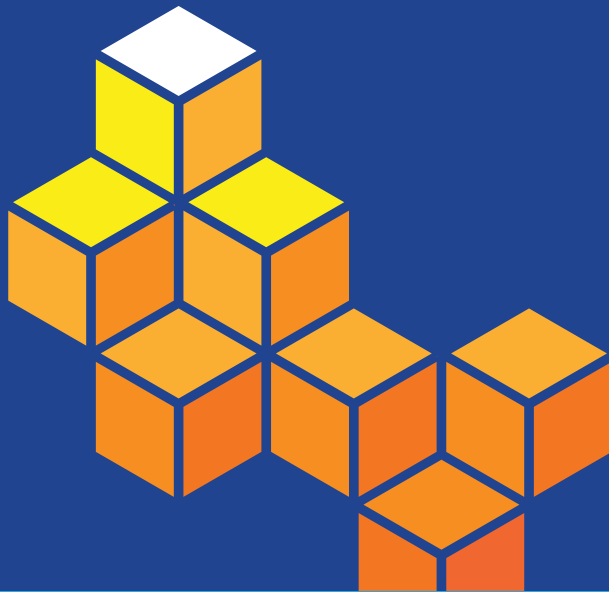


FEE



SHORTCUT TO **SERFDOM**

A Reader's Guide

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ECONOMIC EDUCATION

Shortcut to *Serfdom*

A Reader's Guide

*Essays from the Foundation
for Economic Education*

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Introduction

Before October 2017, I had never actually completed F.A. Hayek's, *The Road to Serfdom*. I am completely comfortable admitting that. Still, like many who are intrigued with Hayek's ideas but lack the willpower to read the entire book, I always list *The Road to Serfdom* as one of my most influential readings.

To be sure, I had read the few chapters that were assigned to me by my school's token libertarian political science professor. I assumed I had accurately interpreted its message. The three chapters I read were full of highlights and great quotes about the importance of the individual. But with all the other books out there in the world, why was finishing this one book so important?

It was not until my current mentor called me out on my inability to follow through on one of the most economically relevant books of all time, that I realized that I had robbed myself of an education by not finishing Hayek's important work.

As a matter of millennial pride and also wanting to reclaim the knowledge I foolishly pushed aside as an undergrad student, I decided to dedicate the next sixteen days to both reading and **liveblogging** *The Road to Serfdom*.

1

The Individual Built the Modern World

Proponents of laissez faire capitalism and libertarian thinkers alike constantly throw around the phrase, “the road to serfdom.” And while most understand its general negativity towards socialism, the phrase is so ingrained in liberty speak that few often take the time to really explore what Hayek was trying to tell us.

In the book’s opening chapter, “The Abandoned Road,” Hayek makes it clear that this path refers to society’s “progressive” rejection of individualism. More importantly, he goes on to describe how this rejection of the sanctity of the individual has, and will continue to have, negative impacts on the society.

For a period of time, the western world had flourished under the 19th-century ideals of free market capitalism. For the first time in history, an individual was allowed to follow his own desired path without the status of his birth holding him back. All he needed was an idea and the ambition needed to make that idea a reality.

As a result we saw a revolution in thought and an industrial revolution incomparable to anything the world had ever experienced. In fact, even with the advent of the internet, the world has still never progressed quite as dramatically as it did during this laissez faire revolution.

And while this period brought the world the wisdom of Adam Smith and the rebellion of the American Revolution, it did not maintain its momentum of popularity as the 20th century approached.

As Hayek points out:

We still believe that until quite recently we were governed by what are vaguely called nineteenth-century ideas or the principle of laissez faire...But although until 1931 England and

America had followed only slowly on the path which others had led, even by then they had moved so far that only those whose memory goes back to the years before the last war know what a liberal world has been like.

If in 1944, Hayek thought the world had already forsaken and forgotten true liberalism, I can scarcely imagine what he might say today. And it's true that he was writing about a period of wartime economic planning both in the US and the UK. Prices and wages were controlled. Censorship was in place. Rationing and quotas governed the production and distribution of all essential goods and services. But even given all this, government consumed a far smaller degree of overall national production than today.

So far removed are we in 2017, that the individual is not even a consideration when contemplating economic policy. In fact, the "greedy" "selfish" individual is often the villain in modern economics, as he seems to always operate contrary to the whims of the collective. Now, terms like "individual mandates" are used to convey each person's "social responsibility" to care for the collective.

As common as this anti-individualist sentiment has become, it wasn't always this way. As Hayek reminds us in this opening chapter, the most tremendous strides towards human and economic progress were taken during a time when the individual was allowed to innovate and create without worrying about interference from the state on the grounds of protecting the greater good. But even though the positive implications of a pro-individualist society were proven by the innovations created during that time, society had still been steadily moving away from it.

We are rapidly abandoning not the views merely of Cobden and Bright, of Adam Smith and Hume, or even of Locke and Milton, but one of salient characteristics of Western civilizations...Not merely the nineteenth- and eighteenth-century liberalism, but the basic individualism inherited by us from Erasmus and Montaigne, from Cicero and Tacitus, Pericles and Thucydides, is progressively relinquished.

Again, I have to wonder what Hayek might say if he were alive today and around to see how groupthink and collectivism have shaped our modern policies.

This chapter, then, sets the stage. He names liberalism as the system that gave birth to the greatest of human achievements ever seen in history. It was individualism that caused the most spectacular effect. If you understand that—and vast numbers today do not understand this—you are prepared to see how the abandonment of this system and idea leads to not only the unraveling of liberty but even what we call civilization.

So, yes, this book is a warning, not just against one party but all ideological positions that reject individualism for one or another version of the planning state.

Now onward to chapter two!

2

You're All a Bunch of Collectivists

Collectivism is a poison. I have been appalled to see so many of my friends, both on the left and the right, indulging in it.

Over the last several months, I have seen acquaintances and even friends defend tiki torch yielding and self-proclaimed white nationalists. On the other extreme, I have seen friends advocate violence against those who do not agree with them. “We should be punching Nazis,” social media posts have read, without a hint of irony. But the problem with both of these lines of thinking is the dangerous hint of tribalism underlying both.

But whether you advocate some form of socialism or express nationalist sympathies, both are contrary to the spirit of individualism. Both claim to advance freedom but inevitably lead down the road to serfdom.

