

THE RADICAL CONSERVATISM OF FRANK H. KNIGHT*

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This article examines the most prominent interwar economist at the University of Chicago, Frank Knight, through the lens of a controversial 1932 lecture in which he exhorted his audience to vote Communist. The fact that he did so poses a historical problem: why did the premier American exponent of conservative economic principles appear to advocate a vote for radical change? This article argues that the speech is representative of Knight's deliberately paradoxical approach, in which he refused to praise markets without adding caveats about their substantial limitations, and expressed support for freedom of discussion alongside his skepticism of the public's capacity to exercise the privilege. In parsing these tensions, the article revises the conventional interpretation of Knight, illuminates the contested environment within which postwar free-market economics emerged, and reexamines a restrained defense of capitalism that has been largely forgotten in the subsequent years.

After dinner on the Wednesday evening prior to the 1932 election, Frank Knight entered a lecture hall in the Social Science Research Building at the University of Chicago. As he took the lectern he faced a room that was overheated, underlit, and almost filled with impatient students, who had gathered under the auspices of the university's Communist Club and the National Student League. "He looked like a very intelligent little rodent," Edward Shils later recalled, "rather adorable to look at but well capable of giving one a nip which would not soon be forgotten."¹ Knight did not take long to establish his tone. "I hope I am not talking to mental infants . . . or mental invalids," he said, "and if anyone thinks he has come to

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¹ Edward A. Shils, "Some Academics, Mainly in Chicago," *American Scholar* 50/2 (1981), 180.

a vaudeville show, there is still time to leave and correct the mistake.” He then fulfilled the promise of the lecture’s provocative title, “The Case for Communism, from the Standpoint of an Ex-liberal,” and announced its central theme: “Those who want a change and wish to vote intelligently should vote Communist.”²

This lecture poses a historical problem. Knight is widely remembered as the “sage and oracle” of the University of Chicago Economics Department between his arrival in the late 1920s and the Second World War, and as one of the most prominent academic advocates of free markets during the Roosevelt years.³ He manifested little patience for what he referred to as “all the insane or diabolical revolutionary propaganda and most of the stupid criticisms of the ‘capitalist system’ that menace our free institutions.”⁴ His lectures were credited, despite their notoriously diffuse presentation, with transforming incoming socialists into nascent libertarians, in an act of political alchemy often cited as the origin of the Chicago School.⁵ George Stigler recalled Knight as his most influential professor at Chicago, and Milton Friedman remembered him as a “revered teacher” and a departmental “star”; both were considered by their peers to be among a Knight affinity group that behaved, at times, like “Swiss guards.”⁶ The Austrian economist Friedrich Hayek expressed the opinion of many of the most prominent opponents of progressive economic policies in the Atlantic community when he

² Frank Knight, “The Case for Communism: From the Standpoint of an Ex-liberal,” in Warren J. Samuels, ed., *Research in the History of Economic Thought and Methodology*, archival supplement 2 (Greenwich, CT, 1991), 57–8. The lecture was privately published by Knight in 1933, along with two other speeches, in an edited volume: Frank Knight, *The Dilemma of Liberalism* (Ann Arbor, MI, 1933).

³ Melvin W. Reder, “Chicago Economics: Permanence and Change,” *Journal of Economic Literature* 20/1 (1982), 6. James Buchanan describes Knight’s dominant personality in the department in “Frank H. Knight,” in Edward A. Shils, ed., *Remembering the University of Chicago: Teachers, Scientists, and Scholars* (Chicago, 1991). On Knight as the progenitor of Chicago economics see William Breit and Roger L. Ransom, *The Academic Scribblers* (Chicago, 1982), 193–204; Sherryl Davis Kasper, *The Revival of Laissez-Faire in American Macroeconomic Theory: A Case Study of the Pioneers* (Northampton, MA, 2002), chap. 2; and Johan Van Overtveldt, *The Chicago School: How the University of Chicago Assembled the Thinkers Who Revolutionized Economics and Business* (Chicago, 2007), chap. 2.

⁴ Frank Knight, “The Rôle of Principles in Economics and Politics,” *American Economic Review* 41/1 (1951), 14.

⁵ James Buchanan, “Better than Plowing,” in *idem*, *Economics from the Outside In: ‘Better than Plowing’ and Beyond* (College Station, TX, 2007), 5.

⁶ George Stigler, *Memoirs of an Unregulated Economist* (Chicago, 2003), 16; Milton Friedman to the editor of *Challenge*, July 1964, box 1, folder 3, Milton Friedman Papers, Hoover Institution Archives; Milton Friedman and Rose D. Friedman, *Two Lucky People: Memoirs* (Chicago, 1998), 35; Paul A. Samuelson, “Economics in a Golden Age: A Personal Memoir,” in Gerald Holton, ed., *The Twentieth-Century Sciences: Studies in the Biography of Ideas* (New York, 1972), 161.

referred to Knight as “the man who among Americans has probably done most to spread an understanding of the working of a free society.”⁷ Why, then, did the premier American exponent of conservative economic principles appear to advocate a vote for radical change in the midst of the Great Depression?

Frank Knight’s writings have never neatly aligned with his imputed role as a dedicated advocate of free enterprise. Throughout his career, he refused either to extol the virtues of markets without drawing attention to their manifest limitations and sins, or to observe those limitations and sins without enumerating the formidable difficulties inherent in any attempt to overcome them. He articulated a complex social philosophy that affirmed the critical content of radicalism without yielding to its positive demands. The fact that he has been eulogized as one of his generation’s most emphatic champions of free markets illuminates the essential discontinuity between the defense of market-centered modes of social organization in the 1930s and the conservative economic rhetoric that has become familiar in more recent years. Knight’s deep ambivalence about the attributes of capitalist societies demonstrates the extent to which *laissez-faire* was discredited during the Great Depression even among those who were perceived to be its least compromising advocates. To be a conservative economist at the height of Knight’s career was not to champion free markets, but rather to disagree with the particular manipulations that the government at the time was pursuing.

The nature of free-market advocacy transformed in the years following the conclusion of the Second World War, in a break that remains inadequately studied and poorly understood. Knight’s successors at the University of Chicago, Milton Friedman and George Stigler, did not inherit his reservations about capitalism’s cultural degradations and institutional volatility. As a result, their social vision involved a less restrained application of market principles, and a less equivocal interpretation of the market economy’s largesse. Despite its broad cultural significance, the nature of this transition has only rarely been observed or analyzed. This relative neglect is a result, in part, of the segregation of the history of economic thought from the concomitant disciplines of political and intellectual history. Such partitions do not conform to a world in which economists have come to serve as both policy advisers and public philosophers. A serious engagement with the development of the postwar conservative intellectual world will require a more thorough understanding of the social scientists who helped to fashion its rhetoric and to establish and validate its assumptions. The study of these scholars leads invariably to the University of Chicago in the 1930s, where opponents of the New Deal found succor and an extraordinary proportion

⁷ Friedrich Hayek to Dr F. A. Harper of the William Volker Fund, 22 May 1961, box 58, folder 19, Friedrich Hayek Papers, Hoover Institution Archives.

of the leading postwar economists received their doctoral degrees. Frank Knight was at the center of this intellectual universe, and a renewed consideration of his work leads to some surprising conclusions. By conflating teachers with their students, and followers with their sources of inspiration, we have forgotten the degree to which the conservative economists of the 1930s disagreed with the policies their successors advocated in the supposed pursuit of a shared ideal.

