever fully comprehend. This is the great theme of Josiah Tucker and Adam Smith, of Adam Ferguson and Edmund Burke,

8. Adam Ferguson, *An Essay on the History of Civil Society* (1st ed., 1767), p. 187. Cf. also *ibid.*: "The forms of society are derived from an obscure and distant origin; they arise, long before the date of philosophy, from the instincts, not from the speculations of man. . . . We ascribe to a previous design, what came to be known only by experience, what no human wisdom could foresee, and what, without the concurring humour and disposition of his age, no authority could enable an individual to execute" (pp. 187 and 188).

It may be of interest to compare these passages with the similar statements in which Ferguson's contemporaries expressed the same basic idea of the eighteenth-century British economists:

Josiah Tucker, *Elements of Commerce* (1756), reprinted in *Josiah Tucker: A Selection from His Economic and Political Writings*, ed. R. L. Schuyler (New York, 1931), pp. 31 and 92: "The main point is neither to extinguish nor to enfeeble self-love, but to give it such a direction that it may promote the public interest by promoting its own. . . . The proper design of this chapter is to show that the universal mover in human nature, self-love, may receive such a direction in this case (as in all others) as to promote the public interest by those efforts it shall make towards pursuing its own."

Adam Smith, *Wealth of Nations* (1776), ed. Cannan, I, 421: "By directing that industry in such a manner as its produce may be of the greatest value, he intends only his own gain, and he is in this, as in many other cases, led by an invisible hand to promote an end which was no part of his intention. Nor is it always the worse for the society that it was no part of it. By pursuing his own interest he frequently promotes that of the society more effectually than when he really intends to promote it." Cf. also *The Theory of Moral Sentiments* (1759), Part IV (9th ed., 1801), chap. i, p. 386.

Edmund Burke, *Thoughts and Details on Scarcity* (1795), in *Works* (World's Classics ed.), VI, 9: "The benign and wise disposer of all things, who obliges men, whether they will or not, in pursuing their own selfish interests, to connect the general good with their own individual success."

After these statements have been held up for scorn and ridicule by the majority of writers for the last hundred years (C. E. Raven not long ago called the last-quoted statement by Burke a "sinister sentence"—see his *Christian Socialism* [1920], p. 34), it is interesting now to find one of the leading theorists of modern socialism adopting Adam Smith's conclusions. According to A. P. Lerner (*The Economics of Control* [New York, 1944], p. 67), the essential social utility of the price mechanism is that "if it is appropriately used it induces each member of society, while seeking his own benefit, to do that which is in the general social interest. Fundamentally this is the great discovery of Adam Smith and the Physiocrats."

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the great discovery of classical political economy which has become the basis of our understanding not only of economic life but of most truly social phenomena.

The difference between this view, which accounts for most of the order which we find in human affairs as the unforeseen result of individual actions, and the view which traces all discoverable order to deliberate design is the first great contrast between the true individualism of the British thinkers of the eighteenth century and the so-called "individualism" of the Cartesian school.⁹ But it is merely one aspect of an even wider difference between a view which in general rates rather low the place which reason plays in human affairs, which contends that man has achieved what he has in spite of the fact that he is only partly guided by reason, and that his individual reason is very limited and imperfect, and a view which assumes that Reason, with a capital R, is always fully and equally available to all humans and that everything which man achieves is the direct result of, and therefore subject to, the control of individual reason. One might even say that the former is a product of an acute consciousness of the limitations of the individual mind which induces an attitude of humility toward the impersonal and anonymous social processes by which individuals help to create things greater than they know, while the latter is the product of an exaggerated belief in the powers of individual reason and of a consequent contempt for anything which has not been consciously designed by it or is not fully intelligible to it.

The antirationalistic approach, which regards man not as a highly rational and intelligent but as a very irrational and fallible being, whose individual errors are corrected only in the course of a social

9. Cf. Schatz, *op. cit.*, pp. 41–42, 81, 378, 568–69, esp. the passage quoted by him (p. 41, n. 1) from an article by Albert Sorel ("Comment j'ai lu la 'Réforme sociale,'" in *Réforme sociale*, November 1, 1906, p. 614): "Quel que fut mon respect, assez commandé et indirect encore pour le *Discours de la méthode*, je savais déjà que de ce fameux discours il était sorti autant de déraison sociale et d'aberrations métaphysiques, d'abstractions et d'utopies, que de données positives, que s'il menait à Comte il avait aussie mené à Rousseau." On the influence of Descartes on Rousseau see further P. Janet, *Histoire de la science politique* (3d ed., 1887), p. 423; F. Bouillier, *Histoire de la philosophie cartésienne* (3d ed., 1868), p. 643; and H. Michel, *L'idée de l'état* (3d ed., 1898), p. 68.

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process, and which aims at making the best of a very imperfect material, is probably the most characteristic feature of English individualism. Its predominance in English thought seems to me due largely to the profound influence exercised by Bernard Mandeville, by whom the central idea was for the first time clearly formulated.¹⁰

I cannot better illustrate the contrast in which Cartesian or rationalistic "individualism" stands to this view than by quoting a famous passage from Part II of the *Discourse on Method*. Descartes argues that "there is seldom so much perfection in works composed of many separate parts, upon which different hands had been employed, as in those completed by a single master." He then goes on to suggest (after, significantly, quoting the instance of the engineer drawing up his plans) that "those nations which, starting from a semi-barbarous state and advancing to civilization by slow degrees, have had their laws successively determined, and, as it were, forced upon them simply by experience of the hurtfulness of particular crimes and disputes, would by this process come to be possessed of less perfect institutions than those which, from the commencement of their association as communities, have followed the appointment of some wise legislator." To drive this point home, Descartes adds that in his opin-

10. The decisive importance of Mandeville in the history of economics, long overlooked or appreciated only by a few authors (particularly Edwin Cannan and Albert Schatz), is now beginning to be recognized, thanks mainly to the magnificent edition of the *Fable of the Bees* which we owe to the late F. B. Kaye. Although the fundamental ideas of Mandeville's work are already implied in the original poem of 1705, the decisive elaboration and especially his full account of the origin of the division of labor, of money, and of language occur only in Part II of the *Fable* which was published in 1728 (see Bernard Mandeville, *The Fable of the Bees*, ed. F. B. Kaye [Oxford, 1924], II, 142, 287–88, 349–50). There is space here to quote only the crucial passage from his account of the development of the division of labor where he observes that "we often ascribe to the excellency of man's genius, and the depth of his penetration, what is in reality owing to the length of time, and the experience of many generations, all of them very little differing from one another in natural parts and sagacity" (*ibid.*, p. 142).