The Great Utopia

The second chapter of Hayek’s *The Road to Serfdom* is painfully relevant to our modern day. While reading, I couldn’t help but wonder what Hayek would have thought about the Charlottesville debacle and all that has unfolded since. This issue of Civil War monuments is almost completely irrelevant here, as I believe the unabashed display of unbridled collectivism would shock Hayek most of all.

“The Great Utopia,” as the chapter is called, refers to the belief that true happiness and equality can only be obtained in a society that sacrifices individual will in favor of “protecting” the collective. For socialists, equality means no one should need to worry about providing

life's necessities. The state provides for all equally and everyone lives happily ever after.

For nationalists or fascists, the same line of thinking occurs, but it is justified by this allegiance and connections to one's homeland or class or race of people. In order to "secure" the future of your homeland or whatever group you are in support of, you must give your power over to an authority who will ensure lasting security.

And while in 2017 we are still arguing over which flavor of collectivism is better suited for the country, Hayek had in 1944 already laid out the information needed to conclude that neither is compatible with individual liberty.

The Meaning of Freedom

No political or philosophical camp claims to be against freedom. It would be a poor marketing campaign to do so. Instead, each has its own definition of freedom and tailors its context towards that end. But neither represent the interest of the individual.

At the time of writing this book, the threat of nationalism, especially in the form of Nazism, was still very fresh in the minds of the people. Hitler and Mussolini were the perfect caricatures of what "bad guys" were supposed to be. It was for this reason, I believe, that Hayek chose to focus his arguments against collectivism primarily on the socialist agenda.

Everyone at that time recognized that **fascism was terrifying**; they had been fighting a world war against it. But many found comfort in the false promise of collectivism.

What is so epic, both in Hayek's day and now, is his ability to call out both groups for being birds of a feather. Since the people already knew what Nazism could reap, it was vital to take this dangerous ideology and compare it with socialism, which was not viewed in quite as negatively a light as nationalism.

"It is rarely remembered now that socialism in its beginnings was frankly authoritarianism," Hayek points out to a populace that had come to view incremental socialism as a precautionary measure against the authoritarianism of fascism.

Two Roads; One Destination

The historical context in chapter two and its application to today's political climate seemed to scream and jump out from the pages of Hayek's work. How, after all these years, are we still fighting the same fight and participating in the same arguments? Why are we arguing over which brand of collectivism we should choose when the answer seems so apparent?

As Hayek brilliantly sums up in regards to both the socialist and the fascist distortions of the definition of freedom, "Freedom in this sense is, of course, merely another name for power..." So long as either exists, the individual is at risk.

Even those who, at the time, believed socialism could be the answer to fascism were eventually convinced otherwise.

British writer F.A. Voigt spent years in Europe as a foreign correspondent. After his years of observation, he was forced to conclude that:

Marxism has led to fascism and National Socialism, because, in all essentials, it is Fascism and National Socialism.

Making a similar point, German writer Peter Drucker wrote:

The complete collapse of the belief in the attainability of freedom and equality through Marxism has forced Russia to travel the same road toward a totalitarian, purely negative, non-economic society unfreedom and inequality which Germany has been following. Not that communism and fascism are essentially the same. Fascism is the stage reached after communism has proved an illusion, and it has proved as much an illusion in Stalinist Russia as in pre-Hitler Germany.

I wish so deeply that my own generation would realize the similarities between the two instead of choosing to unite with one side or the other. History repeats itself. This we know. One of the most beautiful and applicable statues in Washington DC sits outside of the National Archives and reads: "What is past is prologue." We should understand that this will almost always be the case.

Whether you support one form of tribalism or the next, both undoubtedly end in the same result: a loss of power for the individual.

3

If You Give the State an Inch, It Will Take a Mile

Humans are imperfect beings. Try as we may, each of us is subject to some degree of inconsistency in our own thought patterns. Even the greatest champions of liberty who have made invaluable contributions to the study of classical liberalism have fallen prey to error. And while these heroes and geniuses may come to an inconsistent conclusion every now and then, our admiration continues.

Hayek wasn't infallible. And in chapter three of *The Road to Serfdom*, he makes some arguments in favor of "harmless" market intervention that call for scrutiny.

No Such Thing as Harmless Regulation

As I made my way through chapter three, I did a doubletake after coming across this passage:

To prohibit the use of certain poisonous substances or to require special precautions in their use, to limit working hours or to require certain sanitary arrangements is fully compatible with the preservation of competition.

In this chapter, Hayek regularly uses the word "competition" to mean free market. He also asserts that "planning" is, in and of itself, the enemy of competition. Hayek argues that not all state action qualifies as "planning" and as an encroachment on "competition."

Hayek reasons that since these types of regulation do not interfere with the means of production themselves, it is fully compatible with free market capitalism. He has also argued that since these are "blanket"

regulations—no one can use these substances— and not individual regulations—only this group can't use them—they do not inhibit the market's ability to function freely. In Hayek's mind, for example, the state limiting the number of widgets you can produce is far more intrusive than outlawing certain harmful substances.

Those of us alive today are blessed us with the gift of hindsight. This has allowed us to recognize (hopefully) that these types of policies necessarily rig competition in favor of one group over another. In fact, when it comes to the market, there is no such thing as a neutral intervention.

The Overtime Rule that Almost Was

For example, last fall, the Department of Labor set new regulations regarding overtime pay. Concerned that the American worker was being exploited, the department declared that those earning an annual salary of \$48,000 or less would only be allowed to work 40 hours a week. If for some reason more than 40 hours of work was needed, the employer would be mandated to give overtime pay.

This kind of regulatory policy was explicitly conceded by Hayek as acceptable in the abovementioned passage.

But instead of safeguarding workers, the overtime rule would have hurt their ability to get ahead in their careers. The salary threshold that the Department of Labor had agreed upon disproportionately impacted entry-level workers. Since work hours were to be limited, young professionals no longer had the ability to work long hours in order to prove their dedication to their career and improve their chances at a promotion. As Jeffrey Tucker [wrote](#):

To really make it in an industry, you need more than a connection and a credential. You have to show that you have the stuff. You need to demonstrate your personal commitment. And you will typically be tasked to show this while living on a low salary — not so low as to qualify for overtime but not high either.

This exemption from overtime rules is what makes the Prada economy work. It permits workers to strut their stuff without imposing new financial burdens on employers. This is what the new rules would abolish.”

This would put young workers at an unfair disadvantage relative to those who had been in the workforce longer and had already put in the hours needed to move up the corporate ladder.

In fact, so concerned was the American worker about the negative impact this new overtime rule would have on their careers, that it ended up being killed before it was enacted.