I

Frank Knight presented a highly unusual figure to the students who attended his lecture on “The Case for Communism” in the autumn of 1932. Few university professors, then or now, could transition with equal facility among digressions into barnyard humor, German philosophy, and contemporary economic theory. His very persona seemed to enact the relentless multiplicity that characterized his philosophical imagination. The disparities in his self-presentation were produced, in part, by the volatile interaction between his rural education and his relentlessly inquiring mind. Knight was raised as the oldest of eleven children, nine of whom survived, on a family farm in McLean County, Illinois. He attended two tiny and faltering colleges in eastern Tennessee before making his way to the University of Tennessee in Knoxville in 1911 and two years later, at the age of twenty-seven, to graduate studies in the Department of Philosophy at Cornell.⁸ Not long after Knight’s arrival at Cornell, his mentors determined that he was unfit to study or teach philosophy, due to what one professor described as an “ingrained skepticism” that would “destroy the true philosophic spirit wherever he touches it.”⁹ This peculiar criticism led Knight to turn his attentions to his minor field of economics, and he found himself a rare skeptic in a field known for its credulity toward abstraction. His early work—as a graduate student at Cornell, a lecturer at Chicago, and a young professor at the University of Iowa—dwelled heavily on the ethical foundations and social effects of economic competition. By the time he joined the faculty of the University of Chicago in 1928, he was a major figure in the field.¹⁰ There he joined Jacob Viner, a theorist of international trade and a former student of Frank Taussig at Harvard, to establish a leading center for

⁸ Donald Dewey, “Frank Knight before Cornell: Some Light on the Dark Years,” in Warren Samuels, ed., *Research in the History of Economic Thought and Methodology*, vol. 8 (Greenwich, CT, 1990), 1–38.

⁹ The quote is attributed to James Creighton in Alvin Johnson, *Pioneer’s Progress* (New York, 1952), 227.

¹⁰ Three excellent brief overviews of Knight’s work include James Buchanan, “Knight, Frank H.,” in David L. Sills, ed., *International Encyclopedia of the Social Sciences* (New York, 1968), 424–8; Scott Gordon, “Frank Knight and the Tradition of Liberalism,” *Journal of*

graduate training in economics during the years before and during the Second World War. A number of graduate students from this period recall their teachers as having inculcated the emphasis on neoclassical price theory and distrust for government intervention that came to define Chicago economics in later years.

The broad influence of the economists associated with the postwar Chicago School has generated persistent distortions in the scholarly reception of Knight's work, as is particularly evident in the conventional understanding of his lecture on "The Case for Communism." In the decades since his death in 1972, many of Knight's students and interpreters have deflected the lecture's implicit indictment of capitalism by arguing that it was deliberately ironic. "Admittedly," the historian of economic thought Warren Samuels wrote in a brief introduction to the essay, "on the basis of his other writings and general ideological–philosophical position, as well as his association with the Mont Pèlerin Society, it is difficult to interpret Knight making the case at all seriously; it must be a joke!"¹¹ Edward Shils, in a reminiscence a half-century after the event, went so far as to assert that the lecture was an "affirmation of the principles of liberalism"; and Milton Friedman's wife Rose, in the late 1990s, recalled it as "tongue-in-cheek."¹² In the face of apparent discontinuities, Knight's sharpest critiques of the capitalist order have often been disregarded as a product of camouflaged jest.

The peculiar publication history of the talk would suggest, however, a lingering concern that others might read it differently. After being reprinted by Knight in a private edition, it remained unpublished, due to the objections of his students and colleagues, until 1991. When Samuels inquired about the possibility of including it in a research volume in 1987, Stigler indicated that "his friends have in general opposed publication," and a decade later Rose Friedman indicated that Knight was said to have wished to "unpublish" the lecture.¹³ Knight's private letters do demonstrate some reservations about its distribution, but no compunction about its content. The lecture, he wrote in 1934, "contained some things which

Political Economy 82/3 (1974), 571–7; and Robert H. Nelson, "Frank Knight and Original Sin," in *idem*, *Economics as Religion: From Samuelson to Chicago and Beyond* (University Park, PA, 2001), 119–38. Knight's outstanding contemporary interpreter is Ross B. Emmett, whose major work is his dissertation, "'The Economist as Philosopher': Frank H. Knight and American Social Science during the Twenties and Early Thirties," unpublished PhD thesis, University of Manitoba, 1990.

¹¹ Warren Samuels, "Introduction" to Knight, "The Case for Communism," 50.

¹² Friedman and Friedman, *Two Lucky People*, 37; Shils, "Some Academics, Mainly in Chicago," 180.

¹³ George Stigler to Warren Samuels, 17 March 1987, box 10, folder on "Knight," George Stigler Papers, Regenstein Library, University of Chicago; Friedman and Friedman, *Two Lucky People*, 37.

I think very important, but the march of political events in the world . . . has completely changed my attitude about trying to say them even to limited circles.”¹⁴ The preceding year had brought extraordinarily rapid changes at home and abroad: Knight was appalled by the rise of National Socialism in Germany, and perceived the enactments of the early New Deal as further manifestations of “a fundamental historical drift of western civilization toward bureaucratic tyranny.”¹⁵ The volatility of the political environment was exacerbated by the increasing prevalence of “mechanical means of communication” that enabled the cultivation of a “technique of simultaneously creating and manipulating the mob mind.”¹⁶ Knight worried about the capacity of his readers, in such an environment, to appreciate the nuances of an argument that he had constructed in deliberately incendiary terms.

In one sense, the post facto analyses of Knight’s students, colleagues, and interpreters seem well founded: the lecture’s case for communism is severely attenuated. Any earnest support for communism requires substantial faith in the prospects for social reform, and Knight always considered such confidence misplaced. He explicitly presented these qualifications in the lecture. In the act of doing so, however, he made it quite clear that his argument was not a “joke,” or “tongue-in-cheek,” or by any means an “affirmation of the principles of liberalism.” It was, he acknowledged, “more of a conversion ‘from’ than a conversion ‘to,’” inspired not by idealism but rather by the fact that the “the odor is bad; and when the odor gets bad enough it is natural to run for air, without being *too* critical as to which direction, or even how far.”¹⁷ If this lecture was not quite a full-blown “Case for Communism,” it was quite clearly intended to serve as the postlude of an “Ex-liberal.” As was often the case in Knight, the advocacy was tempered, but the aspersions were real.

In referring to himself as an “Ex-liberal,” Knight drew on a term that was fast becoming a source of contested meaning. Economists had conventionally used the word “liberal” to designate those who were committed to free competition in both the economic and the political spheres. The stigmatization of free markets in the wake of the Great Depression led those who had previously identified themselves as liberals to emphasize their departures from *laissez-faire*, and some scholars adopted prefatory modifications like “neoliberalism” to differentiate their ideas.¹⁸

¹⁴ Frank Knight to Hanlo E. Batson, 2 Jan. 1934, box 58, folder 5, Frank Knight Papers, Regenstein Library, University of Chicago.

¹⁵ Frank Knight to W. H. Kiehofer, 3 Oct. 1934, box 60, folder 23, Knight Papers.

¹⁶ Frank Knight to Hanlo E. Batson, 2 Jan. 1934, box 58, folder 5, Knight Papers.

¹⁷ Knight, “The Case for Communism,” 59–60; original emphasis.

¹⁸ Louis Rougier used the term “neoliberalism” in reference to a gathering of prominent intellectuals committed to the revitalization of liberalism in Paris in 1938. Louis Rougier,

The state of terminological flux was further exacerbated by the contrary, and increasingly widespread, application of the word “liberal” to describe advocates of progressive economic policies. At the time that he delivered “The Case for Communism,” however, Knight did not yet see the word “liberalism” as sufficiently problematic to demand an explanatory prefix or explicit definition. In his lecture, and in this essay, it denotes a political order structured around a competitive economy and a representative process of democratic adjudication.

Knight’s critique of these dual commitments of the liberal order was extraordinarily savage in both its content and tone.¹⁹ He argued that capitalist modes of social organization erroneously presumed that reward was primarily determined through effort, failing to take into sufficient account the decisive roles played by inheritance and luck.²⁰ Competitive economies, he continued, had demonstrated several tendencies toward irreversible degeneration as their scale expanded: an ever-growing inequality, an expansion of monopoly through the consolidation of business enterprises, and a widening gap between performance and reward.²¹ He mocked the utilitarian philosophy that provided a theoretical basis for free-market economics, proposing to model the “utility, or disutility, of friends, mothers-in-law, of bridge victories and defeats, solutions of cross-word puzzles, being stared and laughed at and snubbed.”²² Though he respected the potential benefits of a free economy, Knight was not at all impressed by the arguments adopted by its less nuanced defenders. This speech was a sustained intonation of rage at both the convenient elisions of the philosophers of capitalism and the destruction their deliberate ignorance had wrought.