It has become usual to describe Giambattista Vico and his (usually wrongly quoted) formula, *homo non intelligendo fit omnia* (*Opere*, ed. G. Ferrari [2d ed.; Milan, 1854], V, 183), as the beginning of the antirationalistic theory of social phenomena, but it would appear that he has been both preceded and surpassed by Mandeville.

Perhaps it also deserves mention that not only Mandeville but also Adam Smith occupy honorable places in the development of the theory of language which in so many ways raises problems of a nature kindred to those of the other social sciences.

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ion "the past pre-eminence of Sparta was due not to the pre-eminence of each of its laws in particular . . . but to the circumstance that, originated by a single individual, they all tended to a single end."¹¹

It would be interesting to trace further the development of this social contract individualism or the "design" theories of social institutions, from Descartes through Rousseau and the French Revolution down to what is still the characteristic attitude of the engineers to social problems.¹² Such a sketch would show how Cartesian rationalism has persistently proved a grave obstacle to an understanding of historical phenomena and that it is largely responsible for the belief in inevitable laws of historical development and the modern fatalism derived from this belief.¹³

All we are here concerned with, however, is that this view, though also known as "individualism," stands in complete contrast to true individualism on two decisive points. While it is perfectly true of this pseudo-individualism that "belief in spontaneous social products was logically impossible to any philosophers who regarded individual man as the starting point and supposed him to form societies by the union of his particular will with another in a formal contract,"¹⁴ true individualism is the only theory which can claim to make the formation of spontaneous social products intelligible. And, while the design theories necessarily lead to the conclusion that social processes can be made to serve human ends only if they are subjected to the control of individual human reason, and thus lead directly to socialism, true

11. René Descartes, *A Discourse on Method* (Everyman's ed.), pp. 10-11.

12. On the characteristic approach of the engineer type of mind to economic phenomena compare the present author's study on "Scientism and the Study of Society," *Economica*, Vols. IX-XI (new ser., 1942-44), esp. XI, 34 ff.

13. Since this lecture was first published I have become acquainted with an instructive article by Jerome Rosenthal on "Attitudes of Some Modern Rationalists to History" (*Journal of the History of Ideas*, IV, No. 4 [October, 1943], 429-56), which shows in considerable detail the antihistorical attitude of Descartes and particularly his disciple Malebranche and gives interesting examples of the contempt expressed by Descartes in his *Recherche de la vérité par la lumière naturelle* for the study of history, languages, geography, and especially the classics.

14. James Bonar, *Philosophy and Political Economy* (1893), p. 85.

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individualism believes on the contrary that, if left free, men will often achieve more than individual human reason could design or foresee.

This contrast between the true, antirationalistic and the false, rationalistic individualism permeates all social thought. But because both theories have become known by the same name, and partly because the classical economists of the nineteenth century, and particularly John Stuart Mill and Herbert Spencer, were almost as much influenced by the French as by the English tradition, all sorts of conceptions and assumptions completely alien to true individualism have come to be regarded as essential parts of its doctrine.

Perhaps the best illustration of the current misconceptions of the individualism of Adam Smith and his group is the common belief that they have invented the bogey of the "economic man" and that their conclusions are vitiated by their assumption of a strictly rational behavior or generally by a false rationalistic psychology. They were, of course, very far from assuming anything of the kind. It would be nearer the truth to say that in their view man was by nature lazy and indolent, improvident and wasteful, and that it was only by the force of circumstances that he could be made to behave economically or carefully to adjust his means to his ends. But even this would be unjust to the very complex and realistic view which these men took of human nature. Since it has become fashionable to deride Smith and his contemporaries for their supposedly erroneous psychology, I may perhaps venture the opinion that for all practical purposes we can still learn more about the behavior of men from the *Wealth of Nations* than from most of the more pretentious modern treatises on "social psychology."

However that may be, the main point about which there can be little doubt is that Smith's chief concern was not so much with what man might occasionally achieve when he was at his best but that he should have as little opportunity as possible to do harm when he was at his worst. It would scarcely be too much to claim that the main merit of the individualism which he and his contemporaries advocated is that it is a system under which bad men can do least harm. It

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is a social system which does not depend for its functioning on our finding good men for running it, or on all men becoming better than they now are, but which makes use of men in all their given variety and complexity, sometimes good and sometimes bad, sometimes intelligent and more often stupid. Their aim was a system under which it should be possible to grant freedom to all, instead of restricting it, as their French contemporaries wished, to "the good and the wise."¹⁵

The chief concern of the great individualist writers was indeed to

15. A. W. Benn, in his *History of English Rationalism in the Nineteenth Century* (1906), says rightly: "With Quesnay, following nature meant ascertaining by a study of the world about us and of its laws what conduct is most conducive to health and happiness; and the natural rights meant liberty to pursue the course so ascertained. Such liberty only belongs to the wise and good, and can only be granted to those whom the tutelary authority in the state is pleased to regard as such. With Adam Smith and his disciples, on the other hand, nature means the totality of impulses and instincts by which the individual members of society are animated; and their contention is that the best arrangements result from giving free play to those forces in the confidence that partial failure will be more than compensated by successes elsewhere, and that the pursuit of his own interest by each will work out in the greatest happiness of all" (I, 289).

