

BOOK REVIEWS

The Sectarian Road Most Traveled

Greg Kaza^{1a}

¹ Arkansas Policy Foundation

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The Road to Freedom: Economics and the Good Society

Joseph E. Stiglitz

W. W. Norton, 2024; 384 pp.

One Austrian school trait is a willingness to engage critics. Ludwig von Mises worked at the Ministry of Foreign Affairs in the post–World War I Republic of German-Austria at the request of Austro-Marxist Otto Bauer (Hülsmann 2007). F. A. Hayek’s *Road to Serfdom* (1944, 36), a critique of interventionism, engaged “the socialists of all parties.” Austrians used persuasion as a tactic to engage both Marxist and socialist critics.

Nobel economist Joseph Stiglitz opts for the sectarian road in his latest book, *The Road to Freedom: Economics and the Good Society*. Instead of engaging “the capitalists of all parties,” Stiglitz argues, “Unfettered capitalism . . . puts us on the road to twenty-first century fascism” (20). His book is a reminder that Austrians must understand their own research *and* that of other economic schools, while the latter need only know their side. Stiglitz calls Hayek a conservative, ignoring his essay “Why I Am Not a Conservative” (1960). He aligns Hayek, a modest welfare state supporter, with “unfettered capitalism” (20), a description more applicable to Mises (1949) or Rothbard (1970). Trespassing into philosophy, he cites Rawls (1971) but ignores Nozick (1974) before conceding in a footnote (300n12) that he makes “no pretense of engaging” with the philosophical literature. This is painting with a broad brush that leaves stains on the Persian rug.

I read Stiglitz hoping he might persuade me about how to solve an economic problem. We share Midwest industrial town heritages and real-world experience with financial derivatives regulation. We also share involvement with public policies that seek to mitigate hunger and fear—for example, the abolition of the grocery tax, a policy adopted in most states, including Arkansas, where our think tank advanced it. Food taxation is regressive and disproportionately burdens the poor. Surely, abolishing it is an idea worth

^a Greg Kaza (kaza@arkansaspolicyfoundation.org) is executive director of the Arkansas Policy Foundation.

examining in a book that argues that “ordinary citizens around the world have been sold a bill of goods” (278). I was disappointed that Stiglitz, a former World Bank chief economist ignored the issue.

Stiglitz indicts neoliberalism for a host of alleged crimes that include deindustrialization, exploitation, and financial crisis. He argues that “the neoliberal economic system is not environmentally, socially, politically, or economically sustainable” (235). He writes, “The Keynes and FDR approach was a tempered capitalism with government playing a key but limited role, ensuring stability, efficiency, and equity—or at least more than is provided by unfettered capitalism. They laid the groundwork for a twenty-first-century progressive capitalism that supports meaningful human freedom” (42). Stiglitz proposes an alternative framework, a system he terms “progressive capitalism” (18). “Unfettered” capitalism, he contends, “puts us on the road to twenty-first-century fascism. Progressive capitalism sets us on the road to freedom” (20). The book is a dedicated attempt to reclaim the word “freedom” for progressives. To accomplish this task, Stiglitz examines freedom through “the economists’ standard toolkit—trade-offs, externalities, public goods, and coordination problems” (145) before applying “the insights of modern behavioral economics” to “our understanding of freedom” (147) and concluding with a discussion of “what kind of economy promotes a good, just, and free society” (207).

Stiglitz concedes that Friedman and Hayek were aware of externalities but made the mistake of considering them “exceptions” and of using taxation as “a single instrument” for “the externality-generating activity” (57–58). He ignores Rothbard (1997) on civil litigation as a solution to the negative externality of pollution. Stiglitz is correct that government bailouts are a problem but wrong when he argues that markets are essentially “never efficient.” Markets tend to efficiency, but there are exceptions, including merger arbitrage. Stiglitz is eager to indict “free markets,” arguing that they “are more about the right to exploit than the right to choose,” but he fails to recognize that both private and government institutions can exploit people. Military conscription exploits the labor of young people, but it is not clear whether Stiglitz would accept this point. He argues that “a little coercion could result in an increase in global societal well-being” (83). He says “freedom through coercion” can be achieved with public goods.

This view of coercion leads Stiglitz to state that “public interventions in the free market are called for to limit antisocial activities” (160). Would postwar greasers, hippies, rockers, punks, and rappers face government coercion to “limit antisocial activities”? Youth subcultures that emerged under market capitalism were all termed “antisocial” at one point. One should paint very carefully, not with broad strokes. Stiglitz approvingly cites the European Union’s Digital Markets Act (2022), which regulates media and platform market power. A chapter entitled “The Concerted Shaping of Individuals

and Their Beliefs” argues for regulation of big social media platforms, “both to curb their market power and to reduce the scope of their social harms.” Stiglitz notes, “Our beliefs are affected by the beliefs of those with whom we interact.” He observes, “If Republicans talk disproportionately to Republicans, their particular worldviews are reinforced. . . . The same goes for Democrats” (183). One can agree with these sentiments without concluding that censoring divergent opinions through government coercion is preferable to a diversity of news media.

Stiglitz singles out libertarians in a section called “Freedom, Moral Claims, and Redistribution.” Libertarians, he writes, retort that everyone has a certain moral claim to his own income, well-deserved because of his hard work, intelligence, and thrift. “This chapter throws cold water on that argument” (117). He argues that redistributive taxation enhances one group’s “freedom to spend” while necessarily constraining others. Luck, it appears, is the key factor. He writes, “If oil is discovered beneath my land, I will become a billionaire overnight—not because of my own efforts but by the luck of the draw” (109). Stiglitz’s straw man equates libertarians with the rich and opposition to income taxation while ignoring market capitalists opposed to food taxes and levies that harm the poor and middle class.

Stiglitz also fails to distinguish between government, on the one hand, and private collective action, a staple of religious institutions, on the other. Under market capitalism, there is nothing incompatible with private individuals tithing or making contributions to engage in collective action such as operating business enterprises. Would such action be tolerated under Stiglitz’s progressive capitalism? Or would coercion be applied to “limit antisocial activities”?

Stiglitz argues that the “source of the most important and severe fluctuations is the market itself” (226). Austrians counter that the Federal Reserve—a government institution—is the source of business fluctuations. Despite these differences, an antisectarian vision recognizes that one should engage with critics—the road followed by Hayek, Mises, and other Austrians.

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