Knight’s critique of democratic representation was still less restrained than his comments on capitalism. The problem with democracy, he explained, was that it required people to be able to express truths to one another within a framework of rational debate. This entailed a wild overestimation of the capacities of a democratic citizenry.²³ He believed that reductive arguments often held more rhetorical force than complex ones, and that a democratic polity would not prove capable of distinguishing the former from the latter. Even a purely hypothetical democracy founded on truthful discourse, Knight asserted, would surely collapse. “Truth in society is like strychnine in the individual body,” he said, “medicinal

“Avant-Propos,” *Le Colloque Walter Lippmann* (Paris, 1939), 7. The term “neoliberalism” has its own complex and contested history, and Rougier’s understanding of the term should not be conflated with its more recent connotations.

¹⁹ Knight, “The Case for Communism,” 85.

²⁰ *Ibid.*, 88.

²¹ *Ibid.*, 89–91.

²² *Ibid.*, 87.

²³ *Ibid.*, 64, 68, 73.

in special conditions and minute doses; otherwise and in general, a deadly poison.”²⁴

If capitalism and democracy each demonstrated irretrievable failures as modes of social organization, the combination of the two was uniquely problematic.²⁵ “The dualistic social order of the 19th century liberalism,” he concluded, “made up of economic laissez-faire and political democracy, that is, of economics and politics alike based on competitive, mass-selling talk, is bankrupt, and it is only a question of a successor to bid in the effects of the defunct at nominal figure.”²⁶ Knight’s comments here have all the earnestness of unmitigated despair. He was skeptical of capitalism, he was skeptical of democracy, and he was skeptical of any attempt to overcome the problems of either through pragmatic social reform. “I am personally rather inclined to the belief that to jump from competitive business to the competitive politics of democracy,” he wrote in an iconic 1935 rebuttal of the University of Texas economist Clarence Ayres, “is to jump from the frying pan into the fire.” If Knight can be understood as an advocate of liberalism, he did not find in it any kind of panacea, any prospects for longevity, or indeed any unqualified good. “The proposal of my own formula for the easy solution of the social problems,” he then wryly observed, “including the problem of poverty, will have to wait for a later instalment.”²⁷ Here, at least, he was adopting a tone of deliberate irony.

After rejecting the notion that “The Case for Communism, from the Standpoint of an Ex-liberal” is, in any meaningful sense, a “joke,” it might seem necessary either to situate the speech as a dramatic and peculiar outlier within Knight’s scholarly *oeuvre* as “the most orthodox of orthodox economists,” or to determine that previous understandings of Knight as a defender of capitalist democracy have been misconceived, and that he is instead “heterodox,” a “radical.”²⁸ To arrive at either of these conclusions, however, would be to overlook the dialogic structure of Knight’s social philosophy. His positions were paradoxical, and deliberately so. Knight perceived himself to be primarily a critic, more comfortable exposing the obfuscations of other theorists’ systems

²⁴ Ibid., 72.

²⁵ Ibid., 85.

²⁶ Ibid., 92.

²⁷ Frank Knight, “Intellectual Confusion on Morals and Economics,” *International Journal of Ethics* 45/2 (1935), 205.

²⁸ Edwin E. Witte, “Institutional Economics as Seen by an Institutional Economist,” *Southern Economic Journal* 21/2 (1954), 133, n. 4; William S. Kern, “The Heterodox Economics of ‘the Most Orthodox of Orthodox Economists’: Frank H. Knight,” *American Journal of Economics and Sociology* 56/3 (1997), 319–30; Donald Patinkin, “Frank Knight as Teacher,” in *idem, Essays on and in the Chicago Tradition* (Durham, NC, 1981), 36.

than constructing his own.²⁹ He lived, as he acknowledged in his dissertation, *Risk, Uncertainty and Profit*, in “a world full of contradiction and paradox,” and his primary instinct as a scholar was to expose these qualities where he perceived them to be elided.³⁰ His one philosophical absolute was a refusal to indulge in the uncritical adoption of absolutes.³¹ “It usually strikes me that philosophers talk sense when they are demolishing the work of some other philosopher,” he wrote to a colleague after his retirement as a full professor.³² His remorseless assault on the tenets of liberalism in “The Case for Communism” should be approached in the context of this critical instinct. For Knight, a vicious attack on the presuppositions underlying a particular position does not necessarily indicate a preference for an opposing position, nor does it imply that the perspective is not, given a series of conventional alternatives, the one to which he is most sympathetic. “There is always a principle, plausible and even sound within limits, to justify any possible course of action and, of course, the opposite one,” he stated in his 1950 presidential address before the American Economic Association. Like cookery, he continued, economic theory “calls for enough and not too much, far enough and not too far, in any direction.”³³ Often, Knight found it necessary to be devastatingly critical of the very arguments toward which he was most inclined, in an ascetic fulfillment of his desire to deny the temptations of misplaced philosophical confidence. His condemnation of liberalism in his 1932 speech was neither absolute nor ironic; rather, it was an acknowledgement that liberalism, too, could fall victim to implicit paradoxes, and manifest the tendency of all social philosophies to disintegrate from within.

This natural inclination toward critique was exacerbated in the early 1930s by Knight’s descent into severe depression.³⁴ His colleagues noticed his changed demeanor, expressed concern among themselves, and at one point assembled a celebratory dinner in an attempt to remind him of their appreciation—an

²⁹ Frank Knight to Jacob Viner, 9 Sept. 1925, box 16, folder 24, Viner Papers, Mudd Library, Princeton University. Dorothy Ross emphasizes this quality in a perceptive overview of Knight’s economic and political thought in *The Origins of American Social Science* (Cambridge, 1991), 420–27.

³⁰ Frank Knight, *Risk, Uncertainty and Profit* (Mineola, NY, 2006), 313.

³¹ When simplifications were unavoidable, he would tell his students to employ them only through the use of a relatively absolute absolute; that is, a temporary assumption that remained open to subsequent critique. See James Buchanan, “Born-again Economist,” in *idem, Economics from the Outside In*, 78–9.

³² Frank Knight to H. B. Acton, 7 May 1955, box 58, folder 2, Knight Papers.

³³ Frank Knight, “The Rôle of Principles in Economics and Politics,” 6.

³⁴ Ross Emmett, “‘What is Truth’ in Capital Theory? Five Stories Relevant to the Evaluation of Frank H. Knight’s Contributions to the Capital Controversy,” in John B. Davis, ed., *New Economics and Its History* (Durham, NC, 1997), 233.

evening he later recalled, in bitter correspondence, as “the most humiliating experience of my life.”³⁵ He attributed his personal depression to the onset of the Great Depression, the rise of international fascism, and the flowering of political radicalism in the United States. “I am so depressed that it is really serious for my work,” he wrote in 1933. “I feel that the regime of liberty has been a failure, or an experiment with negative results, that it has shown the incapacity of large masses of people to reach any sound conclusion by thinking and discussion.”³⁶ Knight felt that the liberal system had proven itself to be rotting from within. “About the only type of government I believe in any more is a dictatorship tempered by fear of assassination,” he declared in 1934.³⁷ He had lost all faith in any mode of social organization that relied upon the rationality of the masses, but could not find an alternative that merited respect.³⁸

Knight expressed these concerns in a 1934 letter to Friedrich Hayek, identifying themes that would emerge as central in Hayek’s *The Road to Serfdom* a decade later. “This to me is the meaning of the ‘New Deal’; it is just a detail in the general movement of west European civilization away from liberalism to authoritarianism.”³⁹ The difference between Knight and Hayek lay in their interpretation of this development and their views on what the response should be. In *The Road to Serfdom* Hayek called for a final rearguard action to reverse the course of history and construct liberalism anew. Soon after the publication of the book he acted on this vision by founding the Mont Pèlerin Society, a transatlantic cohort of academics, journalists, and politicians who shared the goal of defending “absolute moral standards,” the “rule of law,” and “private property and the competitive market” from the perceived dangers of the contemporary world.⁴⁰ Along with many of his peers in the society, Hayek juxtaposed his lugubrious assessment of contemporary civilization with a dynamic vision of the social possibilities available to a world that accepted his advice. To varying degrees, these scholars cultivated the potent genre of the utopian jeremiad, which juxtaposed a litany of the felt difficulties of the present against the possibility

³⁵ Frank Knight to Paul Douglas, 9 Jan. 1935, box 59, folder 16, Knight Papers. Underlining Knight’s.