On this whole question see Elie Halévy, *The Growth of Philosophic Radicalism* (1928), esp. pp. 266-70.

The contrast of the Scottish philosophers of the eighteenth century with their French contemporaries is also brought out in Gladys Bryson's recent study on *Man and Society: The Scottish Enquiry of the Eighteenth Century* (Princeton, 1945), p. 145. She emphasizes that the Scottish philosophers "all wanted to break away from Cartesian rationalism, with its emphasis on abstract intellectualism and innate ideas," and repeatedly stresses the "anti-individualistic" tendencies of David Hume (pp. 106, 155)—using "individualistic" in what we call here the false, rationalistic sense. But she occasionally falls back into the common mistake of regarding them as "representative and typical of the thought of the century" (p. 176). There is still, largely as a result of an acceptance of the German conception of "the Enlightenment," too much inclination to regard the views of all the eighteenth-century philosophers as similar, whereas in many respects the differences between the English and the French philosophers of the period are much more important than the similarities. The common habit of lumping Adam Smith and Quesnay together, caused by the former belief that Smith was greatly indebted to the physiocrats, should certainly cease, now that this belief has been disproved by W. R. Scott's recent discoveries (see his *Adam Smith as Student and Professor* [Glasgow, 1937], p. 124). It is also significant that both Hume and Smith are reported to have been stimulated to their work by their opposition to Montesquieu.

Some suggestive discussion of the differences between the British and the French social philosophers of the eighteenth century, somewhat distorted, however, by the author's hostility toward the "economic liberalism" of the former, will be found in Rudolf Goldscheid, *Grundlinien zu einer Kritik der Willenskraft* (Vienna, 1905), pp. 32-37.

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find a set of institutions by which man could be induced, by his own choice and from the motives which determined his ordinary conduct, to contribute as much as possible to the need of all others; and their discovery was that the system of private property did provide such inducements to a much greater extent than had yet been understood. They did not contend, however, that this system was incapable of further improvement and, still less, as another of the current distortions of their arguments will have it, that there existed a "natural harmony of interests" irrespective of the positive institutions. They were more than merely aware of the conflicts of individual interests and stressed the necessity of "well-constructed institutions" where the "rules and principles of contending interests and compromised advantages"¹⁶ would reconcile conflicting interests without giving any one group power to make their views and interests always prevail over those of all others.

4

There is one point in these basic psychological assumptions which it is necessary to consider somewhat more fully. As the belief that individualism approves and encourages human selfishness is one of the main reasons why so many people dislike it, and as the confusion which exists in this respect is caused by a real intellectual difficulty, we must carefully examine the meaning of the assumptions it makes. There can be no doubt, of course, that in the language of the great writers of the eighteenth century it was man's "self-love," or even his "selfish interests," which they represented as the "universal mover," and that by these terms they were referring primarily to a moral attitude, which they thought to be widely prevalent. These terms, however, did not mean egotism in the narrow sense of concern with only the immediate needs of one's proper person. The "self," for which alone people were supposed to care, did as a matter of course include their family and friends; and it would have made no difference to the argument if it had included anything for which people in fact did care.

16. Edmund Burke, *Thoughts and Details on Scarcity* (1795), in *Works* (World's Classics ed.), VI, 15.

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Far more important than this moral attitude, which might be regarded as changeable, is an indisputable intellectual fact which nobody can hope to alter and which by itself is a sufficient basis for the conclusions which the individualist philosophers drew. This is the constitutional limitation of man's knowledge and interests, the fact that he *cannot* know more than a tiny part of the whole of society and that therefore all that can enter into his motives are the immediate effects which his actions will have in the sphere he knows. All the possible differences in men's moral attitudes amount to little, so far as their significance for social organization is concerned, compared with the fact that all man's mind can effectively comprehend are the facts of the narrow circle of which he is the center; that, whether he is completely selfish or the most perfect altruist, the human needs for which he *can* effectively care are an almost negligible fraction of the needs of all members of society. The real question, therefore, is not whether man is, or ought to be, guided by selfish motives but whether we can allow him to be guided in his actions by those immediate consequences which he can know and care for or whether he ought to be made to do what seems appropriate to somebody else who is supposed to possess a fuller comprehension of the significance of these actions to society as a whole.

To the accepted Christian tradition that man must be free to follow *his* conscience in moral matters if his actions are to be of any merit, the economists added the further argument that he should be free to make full use of *his* knowledge and skill, that he must be allowed to be guided by his concern for the particular things of which *he* knows and for which *he* cares, if he is to make as great a contribution to the common purposes of society as he is capable of making. Their main problem was how these limited concerns, which did in fact determine people's actions, could be made effective inducements to cause them voluntarily to contribute as much as possible to needs which lay outside the range of their vision. What the economists understood for the first time was that the market as it had grown up was an effective way of making man take part in a process more complex and ex-

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tended than he could comprehend and that it was through the market that he was made to contribute "to ends which were no part of his purpose."

It was almost inevitable that the classical writers in explaining their contention should use language which was bound to be misunderstood and that they thus earned the reputation of having extolled selfishness. We rapidly discover the reason when we try to restate the correct argument in simple language. If we put it concisely by saying that people are and ought to be guided in their actions by *their* interests and desires, this will at once be misunderstood or distorted into the false contention that they are or ought to be exclusively guided by their personal needs or selfish interests, while what we mean is that they ought to be allowed to strive for whatever *they* think desirable.