Beware of Slippery Slopes

Another problem with “benign interventions” is that the state is incapable of self-restraint. This is why so many governments fall victim to tyranny and oppression. Once those in authority are given even the slightest increase of power, they will use it as precedent and leverage to incrementally take more until true freedom exists in name only. In other words, if you give the government an inch, they will take a mile.

Mises made this same point in *Human Action*:

But whoever is ready to grant to the government this power would be inconsistent if he objected to the demand to submit the statements of churches and sects to the same examination. Freedom is indivisible. As soon as one starts to restrict it, one enters upon a decline on which it is difficult to stop. If one assigns to the government the task of making truth prevail in the advertising of perfumes and tooth paste, one cannot contest it the right to look after truth in the more important matters of religion, philosophy, and social ideology.

Such has been the case throughout history, and such will always be the case so long as governments are invited to regulate on behalf of consumers and workers alike.

This is why constant vigilance should be practiced and even “moderate” regulatory practices should be fought at every step. For even the most moderate of policies, with the most “rational” of justifications,

will result in the unforeseen consequence of a controlled economy. As Mises wrote:

“All varieties of interference with the market phenomena not only fail to achieve the ends aimed at by their authors and supporters, but bring about a state of affairs which—from the point of view of their authors’ and advocates’ valuations—is less desirable than the previous state of affairs which they were designed to alter. If one wants to correct their manifest unsuitableness and preposterousness by supplementing the first acts of intervention with more and more of such acts, one must go farther and farther until the market economy has been entirely destroyed and socialism has been substituted for it.”

As Dan Sanchez has [written](#):

In a brilliant bit of economic reasoning in his classic essay “Middle-of-the-Road Policy Leads to Socialism,” Mises showed how even such a seemingly-minor intervention as a price ceiling on milk would inevitably lead to full-blown socialism, if the government pursued it to the bitter end, and if it undertook further interventions to try to deal with all of its negative consequences, as well as the negative consequences of those and all subsequent interventions. Thus, Mises called interventionism “a method for the realization of socialism by installments;” or, as we would say, “socialism on an installment plan.”

Hayek understood such dangers as it pertained to the collectivist mindset. The entire second chapter of the book was dedicated to warning that all forms of collectivism necessarily lead to tyranny. We would be wise to extend this wariness to even seemingly benign forms of intervention as steps, however small, down the road to serfdom.

4

Technology Is Not Pro-Monopoly

In the fourth chapter of Hayek's *The Road to Serfdom*, he specifically addresses the issue of monopolies. Specifically, the myth “that technological changes have made competition impossible in a constantly increasing number of fields and that the only choice left to us is between control of production by private monopolies and direction by the government.”

Hayek explains how this fear that technology necessarily leads to monopolies played out in his own day. As labor saving machines were becoming the norm when it came to mass production, many smaller companies believed that technological innovation made them economically vulnerable. Technology created **economies of scale**, which favored big companies over small.

However, as Hayek pointed out, these fears neglect a host of circumstances regarding the very nature of monopolies altogether.

Monopolies by Design

This belief that big companies always have the technological upper hand is simply untrue. As Hayek notes, even economies of scale reach an upper limit. To be sure, large companies outcompeting the small do not inherently create monopolies. Instead, it is the policy crafted by the state that encourages the elevation of one company over another, as Hayek points out:

The conclusions that the advantage of large-scale production must lead inevitably to the abolition of competition cannot be accepted. It should be noted, moreover, that monopoly

is frequently the product of factors other than lower costs.... It is attained through collusive agreement and promoted by public policy.

Luckily for Hayek, time has proven his sentiment correct, as we are currently seeing today with the ridesharing economy and traditional taxicabs.

Before the advent of the sharing economy, taxis enjoyed a near 80-year monopoly over the industry without having to deal with substantial competition. But this monopoly was not by coincidence, it was by design.

Medallion laws, as they have come to be known restrict entry into the traditional “cab” sector. Before a vehicle can be legally used as a taxicab service, it must seek the state’s permission and obtain a medallion.

In most major cities around the country these laws exist primarily to restrict the number of cabs on the road and thus, control the competition. But what is more interesting about these medallion laws is who its biggest champions have always been: cab companies themselves.

By barring entry into this field, “taxi kings” have avoided any organic incentive to innovate because the need itself has been squashed by government policy. The state, with the help of cab company lobbyists, has crafted these policies so as to avoid any unwanted competition. If someone has a newer and better way to run the industry, they will have a hard time getting these ideas off the ground without paying sometimes as much as one million dollars just for one medallion.

However, this all changed when Uber came around.

Technology Levels the Playing Field

Taxi kings were seen to have the advantage over the cab market largely because they already owned fleets of cabs. These cabs were also already issued medallions by the state. While these factors would at least seemingly deter any new competitors from attempting to join the market, because it gave one industry a financial leg up over another, no one fathomed the rise of ridesharing.

Now, instead of access to technological progress causing large companies to squash their smaller competitors as was feared in Hayek’s

day, technology and economies of scale are now actually working in the favor of upstarts.

Uber and Lyft, for example, have completely abolished the need for overhead costs when it comes to maintaining fleets of taxis. This is simply because the companies themselves do not own any physical cars. And since they do not actually own the cars, they have made the argument that the medallion laws do not apply to their model.

Since the sharing economy is based on individuals using property they already own in order to make a living, it negates any need for Uber or Lyft to make a costly investment towards owning a fleet of vehicles or permits in the form of medallions. Allowing them to compete with big cab companies who may have had the upper hand in an outdated market.

This has helped these smaller upstarts break into the market and break up the established taxi cartel. But this doesn't mean their success has not been met with obstacles from the cab companies.

Technological advances, and especially smartphone technology, have completely restructured the way consumers even think about hailing a cab. Gone are the days when the only alternative to owning a car was standing on busy streets and hoping a cabby will notice you.

Without any real competition, there were no substantial reasons for the cab companies to alter their existing models. But once Uber, Lyft, and other ridesharing companies began rising in popularity, the cab companies got mad and demanded that the government take action. "We can't compete with this new technology-reliant model," some claimed, "This is unfair to our business."

But just as in Hayek's day, those who complained about technology putting their companies at an unfair disadvantage only offered solutions that involved government intervention.

Last year, for example, a law was passed in Massachusetts that forced a tariff on the ridesharing industry. The purpose of this tax was to hold the ridesharing industry "accountable" for the cab industry's inability to innovate and compete with their market competitors. In this case, it was the refusal to incorporate technological advances into their service models.