³⁶ Frank Knight to Walter Smith, 5 Oct. 1933, box 62, folder 2, Knight Papers.

³⁷ Frank Knight to Charles Tippetts, 3 Nov. 1934, box 62, folder 11, Knight Papers.

³⁸ Frank Knight to Carl Brinkmann, 10 Nov. 1933, box 58, folder 7, Knight Papers.

³⁹ Frank Knight to Friedrich Hayek, 9 May 1934, box 60, folder 10, Knight Papers.

⁴⁰ R. M. Hartwell, *A History of the Mont Pèlerin Society* (Indianapolis, 1995), 41. This text, authored by a president of the society, remains its only English-language history. The most thorough treatment of the society is provided in Bernhard Walpen, *Die Offenen Feinde und ihre Gesellschaft: Eine Hegemonietheoretische Studie zur Mont Pèlerin Society* (Hamburg, 2004), which maintains a focus on Continental Europe and devotes limited attention to Knight and the American membership.

of their future dissipation. This message—the polemical core of the Reaganite revival—achieved astonishing rhetorical success, and allowed its proponents to cultivate a sense of messianic purpose in confronting the crises of the time.

Knight was a member of the Mont Pèlerin Society, but he remained far less sanguine about the possibility of developing a “new” liberalism that would be capable of addressing the problems exposed by the social collapse of the 1930s, and more inclined to evaluate that collapse as a manifestation of inherent paradoxes that no careful reconstruction could overcome. His depression in the early 1930s can be understood, in part, as the outcome of a reckoning with the implications of his own relentless critiques. His letters from the period explain those implications in grim detail. Invoking Frederick Jackson Turner’s frontier thesis, Knight implied that the circumstances that made nineteenth-century civilization possible were transient and impossible to replicate.⁴¹ Liberalism, he wrote to a former colleague from the University of Iowa, Charles Tippetts, “was always contradictory to the deeper currents of human nature,” a mere product of the “peculiar conditions” of the science and geography of a particular time, and as those conditions unraveled it grew clear that *laissez-faire* and democracy were “doomed.”⁴² Their collapse was not due to a public turn away from liberalism or an incorrect application of ostensibly liberal principles, but rather the final failure of the liberal idea. As Knight occasionally reminded readers, organic complexes must eventually “grow ‘old’ and die.”⁴³ And despite all our delusions, nothing was more transient than a civilization’s ideals: “dead men rise up—seldom, and dead gods, not at all. Gods are not less mortal than men, but more so.”⁴⁴ The viability of liberalism had passed with the nineteenth century, and Knight had assumed the role of the doubt-ridden priest of a superseded religion. He expressed his love for the principles of liberalism alongside his belief that an enduring liberal society could never be.

⁴¹ Frank Knight, “Social Science and the Political Trend” (1934), in *idem, Freedom and Reform: Essays in Economics and Social Philosophy* (Indianapolis, 1982), 35. This essay, which was first published in the *University of Toronto Quarterly* in 1934, was largely adapted from the second half of a lecture titled “The Passing of Liberalism” which appears to have been delivered earlier in the year. See Frank Knight, “The Passing of Liberalism,” box 17, folder 25, Knight Papers. Due to its greater accessibility, I cite “Social Science and the Political Trend” for material that was included in both the lecture and the essay.

⁴² Frank Knight to Charles Tippetts, 7 July 1933, box 62, folder 10, Knight Papers. He reiterated these thoughts months later, in Frank Knight to Edward Theiss, 9 Dec. 1933, box 62, folder 9, Knight Papers.

⁴³ Knight, *The Dilemma of Liberalism*, 58.

⁴⁴ *Ibid.*, 54. Underlining Knight’s.

II

Despite his substantial contributions to economic theory, Knight remains best known for his extraordinary and peculiar qualities as a teacher at the University of Chicago during a period in which many Nobel laureates, who would change the profession over the course of their careers, were trained. Rose and Milton Friedman liked to say of Knight that “two-thirds of his students never got anything from him, and the rest never got anything out of two-thirds of his remarks, but that the remaining one-third of one-third was well worth the price of admission.”⁴⁵ The perception of Knight’s lectures as impenetrable and idiosyncratic, but occasionally transformative, appears to have been widespread. Any interpretation of Knight therefore runs the risk of reducing his language into fragments that serve as misleading proxies for the complex propositions he sought to convey. His students and successors have tended to develop a holistic impression of his thought from those portions of his arguments that conform with their prior or desired beliefs. Their philosophical certitudes have at times come at the expense of imparting a selective order to the deliberate messiness of Knight’s world view.

In the years preceding his presentation of “The Case for Communism,” Knight had written a series of notes to accompany his university lectures. These were anthologized as a formal reader for students at Chicago in 1933, and this soon became one of his most influential works. The first chapter of *The Economic Organization* provides, in concert with his students’ recollections, an extensive overview of the achievements of free markets.⁴⁶ Even here, however, he refused to extol the virtues of markets without providing continual reminders of their limits. “It must constantly be borne in mind that explaining how the system works does not mean justification of it, as it has a way of seeming to do,” he wrote. Rather, one should do so primarily to identify weaknesses that ought to be redressed.⁴⁷ To Knight, the benefits of markets were generated alongside—and often through—extraordinary harms, and he was sympathetic to critics who found these harms unacceptable. He demonstrated little patience for those who believed other systems of social organization could replicate capitalism’s material abundance, and also for those who assumed that this abundance could be reaped without sacrifices that might prove too great for society to bear.

In his descriptions of capitalism’s flaws, Knight concentrated on two problems. His first critique was succinct but incisive: a successful capitalist society demands inequality, and that inequality results in a social framework that is both unjust and

⁴⁵ Friedman and Friedman, *Two Lucky People*, 38.

⁴⁶ Frank Knight, *The Economic Organization* (New York, 1951), 31–2.

⁴⁷ *Ibid.*, 36.

unstable.⁴⁸ No adjustment or series of tweaks could solve this problem; rather, the relationship between equality, justice, culture, and material abundance existed under a continual tension in which increased devotion to one could threaten or destroy the others.⁴⁹ The pursuit of a single ideal, such as justice, was “impossible, in any definition, and any serious attempt to achieve it will destroy all civilized life,” he concluded. “It just isn’t that kind of a world.”⁵⁰ Forms of inequality were necessary both to foster the conditions for high achievement and to serve as a motivational spur to produce and achieve; but retaining them involved injustices that people of conscience found it difficult to endure. In a review of Hayek’s *The Road to Serfdom*, he warned against the reification of any single ideal. Neither “freedom nor truth can be treated as an absolute,” he wrote. “They conflict with beauty and morality and other values, and with one another, necessitating ‘marginal’ comparison and compromise, and correct proportioning.”⁵¹ Society, in a Knightian scheme, was like a multilevered scale, and the adjustment of one weighting necessarily led to shifts in all of the others. Economic freedoms were not something to maximize, but rather to hold in careful suspension alongside a number of other important and often conflicting social ideals. It was a question, he asserted in a later essay, not “of either-or but of how far, and in what ways.”⁵²

Knight’s second critique of capitalism was more complex, and he devoted much of his work to expounding its various dimensions and ramifications. Many theorists of the market operated under the assumption that humankind approached economic questions from an abstract perspective that, according to Knight, was both emaciated and absurd. Even as rational-choice theory flourished in the later stages of his career, he forcefully maintained that individuals depart constantly and determinedly from rational expectations in their daily lives. People, he observed simply in a pulpit address before the First Unitarian

⁴⁸ Frank Knight, “Science, Philosophy, and Social Procedure” and “The Sickness of Liberal Society” (1946), in *idem*, *Freedom and Reform*, 265, 453.

⁴⁹ Frank Knight and Thornton W. Merriam, *The Economic Order and Religion* (New York, 1945), 124.

⁵⁰ Frank Knight, “World Justice, Socialism, and the Intellectuals,” *University of Chicago Law Review* 16/3 (1949), 441. This view strongly conflicts with the post-Rawlsian emphasis on the primacy of justice. Nevertheless, Rawls cited Knight as an influence several times in *The Theory of Justice* and owned a thoroughly annotated copy of *The Ethics of Competition* (currently in the possession of David Levy). I am grateful to T. M. Scanlon for drawing my attention to these materials.

⁵¹ Knight, “World Justice, Socialism, and the Intellectuals,” 441.