Another misleading phrase, used to stress an important point, is the famous presumption that each man knows his interests best. In this form the contention is neither plausible nor necessary for the individualist's conclusions. The true basis of his argument is that nobody can know *who* knows best and that the only way by which we can find out is through a social process in which everybody is allowed to try and see what he can do. The fundamental assumption, here as elsewhere, is the unlimited variety of human gifts and skills and the consequent ignorance of any single individual of most of what is known to all the other members of society taken together. Or, to put this fundamental contention differently, human Reason, with a capital R, does not exist in the singular, as given or available to any particular person, as the rationalist approach seems to assume, but must be conceived as an interpersonal process in which anyone's contribution is tested and corrected by others. This argument does not assume that all men are equal in their natural endowments and capacities but only that no man is qualified to pass final judgment on the capacities which another possesses or is to be allowed to exercise.

Here I may perhaps mention that only because men are in fact unequal can we treat them equally. If all men were completely equal in their gifts and inclinations, we should have to treat them differently

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in order to achieve any sort of social organization. Fortunately, they are not equal; and it is only owing to this that the differentiation of functions need not be determined by the arbitrary decision of some organizing will but that, after creating formal equality of the rules applying in the same manner to all, we can leave each individual to find his own level.

There is all the difference in the world between treating people equally and attempting to make them equal. While the first is the condition of a free society, the second means, as De Tocqueville described it, "a new form of servitude."¹⁷

5

From the awareness of the limitations of individual knowledge and from the fact that no person or small group of persons can know all that is known to somebody, individualism also derives its main practical conclusion: its demand for a strict limitation of all coercive or exclusive power. Its opposition, however, is directed only against the use of *coercion* to bring about organization or association, and not against association as such. Far from being opposed to voluntary association, the case of the individualist rests, on the contrary, on the contention that much of what in the opinion of many can be brought about only by conscious direction, can be better achieved by the voluntary and spontaneous collaboration of individuals. The consistent individualist ought therefore to be an enthusiast for voluntary collaboration—wherever and whenever it does not degenerate into coercion of others or lead to the assumption of exclusive powers.

True individualism is, of course, not anarchism, which is but another product of the rationalistic pseudo-individualism to which it is opposed. It does not deny the necessity of coercive power but wishes

17. This phrase is used over and over again by De Tocqueville to describe the effects of socialism, but see particularly *Oeuvres complètes*, IX (1886), 541, where he says: "Si, en définitive, j'avais à trouver une formule générale pour exprimer ce que m'apparaît le socialisme dans son ensemble, je dirais que c'est une nouvelle formule de la servitude." Perhaps I may be allowed to add that it was this phrase of De Tocqueville's which suggested to me the title of a recent book of mine.

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to limit it—to limit it to those fields where it is indispensable to prevent coercion by others and in order to reduce the total of coercion to a minimum. While all the individualist philosophers are probably agreed on this general formula, it must be admitted that they are not always very informative on its application in specific cases. Neither the much abused and much misunderstood phrase of "laissez faire" nor the still older formula of "the protection of life, liberty, and property" are of much help. In fact, in so far as both tend to suggest that we can just leave things as they are, they may be worse than no answer; they certainly do not tell us what are and what are not desirable or necessary fields of government activity. Yet the decision whether individualist philosophy can serve us as a practical guide must ultimately depend on whether it will enable us to distinguish between the agenda and the nonagenda of government.

Some general rules of this kind which are of very wide applicability seem to me to follow directly from the basic tenets of individualism: If each man is to use *his* peculiar knowledge and skill with the aim of furthering the aims for which *he* cares, and if, in so doing, he is to make as large a contribution as possible to needs which are beyond his ken, it is clearly necessary, first, that he should have a clearly delimited area of responsibility and, second, that the relative importance to him of the different results he can achieve must correspond to the relative importance to others of the more remote and to him unknown effects of his action.

Let us first take the problem of the determination of a sphere of responsibility and leave the second problem for later. If man is to remain free to make full use of his knowledge or skill, the delimitation of spheres of responsibility must not take the form of an assignation to him of particular ends which he must try to achieve. This would be imposing a specific duty rather than delimiting a sphere of responsibility. Nor must it take the form of allocating to him specific resources selected by some authority, which would take the choice almost as much out of his hands as the imposition of specific tasks. If man is to exercise his own gifts, it must be as a result of his activities

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and planning that his sphere of responsibility is determined. The solution to this problem which men have gradually developed and which antedates government in the modern sense of the word is the acceptance of formal principles, "a standing rule to live by, common to every one of that society"¹⁸—of rules which, above all, enable man to distinguish between mine and thine, and from which he and his fellows can ascertain what is his and what is somebody else's sphere of responsibility.

The fundamental contrast between government by rules, whose main purpose is to inform the individual what is his sphere of responsibility within which he must shape his own life, and government by orders which impose specific duties has become so blurred in recent years that it is necessary to consider it a little further. It involves nothing less than the distinction between freedom under the law and the use of the legislative machinery, whether democratic or not, to abolish freedom. The essential point is not that there should be some kind of guiding principle behind the actions of the government but that government should be confined to making the individuals observe principles which *they* know and can take into account in *their* decisions. It means, further, that what the individual may or may not do, or what he can expect his fellows to do or not to do, must depend not on some remote and indirect consequences which his actions may have but on the immediate and readily recognizable circumstances which he can be supposed to know. He must have rules referring to typical situations, defined in terms of what can be known to the acting persons and without regard to the distant effects in the particular instance—rules which, if they are regularly observed, will in the majority of cases operate beneficially—even if they do not do so in the proverbial "hard cases which make bad law."

The most general principle on which an individualist system is

18. John Locke, *Two Treatises of Government* (1690), Book II, chap. 4, § 22: "Freedom of men under government is to have a standing rule to live by, common to every one of that society and made by the legislative power erected in it."