So instead of competing fairly, the cab companies got away with instituting a tax on their competitors that directly went towards funding the cab company's apathetic quest to adopt new technology.

This is the reverse from Hayek's day in that it is now lumbering incumbents scared of the technology savvy little guy instead of the reverse. But, in both cases, the fear-mongering capitalizes on the fear of technology. Both also reiterated the belief that the state should insert itself in the market to make competition more "just."

And as Hayek has pointed out in every chapter of his book so far, state planning, whether in the form of new taxes or regulatory medallion laws, always serves to inhibit true competition. This is as true now as it was in the mid-1940s.

5

Hayek Warned Us About Obamacare

What would Hayek say if he was around to see the ongoing fiasco that is Obamacare? Well, for one thing, he probably wouldn't be surprised, but he would be deeply saddened. And while he could never know the specifics of our country's progressive strides towards universal health care, he managed to predict the overall situation quite perfectly in the fifth chapter of *The Road to Serfdom*.

It is impossible to plan for an entire national economy comprised of individual beings. Each has different goals and desires, making one-size-fits-all economic policies unfeasible, to say the least. It's also an expensive endeavor to attempt.

Yet, the Affordable Care Act sought to do just that. Economics and logic went out the window in favor of the supposed "general welfare" of the American public. So long as the end result was increased—if not universal—health coverage, then the means were rationalized.

And while it was fought by many who had read Hayek and heeded his warnings, Obamacare was approved by both chambers of Congress and was eventually upheld as constitutional by the SCOTUS.

Advocates championed this as a democratic victory. The American people had finally taken control of their health care back from the greedy, capitalist health care sector.

But just as many free market economists had predicted, Obamacare was a complete disaster both economically and democratically. And while many have been shocked by the implications of giving the government so much power over an entire market sector, Hayek warned of these dangers long before Obamacare's conception.

The Individual Gets Left Behind

Among other things, Obamacare claimed to know the health care priorities of every single American. From dictating what coverage must be provided by employers to fining individuals for not choosing to buy health insurance, Obamacare took away the ability to choose, and replaced it with coercion.

But even worse, it **cost** the taxpayer \$42.6 billion in fiscal year 2017 alone. So not only did this lead to increased government control over health care, it was also a financial black hole. And it completely neglected the individual consumer by assuming that a small body of experts was better suited to make these intimate decisions in their stead.

But how could they be? Each of these alleged health care experts is incapable of knowing the wants and needs of every single American.

In the chapter fifth chapter of *The Road to Serfdom*, “Planning and Democracy” Hayek writes:

The point which is so important is the basic fact that it is impossible for any man to survey more than a limited field, to be aware of the urgency of more than a limited number of needs. Whether his interests center round his own physical needs, or whether he takes a warm interest in the welfare of every human being he knows, the ends about which he can be concerned will always be only an infinitesimal fraction of the needs of all men.”

And sure enough, health care consumers were mad because they were not getting what they wanted or needed. President Obama’s infamous line, “If you like your plan you can keep your plan,” turned out to be nothing more than rhetoric. In fact many Americans lost their plans altogether, or couldn’t afford to pay the increased premium costs.

Many advocates of state-run health care excused this blunder by suggesting that perhaps this was in the people’s best interest. Maybe their original insurance premiums were insufficient, at least according to the new government standards. Perhaps Obamacare was doing these health care consumers a favor by stripping them of their prior coverage.

But even though the facts were staring every single American in the face, many still believed these “insignificant,” shall we say setbacks, were worth the result of increased national coverage.

And to be fair, there was increased national coverage. Fining or “taxing” citizens for not purchasing health care works as a powerful incentive. But it stifled individualism.

Anyone who dared to speak out against the state’s intervention in the health care industry was quickly made to feel selfish. Clearly, if you weren’t in favor of government interference in health care, you were unconcerned with what happens to those who can’t afford coverage.

Consequences be damned, if the desired end result of increased coverage was eventually obtained, that was all that really mattered.

But opponents of Obamacare are hardly selfish. They just understand that planning for an entire nation is an impossible task. The individual always loses.

As Hayek wrote:

This is the fundamental fact on which the whole philosophy of individualism is based. It does not assume, as is often asserted, that man is egoistic or selfish or ought to be. It merely starts from the indisputable fact that the limits of our powers of imagination make it impossible to include in our scale of values more than a sector of the needs of the whole society, and that, since, strictly speaking, scales of value can exist only in individual minds, nothing but partial scales of values exist – scales which are inevitably different and often inconsistent with each other. It is this recognition of the individual as the ultimate judge of his ends, the belief that as far as possible his own views ought to govern his actions, that forms the essence of the individualist position.

The Problem with Democracy

It is odd that proponents of Obamacare often use the “greater social good” as their excuse, since the implementation of a government-controlled health care system necessarily leads to a breakdown of social order, or rather, a crackdown on individual liberty.

Hayek understood this far too well. But acknowledging this point was almost unavoidable in Hayek's time since the world watched in horror as European empires sacrificed the individual in the name of nationalism.

But if it was difficult for Hayek to get this point across to others in his day, even as WWII was unfolding, it is not hard to understand how those in 2017 could easily forget and dismiss these historical lessons. Though this hardly makes it less frustrating.

When opponents of universal health care policies voice concerns over the power Obamacare gives a very small group of people, they are dismissed as hyperbolic and irrational. Clearly, this is what the people wanted, and needed! Those with hesitations should consider the great strides Obamacare has given people. If not for this intervention, the breakdown of the health care system would have resulted in chaos to the consumer. This is the only policy suited to meet the needs for the greatest number of people!

Of course, Hayek spoke to these fallacies too:

The fashionable concentration on democracy as the main value threatened is not without danger. It is largely responsible for the misleading and unfounded belief that, so long as the ultimate source of power is the will of the majority, the power cannot be arbitrary the contrast suggested by this statement is altogether false: it is not the source but the limitation of power which prevents it from being arbitrary."

But this power is absolutely arbitrary and untamable. Obamacare ushered in a new era of increased state control and broke down constitutional "limitations" by increasing the scope, and thus the role of the federal government in healthcare. The rule of law was demolished, or at least broadened.

Not to mention, procedural rules were broken or bent in order to ensure its passage. "We have to pass it to see what's in it," Nancy Pelosi famously said when many members of Congress were enraged to have been given an absurdly long bill and only a short time to actually attempt to read its contents.

But again, Hayek predicted all this too:

And to make it quite clear that a socialist government must not allow itself to be too much fettered by democratic procedure.”