⁵² Frank Knight, “Conflict of Values: Freedom and Justice,” in Dudley Ward, ed., *Goals of Economic Life* (New York, 1953), 230.

Church in 1963, “do not act rationally.”⁵³ They are creatures beset by assumptions, habits, desires, and ideals that constantly lead them to reject choices that abstract economic analysis would expect. “Complete rational freedom is not only completely impossible, it is a contradiction in terms,” he wrote in a letter to the Committee on Social Thought in 1943. “People cannot get outside their skins or lift themselves by their bootstraps.”⁵⁴ An economic system that devolves power to individuals has extraordinary merits, but it cannot rely on the rationality of their choices. Any such economy will reflect the always substantial limitations and prejudices of its constituent parts.

In his early work *Risk, Uncertainty and Profit*, Knight argued that the engine of the competitive economy lay in its very unpredictability. In doing so he relied on a new definition of uncertainty, identifying it as a unique kind of risk that was not susceptible to measurement, and therefore not reducible to a quantitatively determinate probability through the accumulation of cases into groups.⁵⁵ In a world without uncertainty intelligence would be impossible, “all organic readjustments would become mechanical, all organisms automata,” and profit would become unobtainable.⁵⁶ People naturally strove to reduce uncertainty via the development of superior abilities to foretell and control the future. At the same time, however, the very uncertainty that they attempted to overcome infused their existence with meaning: in a world of perfect knowledge, there was nothing to discover and no contingent outcome to anticipate or imagine. Humans, in a bleak irony, were engaged in a ceaseless quest to erode the quality that bestowed their lives with dynamism, and rational economic activity was defined by its attempt to overcome its necessary conditions.

Indeed, Knight argued that an enlightened society would never, and should never, want people to act rationally from a purely economic perspective. He remorselessly assailed economists’ tendency to approach economic rationality as a meritorious framework of behavior. The “rational, economic, criticism of values gives results repugnant to all common sense,” Knight observed in his 1922 essay on “Ethics and the Economic Interpretation,” and the “economic man is the selfish, ruthless object of moral condemnation.”⁵⁷ Capitalism as a framework of organization operated through a matrix of assumed behaviors that, when

⁵³ Frank Knight, “Christian Ethics and Social Betterment” (pulpit address, First Unitarian Church, Chicago, expanded version), 18 Aug. 1963, 19, box 4, folder 6, Knight Papers.

⁵⁴ Frank Knight to the Committee on Social Thought and Dean Katz, 7 Dec. 1943, box 59, Knight Papers.

⁵⁵ Knight, *Risk, Uncertainty and Profit*, 48, 231–2.

⁵⁶ *Ibid.*, 268.

⁵⁷ Knight, “Ethics and the Economic Interpretation” (1922), in *idem, The Ethics of Competition* (New Brunswick, 1997), 30.

unmitigated, conflicted with all decent standards of morality. It was a social system without a viable social ideal, and as such could only function due to the countervailing irrationalities its theorists, strangely, continued to condemn.

Instead, human action departed continually and decisively from the predictions of the abstract datum of the economic theorist, and economic activity as such was not pursued primarily for financial or material gains. We could see this, Knight emphasized, in the often abstemious personal lives of those individuals who were most successful in pecuniary terms.⁵⁸ The appetite for prosperity was a desire not so much for the ability to purchase more and better consumer goods, but rather to achieve success at the most extraordinary of competitive endeavors. Powerful businessmen, he wrote in *Risk, Uncertainty, and Profit*, “consume in order to produce rather than produce in order to consume, in so far as they do either. The real motive is the desire to excel, to win at a game, the biggest and most fascinating game yet invented, not excepting even statecraft and war.”⁵⁹ The tragedy of this particular game, of course, was that partaking in it was not optional, and it tended to tyrannize the different games that might otherwise be played. Knight sounded this mournful note in a passage in “The Ethics of Competition”: “In a social order where all values are reduced to the money measure in the degree that this is true of modern industrial nations, a considerable fraction of the most noble and sensitive characters will lead unhappy and even futile lives.”⁶⁰ He expressed consistent discomfort with the term “capitalism,” and the reasons are evident here. First, Knight did not believe that economic activity revolved around capital, so much as the symbolic validation that capital implied within the broader rules and patterns of the game. Second, he was unwilling to accept those parameters as a greater or lesser source of value than those of the innumerable other games one might find it worthwhile to play. The very adoption of the term “capitalism” could be construed as an indication of the ways in which the liberal worldview had, with the passage of time, gone awry.

Even to the extent that individuals did attempt to achieve their individual wants through rational activity, Knight remained skeptical of the wisdom of the capitalist system. He wrestled in particular with the critique that advertising manipulates these wants to encompass items that have little or even negative intrinsic value. Without arriving at any final conclusions, he repeatedly acknowledged the seriousness of this problem. “[O]ne of the most fundamental weaknesses of the market system is the use of persuasive influence by sellers upon buyers,” he wrote in 1934, “and a general excessive tendency to produce wants for

⁵⁸ Knight, “The Ethics of Competition” (1923), in *idem*, *The Ethics of Competition*, 51.

⁵⁹ Knight, *Risk, Uncertainty, and Profit*, 360.

⁶⁰ Knight, “The Ethics of Competition,” 58.

goods rather than goods for the satisfaction of wants.”⁶¹ Here Knight borrowed some insights from institutionalism, a leading contemporary approach to the study of economics. Institutional economics—associated most prominently with John R. Commons of Wisconsin, Wesley Mitchell of Columbia, and Thorstein Veblen—prioritized empirical research over theoretical analysis, and emphasized the importance of cultural norms and habits in forming economic behavior.⁶² Knight was often referenced as a leading opponent of institutionalism, but he acknowledged that its adherents were in possession of a partial truth.⁶³ His approach to the profession’s methodological disputes was one of provocative triangulation: “It is not either this or that or the other,” he wrote in an essay on institutionalism in 1952, “but all of them, each in its proper place and proportion—like economic choices themselves.”⁶⁴ Like many institutionalists, Knight believed that consumers were not able to evaluate the information provided by advertisements with dispassionate objectivity. Rather, they were constantly vulnerable to the manufacture of wants, many of which did not redound to the social good.

In their refusal to behave as rational, atomistic units in ceaseless pursuit of an increased ability to purchase consumption goods, Knight believed that humans continually obstructed the economic theorist’s utopia of perfect competition. And in a final swipe at the conceptual foundations of capitalism, he asserted that the achievement of this utopia would itself be catastrophic. “Perfect competition implies conditions,” he reminded readers in *Risk, Uncertainty and Profit*, “especially as to the presence of human limitations, which would at the same time facilitate monopoly, make organization through free contract impossible, and force an authoritarian system upon society.”⁶⁵ Without competent intervention and remedial action, Knight believed that free-enterprise economies would enter into cataclysmic cycles of expansion and contraction. Unconstrained by legal and moral restraints, they would produce intolerable, and ultimately unsustainable, degrees of inequality and injustice. Competition, he believed, was only preserved by its departures from perfection.⁶⁶

⁶¹ Knight, “Social Science and the Political Trend,” 39.

⁶² Yuval P. Yonay, *The Struggle over the Soul of Economics: Institutional and Neoclassical Economists in America between the Wars* (Princeton, NJ, 1998), 50–52.

⁶³ *Ibid.*, 144.

⁶⁴ Knight, “Institutionalism and Empiricism in Economics,” *American Economic Review* 42/2 (1952), 45–55, 46. Knight’s institutionalist sympathies strengthened later in his life, as evidenced in Knight to Clarence Ayres, 13 July 1969, box 58, folder 4, Knight Papers.

⁶⁵ Knight, *Risk, Uncertainty and Profit*, 193. Knight reiterated this opinion decades later in his presidential address before the American Economic Association. See Knight, “The Rôle of Principles in Economics and Politics,” 19.

⁶⁶ Knight and Merriam, *The Economic Order and Religion*, 105–6.