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based is that it uses the universal acceptance of general principles as the means to create order in social affairs. It is the opposite of such government by principles when, for example, a recent blueprint for a controlled economy suggests as "the fundamental principle of organisation . . . that in any particular instance the means that serves society best should be the one that prevails."¹⁹ It is a serious confusion thus to speak of principle when all that is meant is that no principle but only expediency should rule; when everything depends on what authority decrees to be "the interests of society." Principles are a means to prevent clashes between conflicting aims and not a set of fixed ends. Our submission to general principles is necessary because we cannot be guided in our practical action by full knowledge and evaluation of all the consequences. So long as men are not omniscient, the only way in which freedom can be given to the individual is by such general rules to delimit the sphere in which the decision is his. There can be no freedom if the government is not limited to particular kinds of action but can use its powers in any ways which serve particular ends. As Lord Acton pointed out long ago: "Whenever a single definite object is made the supreme end of the State, be it the advantage of a class, the safety or the power of the country, the greatest happiness of the greatest number or the support of any speculative idea, the State becomes for the time inevitably absolute."²⁰

6

But, if our main conclusion is that an individualist order must rest on the enforcement of abstract principles rather than on the enforcement of specific orders, this still leaves open the question of the kind of general rules which we want. It confines the exercise of coercive powers in the main to one method, but it still allows almost unlimited scope to human ingenuity in the designing of the most effective set

19. Lerner, *op. cit.*, p. 5.

20. Lord Acton, "Nationality" (1862), reprinted in *The History of Freedom and Other Essays* (1907), p. 288.

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of rules; and, though the best solutions of the concrete problems will in most instances have to be discovered by experience, there is a good deal more that we can learn from the general principles of individualism with regard to the desirable nature and contents of these rules. There is, in the first instance, one important corollary of what has already been said, namely, that the rules, because they are to serve as signposts to the individuals in making their own plans, should be designed to remain valid for long periods. Liberal or individualist policy must be essentially long-run policy; the present fashion to concentrate on short-run effects, and to justify this by the argument that "in the long run we are all dead," leads inevitably to the reliance on orders adjusted to the particular circumstances of the moment in the place of rules couched in terms of typical situations.

We need, and get from the basic principles of individualism, however, much more definite aid than this for the construction of a suitable legal system. The endeavor to make man by the pursuit of his interests contribute as much as possible to the needs of other men leads not merely to the general principle of "private property"; it also assists us in determining what the contents of property rights ought to be with respect to different kinds of things. In order that the individual in his decisions should take account of all the physical effects caused by these decisions, it is necessary that the "sphere of responsibility" of which I have been speaking be made to comprise as fully as possible all the direct effects which his actions have on the satisfactions which other people derive from the things under his control. This is achieved on the whole by the simple conception of property as the exclusive right to use a particular thing where mobile effects, or what the lawyer calls "chattels," are concerned. But it raises much more difficult problems in connection with land, where the recognition of the principle of private property helps us very little until we know precisely what rights and obligations ownership includes. And when we turn to such problems of more recent origin as the control of the air or of electric power, or of inventions and of literary or artistic creations, nothing short of going back to *rationale* of property will

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help us to decide what should be in the particular instance the sphere of control or responsibility of the individual.

I cannot here go further into the fascinating subject of a suitable legal framework for an effective individualist system or enter into discussion of the many supplementary functions, such as assistance in the spreading of information and in the elimination of genuinely avoidable uncertainty,²¹ by which the government might greatly increase the efficiency of individual action. I mention them merely in order to stress that there are further (and noncoercive!) functions of government beyond the mere enforcement of civil and criminal law which can be fully justified on individualist principles.

There is still, however, one point left, to which I have already referred, but which is so important that I must give it further attention. It is that any workable individualist order must be so framed not only that the relative remunerations the individual can expect from the different uses of his abilities and resources correspond to the relative utility of the result of his efforts to others but also that these remunerations correspond to the objective results of his efforts rather than to their subjective merits. An effectively competitive market satisfies both these conditions. But it is in connection with the second that our personal sense of justice so frequently revolts against the impersonal decisions of the market. Yet, if the individual is to be free to choose, it is inevitable that he should bear the risk attaching to that choice and

21. The actions a government can expediently take to reduce really *avoidable* uncertainty for the individuals are a subject which has given rise to so many confusions that I am afraid to let the brief allusion to it in the text stand without some further explanation. The point is that, while it is easy to protect a particular person or group against the loss which might be caused by an unforeseen change, by preventing people from taking notice of the change after it has occurred, this merely shifts the loss onto other shoulders but does not prevent it. If, e.g., capital invested in very expensive plant is protected against obsolescence by new inventions by prohibiting the introduction of such new inventions, this increases the security of the owners of the existing plant but deprives the public of the benefit of the new inventions. Or, in other words, it does not really reduce uncertainty for society as a whole if we make the behavior of the people more predictable by preventing them from adapting themselves to an unforeseen change in their knowledge of the world. The only genuine reduction of uncertainty consists in increasing its knowledge, but never in preventing people from making use of new knowledge.

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that in consequence he be rewarded, not according to the goodness or badness of his intentions, but solely on the basis of the value of the results to others. We must face the fact that the preservation of individual freedom is incompatible with a full satisfaction of our views of distributive justice.

7

While the theory of individualism has thus a definite contribution to make to the technique of constructing a suitable legal framework and of improving the institutions which have grown up spontaneously, its emphasis, of course, is on the fact that the part of our social order which can or ought to be made a conscious product of human reason is only a small part of all the forces of society. In other words, that the state, the embodiment of deliberately organized and consciously directed power, ought to be only a small part of the much richer organism which we call "society," and that the former ought to provide merely a framework within which free (and therefore not "consciously directed") collaboration of men has the maximum of scope.