And make no mistake, a socialist government is essentially what a post-obamacare America is. And while Trump has made some rollbacks, the government will continue to encroach on the health care sector, which is precisely why constant vigilance is of the utmost importance. It’s also why everyone should read Hayek.

“The cry for an economic dictator is a characteristic stage in the movement toward planning,” Hayek astutely says. Whenever the people, or perhaps just the congressional leaders who claim to speak on their behalf, assert that economic or social chaos is coming, they often relinquish their sovereignty, or do not even realize it has been taken from them until it is already gone.

In theory, democracies are supposed to safeguard the will of the people. And to be sure, democracy on its own is not necessarily negative, or at least it doesn’t have to be according to Hayek.

Hayek ends this chapter by arguing that a democracy, adequately limited in scope can serve as a safeguard to the individual. But unlimited democracies, will always be the enemy of individualism. And unfortunately, our real world experiences with democratic societies have proven to have more of a tendency towards the latter.

As Hayek says:

Democratic control may prevent power from becoming arbitrary, but it does not do so by its mere existence. If democracy resolves on a task which necessarily involves the use of power which cannot be guided by fixed rules, it must become arbitrary.”

6

Why the Rule of Law Matters Even If It Doesn't Exist

Young Americans like myself have come of age in a climate where arbitrary rule has steadily become the norm. Civil liberties, once guaranteed by the Bill of Rights, are now conditional; they are regularly disregarded in the pursuit of a specific end.

The war on terror, for example, ushered in an era where the government was given the power, or rather gave itself the power, to do anything it needed in order to keep the country secure. As long as the state's violations against our inalienable rights were done in the name of national security, or prosperity, they were considered just, necessary even.

The Constitution that was specifically intended to protect the American people against this kind of rule has now just become a list of suggestions. President Bush is even rumored to have referred to it as a "goddamn piece of paper," when confronted about his refusal to act within its bounds during the height of the War on Terror.

And in the wake of this "anything goes" rhetoric, the War on Terror was and continues to be used to suspend free speech, restrict travel, detain American citizens indefinitely, and even defend the American President's use of a "secret kill list."

It was with this jaded view of government restraint that I began reading the Sixth Chapter of *The Road to Serfdom*. Hayek uses this chapter to dig into the concept of the rule of law.

Hayek's Day

Initially, I was surprised to find Hayek's enthusiastic support of the belief that a government is capable of limiting itself within legal boundaries. I attributed this to modern hindsight. How on earth could Hayek know that the September 11th attacks would all but demolish the rule of law in this country?

But Hayek watched Hitler rise to power through constitutional means. He was no stranger to the very real possibility of arbitrary rule. Something he is certain to point out:

It may well be that Hitler has obtained his unlimited powers in a strictly constitutional manner and that whatever he does is therefore legal in the judicial sense. But who would suggest for that reason that the Rule of Law still prevails in Germany?

And yet, even though Hayek acknowledges its shortcomings, he still shows a great deal of reverence towards this oft-disregarded concept.

But this respect, while possibly naive, is not unfounded. Even if our government no longer adheres to the rule of law, it was an idea completely unheard of prior to the rise of classical liberalism. And without the rule of law, it is certain that mankind would have already succumbed to absolute despotism.

Credit Where Credit is Due

The concept of the rule of law was integral in the history of human progress. And not just in western civilization. Even though it may not have worked as well in practice as it did in theory, its implications were nothing short of revolutionary.

In 1215, when the landholding barons led an uprising and forced King John to sign the great charter, or the Magna Carta as history would come to know it, the rule of law experiment officially began. And the world was well on its way to finding out whether or not a king or some other authority could be tamed by written laws.

This idea floated around for a few centuries and was tried to varying degrees, until it became a preoccupation for many classical liberal scholars. If the actions of state authority could not only be limited, but

also predicted, the individual would be able to maintain his freedom, or so they thought.

So important was this principle to the concept of individual liberty, Hayek even claims that it is an essential feature of any country claiming to be free from tyranny.

Nothing distinguishes more clearly conditions in a free country from those in a country under arbitrary government than the observance in the former of the great principles known as the Rule of Law. Stripped of all technicalities, this means that government in all its actions is bound by rules fixed and announced beforehand—rules which make it possible to foresee with fair certainty how the authority will use its coercive powers in given circumstances and to plan one's individual affairs on the basis of this knowledge.

Thomas Jefferson expressed a similar sentiment during the time of America's founding saying:

The two enemies of the people are criminals and government, so let us tie the second down with the chains of the Constitution so the second will not become the legalized version of the first.

It is important to understand that this idea had never been tried before in human history. The idea that a ruler would restrict his or her power seemed completely unfounded. Especially since prior to the American Revolution, the “divine right of kings” doctrine was so steadfastly believed.

Since a King was allegedly anointed by God, his word was beyond contestation. The only referee between the people and their ruler was God. And unfortunately, only the king had his direct line.

Given this bleak situation, you can imagine how empowering it must have been to be given the opportunity to live in a land where the ruler was bound, not just by fallible men, but by concrete doctrine.

The idea that government ought to be bound by written laws was pivotal to the American founding. It is what inspired our written Constitution and specifically, our Bill of Rights. A list of things government cannot do. And while in hindsight we might see that its

power to restrain government has been exaggerated, it did change the world.

Dead Letter Law

It's easy to lambaste Bush for calling the Constitution nothing but a piece of paper. But in a sense, he was correct. The Bill of Rights has become dead letter. When the people stop valuing the liberties that the law is supposed to protect, the entire system crumbles because no one is holding government accountable.

The Second Amendment, for example, is an explicit limitation on our government. By encouraging an armed populace, it also encourages politicians to stay within their limits for fear of just rebellion.

Yet today, the history behind the right to bear arms is disregarded as unimportant, unnecessary, and even dangerous. Without the ideological substance to back these ideas we seek to bind our leaders to, there can be no follow through. Each right we relinquish is a right we may never get back.

So while governments may always be looking for ways to violate the rule of law, it is important that as individuals we remember to keep them accountable as much as is humanly possible.

7

Venezuela Proves That There Is No Political Freedom Without Economic Freedom

Hayek is truly at his best in the seventh chapter of *The Road to Serfdom*, “Economic Control and Totalitarianism.” In past chapters, he has rationalized moderate state intervention in the economy. But here, we see him destroy the notion that economic control is not directly linked to the rise of tyranny and the loss of individual liberty.