After sorting through the litany of Knight's critiques of capitalism—its fostering of inequality, its vulnerability to unsavory manipulations, its implicit idealization of an emaciated “economic man” and an unworkable “perfect competition”—the temptation arises to situate Knight among the institutionalists and economic radicals for whom he at times felt an explicit affinity. To do so, however, is to misunderstand his propensity to criticize even those ideals he found most appealing, and to overlook his deeply conservative inclination to place bets, in the face of paralyzing uncertainty, on the side of established practice. Less than a year after presenting his speech on “The Case for Communism,” Knight described this instinct in a letter to Walter Smith, an economist at William College:

Trying to look as deep as possible into fundamentals, I feel that both the radicals and conservatives are right. On the one hand, the old system had got to where its workings could not be tolerated, and there is absolutely no use in thinking of going back to it. On the other hand, it just doesn't seem real to me that any convention of the best minds could do much in the way of designing a new system to order . . .⁶⁷

Knight was living in a world of desperately bad alternatives, which allowed him to advocate the market system despite a severe distaste for its myriad effects and a conviction that it was piloting itself toward an inevitable and disastrous collapse. Despite their particular differences, Knight shared with Hayek a deep respect for frameworks of social interaction that had demonstrated functional successes and a suspicion of the potentially disastrous implications of radical social reform. “I'm very curious as to what alternative to the profit-system you can think of that wouldn't be worse,” he wrote to a colleague in 1957. “I've been trying to think of one for a half-century or so, without success.”⁶⁸ He demonstrated the radical's capacity to lament the inadequacies of the present world and to yearn for a better one, but he lacked the ability to believe that the necessary options existed or that the desired changes might come to be. His was a critique divorced, deliberately but with a sense of tragedy, from action.

Knight's advocacy of the market economy was always restrained. He levied constant and explicit critiques of a capitalist social framework, and remained very clear that he did not support any economic policy resembling *laissez-faire*.⁶⁹ What fluctuated over the course of his academic career was not his analysis of capitalism's benefits and defects—which remained remarkably consistent, despite (and, in part, due to) his deliberately self-subversive tone—but rather his belief in the sustainability of the status quo. The economic and political events of the

⁶⁷ Frank Knight to Walter Smith, 29 Nov. 1933, box 62, folder 2, Knight Papers.

⁶⁸ Frank Knight to Herbert Joseph Muller, 6 Nov. 1957, box 61, folder 8, Knight Papers.

⁶⁹ Frank Knight, “Laissez-Faire: Pro and Con” (1967), in *idem*, *Selected Essays by Frank H. Knight*, ed. Ross Emmett, vol. 2 (Chicago, 1999), 439.

early 1930s thrust him into a state of crisis, and he temporarily abandoned all faith in the stability of the social system. His letters in this period repeated a belief that all economic and political freedoms would be lost within ten or twenty years.⁷⁰ In such an environment the assumed stability of the status quo and instability of radical change were thrown into flux. “The Case for Communism” is the product of a moment when Knight believed his suspicion of radicalism might no longer hold, and as a result considered the possibility of alternative structures of social organization. The grimness with which he did so reminds his readers that he was not, in any substantive sense, a radical. The fact that he did so at all reminds them that this was a time when the assumptions of liberalism seemed, even to their most prominent defenders, to have passed away.

III

Knight approached a market-based economy and a democratic government as the two constitutive elements of the liberal philosophy.⁷¹ In his analysis of democracy, he adopted the same three-part explanatory structure that he employed in his writings on capitalism: examining first its substantial virtues; second, its inextricable failures; and third, the reasons to uphold it in spite of those flaws. He exalted the democratic commitment to free discussion, indicating that without that basic freedom there was little reason to exist. But the viability of such a system depended on the capacity of a citizenry to develop decision-making procedures that would enable them to arrive at an informed consensus.⁷² These procedures invariably failed, leading democratic societies to descend into polemic and controversy.⁷³ This, to him, was the core of the human predicament: a need for freedom combined with an incapacity to sustain it. In a Knightian world, societies were continually engaged in the act of destroying the very quality that made their existence worthwhile.

The root of the problem was rhetoric, a preoccupation that began to permeate his essays in the early 1930s and remained a central theme for the duration of his career. He presented his detailed position in a preface to the 1933 reissue of *Risk, Uncertainty and Profit*: “discussion must be contrasted with persuasion, with any attempt to influence directly the acts, or beliefs, or sentiments, of others,” he wrote. The latter “is the basic error, or heresy, of modern civilization,

⁷⁰ Frank Knight to H. T. Warshow, 9 May 1934, box 58, folder 2, Knight Papers; and Frank Knight to Oskar Morgenstern, 26 July 1934, box 61, folder 8, Knight Papers.

⁷¹ Knight, “The Case for Communism,” 85.

⁷² Frank Knight, “The Passing of Liberalism,” 11; Knight, “World Justice, Socialism, and the Intellectuals,” 437.

⁷³ Knight and Merriam, *The Economic Order and Religion*, 63.

and represents a kind of original sin.”⁷⁴ He was still more forthright in a footnote he added to “Economic Theory and Nationalism” two years later: “the very concept of discussion excludes all use of force, including persuasion, in any form.”⁷⁵ Knight perceived persuasion as a mode of coercion, which—like physical repression—operated to prevent the open progress of dialogue. “Truth is established only by discussion, in the absence of *coercion*” he wrote in 1941, adding that coercion includes “‘persuasion,’ in the distinctive and proper meaning of that term, the core of which is deception.”⁷⁶ A political order based on the free interchange of ideas and opinions would only be possible in a discursive environment expunged of persuasive rhetoric.

Knight failed, however, to provide any clear explanation of how a language devoid of persuasion would function. Any speech delivered with intent, in which the intent affects either the words chosen or the structure of the phrase, holds some rhetorical dimension. The starkness of Knight’s pessimism derives from the fact that his quarrel lay with the structure of language itself: a discomfort with the intentional elisions that are entailed in the process of expressing thought and experience in discernible signs. Much that goes wrong, according to Knight, is attributable to the need to reduce a complex world into much simpler sentences.⁷⁷ His own relentlessly paradoxical prose reflected a desire to draw constant attention to these elisions, and—by refracting constantly on and through itself—to point toward truths that resisted linguistic reduction. Failing to expunge rhetoric from his own language, he maintained a style of prose at relentless war with itself. His texts, like battlefields, generated spectacular effects with results that were invariably grim.

Given the severity of his interpretation of rhetorical excess, it can be no surprise that Knight found democratic governments to fall far short of the ideal. Free citizenries demonstrated little capacity to distinguish truth from fabrication, and as a result tended to hold the beliefs they felt to be least troubling or most pleasant: a characteristic skilled rhetoricians found it easy to exploit. Mass populations, Knight stated in his speech on “The Passing of Liberalism,” “never showed any capacity for intelligent analysis of political issues or for agreeing on any possible, workable solution of public problems.”⁷⁸ Instead, they filtered difficult

⁷⁴ Knight, *Risk, Uncertainty and Profit*, xxxv–xxxvi.

⁷⁵ Knight, “Economic Theory and Nationalism,” in *idem*, *The Ethics of Competition*, 348 n.

⁷⁶ Knight, “The Meaning of Democracy: Its Politico-economic Structure and Ideals” (1941), in *idem*, *Freedom and Reform*, 227. Original emphasis.

⁷⁷ Knight cited the law as an example of this phenomenon, asserting that it “is an ass” in part because it “must be stated in sentences.” See Knight, “The Rôle of Principles in Economics and Politics,” 6.