This entails certain corollaries on which true individualism once more stands in sharp opposition to the false individualism of the rationalistic type. The first is that the deliberately organized state on the one side, and the individual on the other, far from being regarded as the only realities, while all the intermediate formations and associations are to be deliberately suppressed, as was the aim of the French Revolution, the noncompulsory conventions of social intercourse are considered as essential factors in preserving the orderly working of human society. The second is that the individual, in participating in the social processes, must be ready and willing to adjust himself to changes and to submit to conventions which are not the result of intelligent design, whose justification in the particular instance may not be recognizable, and which to him will often appear unintelligible and irrational.

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I need not say much on the first point. That true individualism affirms the value of the family and all the common efforts of the small community and group, that it believes in local autonomy and voluntary associations, and that indeed its case rests largely on the contention that much for which the coercive action of the state is usually invoked can be done better by voluntary collaboration need not be stressed further. There can be no greater contrast to this than the false individualism which wants to dissolve all these smaller groups into atoms which have no cohesion other than the coercive rules imposed by the state, and which tries to make all social ties prescriptive, instead of using the state mainly as a protection of the individual against the arrogation of coercive powers by the smaller groups.

Quite as important for the functioning of an individualist society as these smaller groupings of men are the traditions and conventions which evolve in a free society and which, without being enforceable, establish flexible but normally observed rules that make the behavior of other people predictable in a high degree. The willingness to submit to such rules, not merely so long as one understands the reason for them but so long as one has no definite reasons to the contrary, is an essential condition for the gradual evolution and improvement of rules of social intercourse; and the readiness ordinarily to submit to the products of a social process which nobody has designed and the reasons for which nobody may understand is also an indispensable condition if it is to be possible to dispense with compulsion.²² That the existence of common conventions and traditions among a group of people will enable them to work together smoothly and efficiently with much less formal organization and compulsion than a group

22. The difference between the rationalistic and the true individualistic approach is well shown in the different views expressed by French observers on the apparent irrationality of English social institutions. While Henri de Saint-Simon, e.g., complains that "cent volumes *in folio*, du caractère plus fin, ne suffiraient pas pour rendre compte de toutes les inconséquences organiques qui existent en Angleterre" (*Oeuvres de Saint-Simon et d'Enfantin* [Paris, 1865-78], XXXVIII, 179), De Tocqueville retorts "que ces bizarreries des Anglais pussent avoir quelques rapports avec leurs libertés, c'est ce qui ne lui tombe point dans l'esprit" (*L'Ancien régime et la révolution* [7th ed.; Paris, 1866], p. 103).

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without such common background, is, of course, a commonplace. But the reverse of this, while less familiar, is probably not less true: that coercion can probably only be kept to a minimum in a society where conventions and tradition have made the behavior of man to a large extent predictable.²³

This brings me to my second point: the necessity, in any complex society in which the effects of anyone's action reach far beyond his possible range of vision, of the individual submitting to the anonymous and seemingly irrational forces of society—a submission which must include not only the acceptance of rules of behavior as valid without examining what depends in the particular instance on their being observed but also a readiness to adjust himself to changes which may profoundly affect his fortunes and opportunities and the causes of which may be altogether unintelligible to him. It is against these that modern man tends to revolt unless their necessity can be shown to rest upon "reason made clear and demonstrable to every individual." Yet it is just here that the understandable craving for intelligibility produces illusory demands which no system can satisfy. Man in a complex society can have no choice but between adjusting himself to what to him must seem the blind forces of the social process and obeying the orders of a superior. So long as he knows only the hard discipline of the market, he may well think the direction by some other intelligent human brain preferable; but, when he tries it, he soon discovers that the former still leaves him at least some choice, while the latter leaves him none, and that it is better to have a choice between several unpleasant alternatives than being coerced into one.

The unwillingness to tolerate or respect any social forces which are

23. Is it necessary to quote Edmund Burke once more to remind the reader how essential a condition for the possibility of a free society was to him the strength of moral rules? "Men are qualified for civil liberty," he wrote, "in exact proportion to their disposition to put moral chains upon their own appetites; in proportion as their love of justice is above their rapacity; in proportion as their own soundness and sobriety of understanding is above their vanity and presumption; in proportion as they are more disposed to listen to the councils of the wise and good, in preference to the flattery of knaves" (*A Letter to a Member of the National Assembly* [1791], in *Works* [World's Classics ed.], IV, 319).

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not recognizable as the product of intelligent design, which is so important a cause of the present desire for comprehensive economic planning, is indeed only one aspect of a more general movement. We meet the same tendency in the field of morals and conventions, in the desire to substitute an artificial for the existing languages, and in the whole modern attitude toward processes which govern the growth of knowledge. The belief that only a synthetic system of morals, an artificial language, or even an artificial society can be justified in an age of science, as well as the increasing unwillingness to bow before any moral rules whose utility is not rationally demonstrated, or to conform with conventions whose rationale is not known, are all manifestations of the same basic view which wants all social activity to be recognizably part of a single coherent plan. They are the results of that same rationalistic "individualism" which wants to see in everything the product of conscious individual reason. They are certainly not, however, a result of true individualism and may even make the working of a free and truly individualistic system difficult or impossible. Indeed, the great lesson which the individualist philosophy teaches us on this score is that, while it may not be difficult to destroy the spontaneous formations which are the indispensable bases of a free civilization, it may be beyond our power deliberately to reconstruct such a civilization once these foundations are destroyed.