His arguments are so convincing, in part, because he highlights the indisputable fact that everything in our lives is tied to economics.

Rule of Experts

The impact that the field of economics has on our daily lives is not easily recognized by the majority of people. Preoccupied with our immediate needs and daily tasks, the state of the economy not only seems disconnected from our lives, it feels almost completely irrelevant.

And since something as complex as the national economy is usually left to the great “experts” to decide, many also assume that it is an issue completely out of their control. This presumption is something economic planners rely on to maintain their authority.

But economics is intrinsically connected to almost every single aspect of our lives. From the clothes we wear to the food we eat, to our jobs and our education: economics is in all things. And without economic freedom, there can be no liberty. Period.

Anyone having any doubts that economic control will necessarily lead to tyranny and oppression, need only look to Venezuela.

Why Detest Commercial Freedom?

It has always been peculiar to me that socialists believe so fervently in social freedom and yet detest economic liberty. This is why many proponents of socialism and other forms of state control will advocate for economic restrictions, without a concern for civil liberties. They believe them to be separate entities, each existing without impacting the other.

But once economic control has been seized by the government, the stripping of our individual rights will soon follow. And today, we have the unfortunate opportunity of witnessing a once prosperous country completely succumb to the tragedy of a controlled economy.

The situation in Venezuela has become so dire, it would fit perfectly into the plot of any dystopian novel. What started as an economic crisis has now escalated to a humanitarian nightmare of which there appears to be no end in sight.

Venezuela once housed the world's most abundant oil reserves, which its national economy relied on heavily. In fact, these reserves were responsible for 95 percent of all export earnings. At its height, the country was capable of producing 3.5 million barrels of oil per day. But after Chavez came to power and an oil worker strike ensued, the leader decided to fire those on strike and instead, bring in workers who were loyal to his government.

Unfortunately, this takeover of the country's primary source of wealth meant that those experienced in the field were now pushed out, and replaced with inexperienced workers. And after years of continued mismanagement and poor decision-making at the hand of the state, the oil output began declining significantly.

As of earlier this year, the country was down to producing around 1.7 barrels of oil each day, but its continued decline is inevitable.

According to the logic held by those who refuse to acknowledge the connection between economic liberties and civil liberties, this situation

should not have had an effect on the day to day lives of Venezuelans. But this is simply not the case.

As Hayek warned:

Economic planning would not affect merely those of our marginal needs that we have in mind when we speak contemptuously about the merely economic. It would, in effect, mean that we as individuals should no longer be allowed to decide what we regard as marginal.

The authority directing all economic activity would control not merely the part of our lives which is concerned with inferior things; it would control the allocation of the limited means for all our ends. And whoever controls all economic activity controls the means for all our ends and must therefore decide which are to be satisfied and which not. This is really the crux of the matter.

And this is exactly what has happened in Venezuela.

As the economic situation worsened, the residents lost control over their own lives. Since electricity is now scarce, the government is in control of determining where its use is directed. But this doesn't merely mean residents will be left sitting at home in the dark. It meant that places of business would also have to close, sometimes without notice.

One vendor told of his frustration when he was trying to run a consumer's debit card as payment. Since the entire country is subject to a loss of power when the state deems it necessary, the electricity went out right as he tried to process the payment. Of course, he was unable to make that transaction which resulted in a loss of money and the consumer was unable to obtain what they needed.

Without the freedom to work, there is no money to be made and no economic prosperity to be had.

But that is not where the chaos ends.

Controlling Economic Lives

Food and necessities, like toilet paper, are not only in short supply; they are also completely under state control. Those wanting to acquire these

items must wake up long before the sun has risen and stand in long lines. While waiting in these lines, these “consumers,” if you can even still call them that, are sitting ducks for thieves.

It has become common for thugs and others with malicious intent to hold people at gunpoint and rob them of whatever wealth they have left. Last year, one man was **killed in line** in an attempt to guard his cellphone.

Meanwhile, as he lay dying, the line did not break, because to lose your place in line, even to attend to the wounded, meant that you may not get to feed your family. But waiting in these lines does not mean you will receive what you need, or what the state thinks you need. Many times Venezuelans will spend their whole day in line only to discover that the store is completely out of supplies.

For frustrated citizens who want to change things or at least let their opinion be heard, free speech has been all but decimated. Any vocal opposition against the state and you might find yourself in jail cell, where you are unable to help anyone.

This catastrophe has even spread to hospitals. Since water and electricity are scarce, hospitals have been unable to sterilize equipment or even wash the bloody sheets from surgical beds. Infant mortality rates have skyrocketed, because children being born under these unsanitary conditions, and with no access to food have such a low chance at survival.

And as horrific as each of these examples are, the situation grows worse by the day as individuals continue to be stripped both of their rights and their ability to choose.

Meanwhile, President Maduro continues to praise socialism and demonize free market capitalism. He has even said that, “Venezuela must deepen socialism to improve the economy.” He has even denied foreign aid from humanitarians aligned with capitalist countries.

But of course, Maduro himself is not suffering as his people are. Prior to Castro’s death, he even spent hundreds of thousands of dollars on an extravagant birthday party in celebration of one of the cruelest dictators in modern history.

As Hayek says, “And whoever has sole control of the means must also determine which ends are to be served,” And Maduro is serving no ends save his own.

Free Markets are Liberation

So many who fall prey to the concept of a planned economy believe that it will liberate individuals from the mundane task of having to choose. Forgetting, that it is our right to choose that makes us free in the first place.

“Our freedom of choice in a competitive society rests on the fact that, if one person refuses to satisfy our wishes, we can turn to another...And if one way of achieving our ends proves too expensive for us, we are free to try other ways.” Hayek aptly says. And he is correct. In Venezuela, citizens cannot simply choose to buy toilet paper from a different vendor instead of having to wait in a line.

When the government took control in the wake of economic tragedy, the power to choose was given to the state. And the state does not care which brand of toilet paper you use or what price point you are comfortable paying. It does not care what medicine is vital in order for you to function. It chooses based on its own set of blanket value scales in which everyone is equal simply because everyone is equally let unsatisfied.

And there is almost nothing the people can do about it, making the situation far worse because as Hayek also states, “Nothing makes conditions more unbearable than the knowledge that no effort of ours can change them.”

What is worse, is that proponents of socialism praise this lack of choice as liberating. Now that the state has decided when, where, and at what cost something can be purchased, individuals have been relieved of this heavy burden. Hayek describes these types of people by saying:

But few want to be relieved through having the choice made for them by others. People just wish that the choice should not be necessary at all. And they are only too ready to believe that the choice is not really necessary, that it is imposed upon them merely by the particular economic system under which we live. What they resent is, in truth, that there is an economic problem.