⁷⁸ Knight, “The Passing of Liberalism,” 18.

political questions through a gauzy anti-intellectualism that made thoughtful analysis impossible.⁷⁹ Liberalism failed due to its very premises, as citizens proved incapable of handling the freedom of discussion and self-determination.⁸⁰ “The mystery is not that representative institutions were discredited,” he concluded in that speech, “but that any other result could have been expected.”⁸¹

Knight’s lack of faith in dialogue led him to believe that an open framework for discussion rewarded bad ideas and neglected meritorious ones. In two letters written in the winter of 1933–4, he drew explicit parallels between his analysis of rhetoric in academic debate and advertising in free markets. In both cases, Knight’s conviction that people were generally irrational, manipulable, or rooted in established conventions led him to believe that structures of free interchange benefited rhetoricians over honest participants. Knight wrote in a November letter to Walter Smith that he had always recognized sweeping limitations in the principle of *laissez-faire*, but had arrived at the conclusion that in the field of intellectual leadership it was “inherently and overwhelmingly bad.”⁸² He already held a grim view of the ability of individuals to make rational choices when confronted with a consumer good or a politician. In the more ephemeral realm of ideas and ideals, he found the record of the invisible hand to be “necessarily disastrous.” The use of persuasion and salesmanship in intellectual life, he told an assistant lecturer in his department, is “in a way much worse than what we see in business and politics where ‘God knows’ the results have been bad enough!”⁸³ In the broad pantheon of sinister manipulations, Knight’s distrust of the businessperson was exceeded only by his distrust of the politician and the public intellectual.⁸⁴ When called upon to justify capitalism, he would pay it a backhanded complement: the predatory manipulations of purveyors of goods tended to be less severe and disastrous than those of politicians or visionary intellectuals.⁸⁵ In his world, people could be counted on to make poor decisions about their products and their candidates, and still worse decisions about their ideas. Knight was a committed advocate for freedom of thought and expression, but he remained convinced that a society constructed around those ideals necessarily collapsed from within. He approached the problems of

⁷⁹ Ibid., 11.

⁸⁰ See, for example, Frank Knight, “Pragmatism and Social Action” (1936), in *idem*, *Freedom and Reform*, 50.

⁸¹ Knight, “Social Science and the Political Trend,” 36.

⁸² Frank Knight to Walter Smith, 29 Nov. 1933, box 62, folder 2, Knight Papers.

⁸³ Frank Knight to Hanlo E. Batson, 2 Jan. 1934, box 58, folder 5, Knight Papers.

⁸⁴ Journalists who care about truth, Knight wrote, “will simply be eliminated by the process of natural selection, through market demand.” See Knight, “World Justice, Socialism, and the Intellectuals,” 436.

⁸⁵ See Frank Knight to Hanlo E. Batson, 2 Jan. 1934, box 58, folder 5, Knight Papers.

the resulting political world with the hopelessness of the atheist who believes in original sin.

Knight's conviction that humans were incapable of engaging in an intelligent and sustained process of democratic adjudication led him to reject socialism as a viable solution to the suffering produced by capitalist societies. It was a mistake, he argued, to perceive inequality primarily in terms of material goods. Humans were much more concerned with the allotment of "dignity, prestige, and power," and a society in which these qualities were allocated through a flawed political process was vulnerable to still greater manipulation, dispersion, and discontent than one in which they were allocated primarily through the distribution of capital.⁸⁶ This severe critique of democratic socialism led Knight to position himself in opposition to many of his more progressive peers, and to develop a reputation as a leading opponent of government intervention. He demonstrated little patience for ambitious attempts at social reform, instilled many of his students with a corrosive distrust of politics, and played an active role in the network of scholars surrounding the Mont Pèlerin Society in its early years.

Knight's suspicions of the merits of public discussion, however, also point toward meaningful differences between him and his colleagues and successors.⁸⁷ His views formed a particularly clear contrast with the positions outlined in *The Open Society and Its Enemies* (1945) by Karl Popper, a close colleague of Hayek's who played a central role in the Mont Pèlerin Society's initial meeting. There, Popper forcefully advocated a society built upon a "critical rationalism" that resolved differences through open structures of debate.⁸⁸ These proposals represented a limited political extension of Popper's earlier claims in *The Logic of Scientific Discovery* (1934) that science progressed through an open competition of hypotheses in which the losers suffered eventual falsification at the hands of the facts.⁸⁹ Political debate was, of course, complicated by the differing constitution (and debatable existence) of the "facts" and the corresponding contestations over what could be considered "falsification," but Popper shared in both cases a faith in the ability of communities of rational individuals to arrive, through collaboration and consensus, at correct and justifiable conclusions with the passage of time.

⁸⁶ Frank Knight, "Economic Theory and Nationalism," 301.

⁸⁷ On the divide separating Knight from his peers and successors see Robert Van Horn and Philip Mirowski, "The Rise of the Chicago School of Economics and the Birth of Neoliberalism," in Philip Mirowski and Dieter Plehwe, eds., *The Road from Mont Pèlerin: The Making of the Neoliberal Thought Collective* (Cambridge, MA, 2009).

⁸⁸ Karl Popper, *The Open Society and Its Enemies*, vol. 2 (Princeton, NJ, 1971), 237. On Popper's critical rationalism see Malachi Hacoen, *Karl Popper: The Formative Years, 1902–1945, Politics and Philosophy in Interwar Vienna* (Cambridge, 2000).

⁸⁹ See Karl Popper, *The Logic of Scientific Discovery* (London, 2002).

Popper's ideas had a formative influence on Milton Friedman as the latter developed his foundational essay on "The Methodology of Positive Economics."⁹⁰ Friedman envisioned economics as a social science that would function much as Popper described natural science: economists would develop hypotheses, and the "winning" hypotheses would be identified by tests to determine empirical validity.⁹¹ Also like Popper, Friedman drew upon his scientific methodology in his approach to public discussion. Later in his career he became—despite his academic achievements—best known for his activities as a popular polemicist, and he remained consistently willing to set forth his arguments in the public battleground of ideas. Friedman embraced the role of public intellectual, and expressed continued optimism about a democratic society's ability to arbitrate differing truth-claims and eventually arrive at a reasoned conclusion.⁹² Chicago economics came to be defined by these qualities: faith in the manifest rationality of consumers, the wisdom of crowds, and the success of well-grounded truth-claims in the marketplace of ideas.

Popper's and Friedman's approaches to these questions wholly invert the Knightian analysis of politico-academic discussion, demonstrating a fundamental division within the broader milieu of the Mont Pèlerin Society. This variance precipitated divergent approaches to the role of the academic intellectual in public debate, which in turn inspired widely differing views of what the purpose of such a society should be. The use of the scientific method in the study of society, Knight had warned, was a "romantic folly," which failed to account for the pivotal distinctions between human subjects and subjects in the natural world, and therefore implicitly validated the cultural assumptions reflected in the questions social scientists asked and the behaviors their subjects manifested.⁹³ While Knight disavowed all rhetoric and argued that persuasion engendered many of the foundational problems of modern life, Friedman embraced persuasive argument as a necessary element of social discussion. While Knight remained

⁹⁰ Friedman and Friedman, *Two Lucky People*, 215.

⁹¹ Milton Friedman, "The Methodology of Positive Economics," in *idem*, *Essays in Positive Economics* (Chicago, 1953), 3–43.

⁹² An openly polemical tone, and sustained optimism about the eventual outcome of public debate, are evident in Milton Friedman, *Capitalism and Freedom* (Chicago, 1982); and Milton Friedman and Rose D. Friedman, *Free to Choose: A Personal Statement* (New York, 1981).

⁹³ Frank Knight, "The Rôle of Principles in Economics and Politics," 11. Edward Purcell provides a careful treatment of Knight's critique of "objective" social science, and his struggles to develop a viable alternative, in *The Crisis of Democratic Theory: Scientific Naturalism and the Problem of Value* (Lexington, KY, 1973), 43–5. Also see J. Daniel Hammond, "Frank Knight's Antipositivism," *History of Political Economy* 23/3 (1991), 359–81; and Emmett, "The Economist as Philosopher."

convinced throughout his life that society was spiraling downward as its internal contradictions approached a tragic denouement, Friedman manifested strong faith in the eventual possibility of a positive social outcome. And while Knight castigated his peers for their forays out of academe in the belief that scholars should fiercely guard and work to justify their mantle of disinterested objectivity, Friedman asserted that the academic intellectual had both an opportunity and a responsibility to play an active role in fomenting positive social change.⁹⁴ Knight remained a model of the alienated, eremitic critic; Friedman helped to establish the late twentieth-century genre of the public policy intellectual. The waning of Knight's influence with the passage of time, and the increasing centrality of Friedman within both the Mont Pèlerin Society and the Department of Economics at Chicago, explain much about the transformation in these institutions' public profiles in the decades following the Second World War. From their distinctive self-presentations to their highly defined views, they provide loose personifications of the defeated and disconsolate liberalism of the 1930s and its resurgence in the postwar era. Reencountering Knight provides a reminder of the significance of the divide that lies between the two. As Knight's student and Friedman's contemporary Paul Samuelson observed, "if Doctor Friedman is one of those optimists who thinks that capitalism is the best of all possible worlds, Dr. Knight was one of those pessimists who is afraid that this is indeed the case."⁹⁵

IV

Knight's refractory expository style makes him a barometer of accepted political and economic assumptions. In the 1930s, he was counted among a limited cadre of academic intellectuals devoted to the reversal of the New Deal and the restoration of certain liberal ideals. Today, his essays can appear to have more in common with radical critiques of economic and political individualism. The reality, as he freely admitted, lay somewhere between—or inclusive of—the two. "Truth," for Knight, was always a difficult concept, and one susceptible to interpretive oversimplifications. His philosophical perspective remained, to paraphrase "The Case for Communism," in a state of moving *from* rather than progressing *to*. His less careful readers have demonstrated a tendency, to the extent that his ideas were critical of the accepted standards, to disregard his unmoored state and to assume that he had anchored at an oppositional view.