8

The point I am trying to make is well illustrated by the apparent paradox that the Germans, though commonly regarded as very docile, are also often described as being particularly individualistic. With some truth this so-called German individualism is frequently represented as one of the causes why the Germans have never succeeded in developing free political institutions. In the rationalistic sense of the term, in their insistence on the development of "original" personalities which in every respect are the product of the conscious choice of the individual, the German intellectual tradition indeed favors a kind

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of "individualism" little known elsewhere. I remember well how surprised and even shocked I was myself when as a young student, on my first contact with English and American contemporaries, I discovered how much they were disposed to conform in all externals to common usage rather than, as seemed natural to me, to be proud to be different and original in most respects. If you doubt the significance of such an individual experience, you will find it fully confirmed in most German discussions of, for example, the English public school system, such as you will find in Dibelius' well-known book on England.²⁴ Again and again you will find the same surprise about this tendency toward voluntary conformity and see it contrasted with the ambition of the young German to develop an "original personality," which in every respect expresses what he has come to regard as right and true. This cult of the distinct and different individuality has, of course, deep roots in the German intellectual tradition and, through the influence of some of its greatest exponents, especially Goethe and Wilhelm von Humboldt, has made itself felt far beyond Germany and is clearly seen in J. S. Mill's *Liberty*.

This sort of "individualism" not only has nothing to do with true individualism but may indeed prove a grave obstacle to the smooth working of an individualist system. It must remain an open question whether a free or individualistic society can be worked successfully if people are too "individualistic" in the false sense, if they are too unwilling voluntarily to conform to traditions and conventions, and if they refuse to recognize anything which is not consciously designed or which cannot be demonstrated as rational to every individual. It is at least understandable that the prevalence of this kind of "individualism" has often made people of good will despair of the possibility of achieving order in a free society and even made them ask for a dictatorial government with the power to impose on society the order which it will not produce itself.

In Germany, in particular, this preference for the deliberate organization and the corresponding contempt for the spontaneous and un-

24. W. Dibelius, *England* (1923), pp. 464-68 of 1934 English translation.

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controlled, was strongly supported by the tendency toward centralization which the struggle for national unity produced. In a country where what traditions it possessed were essentially local, the striving for unity implied a systematic opposition to almost everything which was a spontaneous growth and its consistent replacement by artificial creations. That, in what a recent historian has well described as a "desperate search for a tradition which they did not possess,"²⁵ the Germans should have ended by creating a totalitarian state which forced upon them what they felt they lacked should perhaps not have surprised us as much as it did.

9

If it is true that the progressive tendency toward central control of all social processes is the inevitable result of an approach which insists that everything must be tidily planned and made to show a recognizable order, it is also true that this tendency tends to create conditions in which nothing but an all-powerful central government can preserve order and stability. The concentration of all decisions in the hands of authority itself produces a state of affairs in which what structure society still possesses is imposed upon it by government and in which the individuals have become interchangeable units with no other definite or durable relations to one another than those determined by the all-comprehensive organization. In the jargon of the modern sociologists this type of society has come to be known as "mass society"—a somewhat misleading name, because the characteristic attributes of this kind of society are not so much the result of mere numbers as they are of the lack of any spontaneous structure other than that impressed upon it by deliberate organization, an incapacity to evolve its own differentiations, and a consequent dependence on a power which deliberately molds and shapes it. It is connected with numbers only in so far as in large nations the process of centralization will much sooner reach a point where deliberate organization from the top smothers those spontaneous formations which

25. E. Vermeil, *Germany's Three Reichs* (London, 1944), p. 224.

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are founded on contacts closer and more intimate than those that can exist in the large unit.

It is not surprising that in the nineteenth century, when these tendencies first became clearly visible, the opposition to centralization became one of the main concerns of the individualist philosophers. This opposition is particularly marked in the writings of the two great historians whose names I have before singled out as the leading representatives of true individualism in the nineteenth century, De Tocqueville and Lord Acton; and it finds expression in their strong sympathies for the small countries and for the federal organization of large units. There is even more reason now to think that the small countries may before long become the last oases that will preserve a free society. It may already be too late to stop the fatal course of progressive centralization in the bigger countries which are well on the way to produce those mass societies in which despotism in the end comes to appear as the only salvation. Whether even the small countries will escape will depend on whether they keep free from the poison of nationalism, which is both an inducement to, and a result of, that same striving for a society which is consciously organized from the top.

The attitude of individualism to nationalism, which intellectually is but a twin brother of socialism, would deserve special discussion. Here I can only point out that the fundamental difference between what in the nineteenth century was regarded as liberalism in the English-speaking world and what was so called on the Continent is closely connected with their descent from true individualism and the false rationalistic individualism, respectively. It was only liberalism in the English sense that was generally opposed to centralization, to nationalism and to socialism, while the liberalism prevalent on the Continent favored all three. I should add, however, that, in this as in so many other respects, John Stuart Mill, and the later English liberalism derived from him, belong at least as much to the Continental as to the English tradition; and I know no discussion more illuminating of these basic differences than Lord Acton's criticism of the conces-

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sions Mill had made to the nationalistic tendencies of Continental liberalism.²⁶

10

There are two more points of difference between the two kinds of individualism which are also best illustrated by the stand taken by Lord Acton and De Tocqueville by their views on democracy and equality toward trends which became prominent in their time. True individualism not only believes in democracy but can claim that democratic ideals spring from the basic principles of individualism. Yet, while individualism affirms that all government should be democratic, it has no superstitious belief in the omnicompetence of majority decisions, and in particular it refuses to admit that "absolute power may, by the hypothesis of popular origin, be as legitimate as constitutional freedom."²⁷ It believes that under a democracy, no less than under any other form of government, "the sphere of enforced command ought to be restricted within fixed limits";²⁸ and it is particularly opposed to the most fateful and dangerous of all current misconceptions of democracy—the belief that we must accept as true and binding for future development the views of the majority. While democracy is founded on the convention that the majority view decides on common action, it does not mean that what is today the majority view ought to become the generally accepted view—even if that were necessary to achieve the aims of the majority. On the contrary, the whole justification of democracy rests on the fact that in course of time what is today the view of a small minority may become the majority view. I believe, indeed, that one of the most important questions on which political theory will have to discover an answer in the near future is that of finding a line of demarcation between the fields in which the majority views must be binding for all and

26. Lord Acton, "Nationality" (1862), reprinted in *The History of Freedom*, pp. 270–300.

27. Lord Acton, "Sir Erskine May's Democracy in Europe" (1878), reprinted in *The History of Freedom*, p. 78.

28. Lord Acton, *Lectures on Modern History* (1906), p. 10.

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the fields in which, on the contrary, the minority view ought to be allowed to prevail if it can produce results which better satisfy a demand of the public. I am, above all, convinced that, where the interests of a particular branch of trade are concerned, the majority view will always be the reactionary, stationary view and that the merit of competition is precisely that it gives the minority a chance to prevail. Where it can do so without any coercive powers, it ought always to have the right.