And that is exactly what befell Venezuela: a devastating economic problem. And this problem was used as a vessel to suppress the freedom and choice of the individual in the name of a planned economy.

So for those who would still like to believe that economic factors are separate from individual liberty, Hayek says:

Economic values are less important to us than many things precisely because in economic matters we are free to decide what to us is more, and what less, important.

8

There Is No Such Thing As Equality, and Thank Goodness

Typically, Hayek's chapter titles leave nothing to the imagination. But as I encountered the "Who, Whom" title of chapter eight in *The Road to Serfdom*, I had to do a doubletake.

Having the modern luxury of Google at my fingertips, I soon learned that Hayek's title was actually a Bolshevik slogan made popular by Lenin in the 1920s. It was later shortened by Leon Trotsky who used it in his article titled *Towards Capitalism or Towards Socialism?*

"Who, Whom" refers to the overall question of who will overtake whom. Or, put differently, which ideology will survive: socialism or capitalism.

But what was most unfortunate about this slogan was the corresponding propaganda campaign that was used by these socialists to entice followers to join their ranks; it all became about class struggle and equality. But what socialists view as equality and what equality really means in the marketplace are two entirely different beliefs.

There Is No Equality

Those who believe in the power of markets believe that true equality comes from each individual's ability to equally pursue his or her dreams without fear of intervention from a governing authority.

But the socialists have distorted this term into something that can never exist, no matter how much they may wish it. The socialists would like to see everyone made equal through some planned economy directed to a specific end. That end being equal pay and status.

Unfortunately, no two people are born the same. Each person has unique skills and experiences that set him apart from all others. The only way in which two people can be made to be the same is through a complete government takeover of every aspect of our lives. Or, in other words, nothing short of ultimate force would bring about this goal. Which is exactly what Hayek warns about in chapter eight of *The Road to Serfdom*.

What socialists forget, or perhaps never understood to begin with, is that the free market is the only vessel from which equal access to our ambitions can be achieved without trampling on the ambitions or rights of others.

Under free market capitalism, a man is not prescribed his destiny at birth. The child born in the streets and swaddled in rags can grow up to be an entrepreneur, creating value, jobs, and driving the economy. So long as he has the ambition and will to do so, of course.

But this ability to change one's stars belittles this notion of class warfare because in true capitalism one can move from one station to the next, making socialism completely irrelevant to the equation.

As Hayek says:

Under competition the probability that a man who starts poor will reach great wealth is much smaller than is true of the man who has inherited property, it is not only possible for the former, but the competitive system is the only one where it depends solely on him and not on the favors of the mighty, and where nobody can prevent a man from attempting to achieve this result.

Resentment

But through socialist doctrine, it was instilled in many that each of us deserves equal success just by simply existing. And even worse still was this underlying resentment that led many prominent socialists to believe that those born in lower classes are somehow more deserving of this success than someone born into "privilege."

Hayek attributes much of this line of thinking to compulsory education.

Textbooks assigned during the course of government-forced education tell of greed and oppression at the hand of wealthy. And of course, the heroes are the working class underdogs who have managed, in spite of capitalism, to form labor unions and pass regulations all intended to make us all more equal.

As Hayek writes:

The resentment of the lower middle class, from which fascism and National Socialism recruited so large a proportion of their supporters, was intensified by the fact that their education and training had in many instances made them aspire to directing positions and that they regarded themselves as entitled to be members of the directing class.

Instead of seeking to change their situations through their own efforts, an entire generation now believed it was owed to them.

While the younger generation, out of that contempt for profit-making fostered by socialist teaching, spurned independent positions which involved risk and flocked in ever increasing numbers into salaried positions which promised security, they demanded a place yielding them the income and power to which in their opinion their training entitled them.

But what is neglected here is a clear definition of who will be in charge of bringing about this great utopia where all things are equal. Such a system would have to be controlled by some all-powerful entity.

Arbiter of Fairness

For forced equality to occur, some entity has to be responsible for directing resources to make it so. And as history has shown us, this is always a role given to the state, by the state. As Hayek says, “In so far as government does anything at all, its action will always have some effect on “who gets what, when, and how.”

But somehow, socialists have convinced themselves that the state is a neutral source of redistribution, immune to succumbing to its own ends over the “common good” of the people. But this gives the state complete control over just about everything imaginable, as Hayek also warns:

What these people forget is that, in transferring all property in the means of production to the state, they put the state in a position whereby its action must in effect decide all other incomes.

He further adds, “That a government which undertakes to direct economic activity will have to use its power to realize somebody’s ideal of distributive justice is certain.”

Fight for Fifteen

We are seeing this play out today in our modern world with the “fight for fifteen” minimum wage movement. Desperate to achieve “fair” pay for all, many entry-level workers have demanded that the government take complete control of setting wage rates. But in reality, all this does is take the power to control one’s destiny out of the hands of individuals and into the hands of government.

Instead of working to earn this success, it is demanded that the government simply give it to us. Entry-level positions that were once seen as stepping stones to greater career ambitions are now seen as the ends themselves.

The young man flipping burgers desires to make as much as his supervisor because he feels it is owed to him. But that supervisor was once flipping burgers himself. It was his own ambition for something more that led him to want a higher status in life. And that drive resulted in him picking up extra shifts and proving himself until he reached an elevated position. This ability in itself is true freedom.

As Hayek says:

It is only because we have forgotten what unfreedom means that we often overlook the patent fact that in every real sense a badly paid unskilled worker in this country has more freedom to shape his life than many a small entrepreneur in Germany [1944] or a much better paid engineer or manager in Russia.

No human being can ever eradicate the differences that exist among individuals. And no one should want to. These differences have given us the robust marketplace we have today. Our different abilities and skills

are proof that we live in a society where individuals determine their destiny and not some arbitrary authority.

As Hayek says:

There will always exist inequalities which will appear unjust to those who suffer from them, disappointments which will appear unmerited, and strokes of misfortune which those hit have not deserved. But when these things occur in a society which is consciously directed, the way in which people will react will be very different from what it is when they are nobody's conscious choice.

So, the question of “who, whom” is rather important because what this slogan really makes one reflect on is who is control of whom. For the socialists, they believe the government should control one's status in life. For the capitalist, it is the individual and only the individual who is in charge of determining his own destiny.