To more recent readers who might identify a leftist valence in Knight's dialectical critiques, it is important to remember the perspectives that drew him together with the loosely affiliated group of academic advocates of the

⁹⁴ Frank Knight to Abram L. Harris, 7 July 1934, box 60, folder 5, Knight Papers.

⁹⁵ Paul Samuelson, "Frank Knight, 1885–1972," *Newsweek*, 31 July 1972, 55.

free market in the 1930s.⁹⁶ This community did not yet have the stridency it exhibited in the postwar years: Lionel Robbins and Friedrich Hayek, for instance, shared many of Knight's reservations about laissez-faire and his belief that any functional new liberalism would need to overcome the accepted failures of the old. Knight joined them in expressing continuous and unreserved enmity for the New Deal, and pessimism about earnest attempts to generate social change.⁹⁷ Despite his distaste for political parties, many surviving letters reveal Knight's support for Republican candidates, and none align him with specific alternatives. His antiauthoritarianism inspired generations of colleagues and students—from Henry Simons and James Buchanan to Milton Friedman and George Stigler—to distrust the hand of government wherever it might be found.⁹⁸ His scholarly sympathy with the call for radical change was never joined with the confidence to pursue it.

At the same time, those who align Knight too closely with his colleagues and students in the Mont Pèlerin Society must remember his skepticism of all political absolutes and his clearly voiced aversion to many of their ideas. Unlike his contemporaries at the London School of Economics and his successors at Chicago, Knight never accepted the alchemy of spontaneous order. In open markets, he remained anxious over rising inequalities and pernicious manipulations; in open societies, he worried about the debilitating effects of rhetorical debate; and in a culture committed to both, he remained convinced that an excess of liberal freedoms would collapse upon itself. He explained some of his criticisms in a University of Chicago Press internal review of *The Road to Serfdom*, in which he complained that Hayek's work remains "essentially negative," "hardly considers the problem of alternatives," and "inadequately recognizes the necessity, as well as political inevitability, of a wide range of governmental activity in relation to economic life in the future," instead dealing "only with the simpler fallacies."⁹⁹ Knight was a liberal who believed that the liberal project had, due to its own shortcomings, failed, and he had little sympathy for those whom he perceived to wish to restore the former ideal.¹⁰⁰ By the late 1950s, he was convinced that advocates of free markets had grown "doctrinaire," and privately denounced

⁹⁶ Paul Samuelson commented on Knight's antipathy toward planned economies in a reminiscence following his death, but then went so far as to compare him to Herbert Marcuse, enigmatically referring to members of the New Left as "Knight without the market." Samuelson, "Frank Knight, 1885–1972," 55.

⁹⁷ See, for example, Knight, *Risk, Uncertainty and Profit*, 375; and *idem*, "The Breakdown of Liberalism" (1950), 3, box 1 (figure one), folder 11 (figure eleven), Knight Papers.

⁹⁸ On Knight's antiauthoritarianism see Stigler, *Memoirs of an Unregulated Economist*, 18.

⁹⁹ Frank Knight to general editor and Committee on Publication, University of Chicago Press, 10 Dec. 1943, box 40, folder 17, Knight Papers.

¹⁰⁰ Knight, "The Rôle of Principles in Economics and Politics," 21.

Friedman's increasingly aggressive proposals—including the abolition of public schools—as “foolish.”¹⁰¹ The defenders of liberalism played a necessary role, he argued, but they defeated their own purpose by propounding “oversimplified” and “extremist propaganda” that ignored the failures of nineteenth-century liberalism and the social changes of the subsequent decades.¹⁰² He remained sympathetic to the institutionalist critique of capitalism, and late in his career indicated that he might agree as much with Galbraith as with his own ostensible successors. “Colleagues spoof at [Galbraith], but I find some truth in what he says, perhaps as much as in their position—e.g. Milton Friedman,” he wrote to Lionel Robbins and his family. “Half-truth,” he then added, might be “a lot” in contemporary economics.¹⁰³ The advocates of capitalism had much of value to convey, Knight believed, but they were disastrously unwilling to acknowledge its manifest flaws. In contrast to his peers, his was a conservatism borne not of conviction but rather of despair.

Knight will always remain an oddity, difficult to situate and resistant to the limitations of any narrative historians attempt to impose. His scholarly career unfolded in reluctant and self-conscious—but nevertheless sustained—violation of his own dictum, expressed in a presidential speech before the American Economic Association, that “there is no transgression more unforgivable than refusing to be ‘optimistic’ and ‘constructive.’”¹⁰⁴ Demonstrating a characteristic unusual among academics, he reserved his strongest and most persistent language to acts of self-abnegation: he was an economist who began his textbook on economics with “a warning against attaching too much importance to it,” a social theorist who denied the final legitimacy of any single social theory, and a prolific author who wrote several years before his death, “my wish is to be forgotten—not that I probably need worry! No form of ‘survival’ makes any sense to me, and the less said the better.”¹⁰⁵ He was a specialist who emphasized the constricted boundaries of his profession, a philosopher who declared the impotence of truths, a liberal appalled by the effects of *laissez-faire*, and a democrat who pronounced his peers incapable of governing themselves. His readers find constancy on the bedrock of paradox.

Nevertheless Knight remained intensely affected, and at times distressed, by his avocation as a critic. He wrote to a colleague in 1939 that his “neutrality

¹⁰¹ Frank Knight to W. H. Rappard, 3 Nov. 1957, box 28, folder 55, Nachlass William E. Rappard, Bundesarchiv, Berne, Switzerland.

¹⁰² Frank Knight, “Abstract Economics as Absolute Ethics,” *Ethics* 76/3 (1966), 162–77, 163.

¹⁰³ Frank Knight to the Robbins family, 18 Feb. 1968, box 61, folder 18, Knight Papers.

¹⁰⁴ Knight, “The Rôle of Principles in Economics and Politics,” 5.

¹⁰⁵ Knight, *The Economic Organization*, 3; Frank Knight to the Robbins family, 18 Feb. 1968, box 61, folder 18, Knight Papers.

means being treated as an enemy by both sides, or escaping this fate only by being regarded as utterly insignificant, or being actually unheard of.”¹⁰⁶ He was an unreserved cynic, but this was not a wholly exaggerated account of his scholarly fate. While more politically engaged colleagues and students endure the ongoing glare of analytic floodlights, his own writings remain in the more rarely illuminated byways of the history of economic thought. And associates of all political persuasions expressed a persistent wariness of his views, even at the momentary points where they appeared, possibly, to agree. “Knight means well,” one student activist said when departing his lecture on “The Case for Communism,” “but I am afraid we will have to shoot him along with the rest.”¹⁰⁷ Frank Knight did not live in a world sympathetic to those who eschewed certainty and embraced contradiction; but despite the occasional note of mourning, he encountered the trials of his adversarial position with mustered resolution, and found some dignity in the dubious role. The expectation of improved conditions, he slyly maintained, was the most certain sign that they would not come to be.

¹⁰⁶ Frank Knight to Dr R. H. Tawney, 28 April 1939, box 62, folder 9, Knight Papers.

¹⁰⁷ In *Two Lucky People*, 37, Rose Friedman claimed to have overheard these words as she departed the lecture hall. In an earlier letter, Milton Friedman indicated that “someone walking out of the auditorium” had “supposedly” overheard a similar comment. Milton Friedman to Ralf Dahrendorf, 11 Sept. 1975, box 25, folder 2, Milton Friedman Papers.