I cannot better sum up this attitude of true individualism toward democracy than by once more quoting Lord Acton: "The true democratic principle," he wrote, "that none shall have power over the people, is taken to mean that none shall be able to restrain or to elude its power. The true democratic principle, that the people shall not be made to do what it does not like, is taken to mean that it shall never be required to tolerate what it does not like. The true democratic principle, that every man's will shall be as unfettered as possible, is taken to mean that the free will of the collective people shall be fettered in nothing."²⁹

When we turn to equality, however, it should be said at once that true individualism is not equalitarian in the modern sense of the word. It can see no reason for trying to make people equal as distinct from treating them equally. While individualism is profoundly opposed to all prescriptive privilege, to all protection, by law or force, of any rights not based on rules equally applicable to all persons, it also denies government the right to limit what the able or fortunate may achieve. It is equally opposed to any rigid limitation of the position individuals may achieve, whether this power is used to perpetuate inequality or to create equality. Its main principle is that no man or group of men should have power to decide what another man's status ought to be, and it regards this as a condition of freedom so essential that it must not be sacrificed to the gratification of our sense of justice or of our envy.

29. Lord Acton, "Sir Erskine May's Democracy in Europe," reprinted in *The History of Freedom*, pp. 93-94.

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From the point of view of individualism there would not appear to exist even any justification for making all individuals start on the same level by preventing them from profiting by advantages which they have in no way earned, such as being born to parents who are more intelligent or more conscientious than the average. Here individualism is indeed less "individualistic" than socialism, because it recognizes the family as a legitimate unit as much as the individual; and the same is true with respect to other groups, such as linguistic or religious communities, which by their common efforts may succeed for long periods in preserving for their members material or moral standards different from those of the rest of the population. De Tocqueville and Lord Acton speak with one voice on this subject. "Democracy and socialism," De Tocqueville wrote, "have nothing in common but one word, equality. But notice the difference: while democracy seeks equality in liberty, socialism seeks equality in restraint and servitude."³⁰ And Acton joined him in believing that "the deepest cause which made the French revolution so disastrous to liberty was its theory of equality"³¹ and that "the finest opportunity ever given to the world was thrown away, because the passion for equality made vain the hope for freedom."³²

11

It would be possible to continue for a long time discussing further differences separating the two traditions of thought which, while bearing the same name, are divided by fundamentally opposed principles. But I must not allow myself to be diverted too far from my task of tracing to its source the confusion which has resulted from this and of showing that there is one consistent tradition which, whether you agree with me or not that it is "true" individualism, is at any rate the only kind of individualism which I am prepared to de-

30. Alexis de Tocqueville, *Oeuvres complètes*, IX, 546.

31. Lord Acton, "Sir Erskine May's Democracy in Europe," reprinted in *The History of Freedom*, p. 88.

32. Lord Acton, "The History of Freedom in Christianity" (1877), reprinted in *The History of Freedom*, p. 57.

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fend and, indeed, I believe, the only kind which can be defended consistently. So let me return, in conclusion, to what I said in the beginning: that the fundamental attitude of true individualism is one of humility toward the processes by which mankind has achieved things which have not been designed or understood by any individual and are indeed greater than individual minds. The great question at this moment is whether man's mind will be allowed to continue to grow as part of this process or whether human reason is to place itself in chains of its own making.

What individualism teaches us is that society is greater than the individual only in so far as it is free. In so far as it is controlled or directed, it is limited to the powers of the individual minds which control or direct it. If the presumption of the modern mind, which will not respect anything that is not consciously controlled by individual reason, does not learn in time where to stop, we may, as Edmund Burke warned us, "be well assured that everything about us will dwindle by degrees, until at length our concerns are shrunk to the dimensions of our minds."

II. Economics and Knowledge*

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THE ambiguity of the title of this paper is not accidental. Its main subject is, of course, the role which assumptions and propositions about the knowledge possessed by the different members of society play in economic analysis. But this is by no means unconnected with the other question which might be discussed under the same title—the question to what extent formal economic analysis conveys any knowledge about what happens in the real world. Indeed, my main contention will be that the tautologies, of which formal equilibrium analysis in economics essentially consists, can be turned into propositions which tell us anything about causation in the real world only in so far as we are able to fill those formal propositions with definite statements about how knowledge is acquired and communicated. In short, I shall contend that the empirical element in economic theory—the only part which is concerned not merely with implications but with causes and effects and which leads therefore to conclusions which, at any rate in principle, are capable of verification¹—consists of propositions about the acquisition of knowledge.

Perhaps I should begin by reminding you of the interesting fact that in quite a number of the more recent attempts made in different fields to push theoretical investigation beyond the limits of traditional equilibrium analysis, the answer has soon proved to turn on the assumptions which we make with regard to a point which, if not identical with mine, is at least part of it, namely, with regard to foresight. I think that the field in which, as one would expect, the discus-

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1. Or rather falsification (cf. K. R. Popper, *Logik der Forschung* [Vienna, 1935], *passim*).