9

What Hayek Gets Wrong about a Universal Basic Income

Market advocates usually tend to reject any sort of system that seeks to rob from one individual in order to give to another. Yet, when it comes to the welfare state, some who align themselves with free enterprise support the idea of a universal basic income (UBI).

It is believed by some that a UBI would be the best possible way to limit the welfare state without clinging to the more idealistically pure view that it should be abolished altogether. It is reasoned that since the government is likely to continue taking from us anyway, we may as well mitigate the costs by giving each individual a fixed amount of money each year.

By providing each individual with the same amount of money, let's say \$10,000 a year as has been suggested by some, income is at least being equally distributed, it is argued. And without a labyrinth of other welfare programs, a UBI could actually decrease the welfare state.

And even though recent [research](#) and studies conducted on the matter have yielded results less than favorable to UBI champions, there are still those in the free market camp who continue to advocate for it.

But this great libertarian divide on the issue of the UBI is not one that is exclusive to our modern day. In fact, both Milton Friedman and F.A. Hayek showed support for this type of system in their own time. Hayek even dedicates much of his ninth chapter in *The Road to Serfdom* to this topic as he discusses the always-timely debate between liberty and security.

Economic Security

Libertarians are especially guilty of using the Ben Franklin quote warning against hastily trading liberty for security as often as is humanly possible. In a post-9/11 world, this issue of liberty vs. security has become all too applicable as young people have lived the majority of our lives in a world absent of our most precious civil liberties.

As the quote says:

Those who would give up essential Liberty, to purchase a little temporary Safety, deserve neither Liberty nor Safety.”

But there is more to this liberty vs. security issue than just civil liberties. Though to be sure, all liberties are related to each other. But in true Hayek form, he uses the “Security and Freedom” chapter of his book to discuss the importance of economic liberty.

Hayek believes that there are essentially two types of economic security: limited and absolute.

It will be well to contrast at the outset the two kinds of security: the limited one, which can be achieved for all, and which is therefore no privilege but a legitimate object of desire; and absolute security, which in a free society cannot be achieved for all and which ought not to be given as a privilege—except in a few special instances such as that of the judges, where complete independence is of paramount importance.

But what he neglects to place on the table for consideration is the very real fact that no amount of security can ever be guaranteed in a society comprised of individual actors. True liberty will always be a risk because it acknowledges that you cannot guarantee security without first stripping people of their liberties and using force.

Instead, Hayek makes arguments in favor of “limited” economic security being compatible with free enterprise. “But there is no incompatibility in principle between the state’s providing greater security in this way and the preservation of individual freedom,” Hayek says very early on in this chapter.

He continues:

Nor is there any reason why the state should not assist the individuals in providing for those common hazards of life against which, because of their uncertainty, few individuals can make adequate provision.

There are two problems with this statement. First, as discussed in previous liveblog entries, Hayek has already made the case that it is hard to restrain governments once it is given a little power. So this is a very slippery slope to descend.

It also neglects the very real fact that in order to supply individuals with their basic needs, money is required. And that money has to come from somewhere. Since the government itself provides no good or service that brings in profit, the money to fund such a program would have to come at the expense of the taxpayers. In other words, it involves theft at the hand of the government.

In fact, a recent [study conducted](#) on the impacts of a implementing a UBI within the US found that:

When paying for the policy by increasing taxes on households rather than paying for the policy with debt, the policy is not expansionary. In effect, it is giving to households with one hand what it is taking away with the other. There is no net effect.”

So not only does this type of system advocate institutionalized theft, it also claims to solve a problem that, in fact, it does not impact. Since this money needed to fund a UBI either comes from raising taxes on individuals or increasing the deficit, it is not saving anyone any money.

The Fear of Technological Progress

As part of his argument in favor of this type of system, Hayek addresses the fact that oftentimes, advancement in technology results in a loss of employment for many workers who are skilled in one very specific area. Since this progress has come at no fault of their own, Hayek argues that the government should ensure that they are not experiencing a loss of income.

We all know the tragic plight of the highly trained man whose hard-learned skill has suddenly lost its value because of some

invention which greatly benefits the rest of society. The history of the last hundred years is full of instances of this kind, some of them affecting hundreds of thousands of people at a time.

He continues:

That anyone should suffer a great diminution of his income and bitter disappointment of all his hopes through no fault of his own, and despite hard work and exceptional skill, undoubtedly offends our sense of justice.

This is all too applicable in our modern climate when fear of automation has been used to advocate for a UBI. Big names in the tech world like Mark Zuckerberg and Bill Gates have both used the increased use of automation to say that now, more than ever, a universal basic income would be most needed.

It is undeniable that automation will inevitably put some individuals out of work just as machines put laborers out of work during the industrial revolution. If automation proves itself to be more efficient and less expensive than human workers, it would be foolish for companies not to move towards this system.

But by creating a UBI as a safety net, the state is essentially incentivizing individuals to stay stagnant and abandon the endeavor of learning new skills that may help them create value in the workforce. Nothing in life is set in stone. What is here today might be gone tomorrow. No amount of false reassurance can avoid this fact.

Careers are no different. If your skills are not in demand because of technological advances, then one must learn a new skill and create value in a different sector. While technological progress does come with initial job displacement in certain sectors, there are still others sectors in need and new niches that have not yet been capitalized on. Whole new industries, sectors, job opportunities emerge, providing new hope to people who are seeking work, and, let us not forget, serving people as consumers who are seeking better lives.

Ensuring that no matter what happens, the government will provide for you diminishes the incentive to constantly expand your skills in order to create as much value as is possible. In fact, it is an illusion: life has forward motion and is never static, never stuck in one place.

But on this point, Hayek disagrees:

Although the results achieved will often be commensurate with efforts and intentions, this cannot always be true in any form of society. It will particularly not be true in the many instances where the usefulness of some trade or special skill is changed by circumstances which could not be foreseen.

Most of life's events are unforeseen. Life is, unfortunately, unfair and it is not the responsibility of others to remedy life's unsavory moments. What we need most of all is the freedom to adapt, to evolve, to become something that is valued by others. This is precisely what is provided by the market economy, the most benevolent institution that exists on this earth.

The Problems

Hayek is by no means intellectually lacking in the area of economics. And while he mistakenly accepts the UBI as a reasonable free market solution to the welfare state, he is also aware of the problems that may arise under this system.

When a person's income is guaranteed, he can neither be allowed to stay in his job merely because he likes it nor to choose what other work he would like to do. As it is not he who makes the gain or suffers the loss dependent on his moving or not moving, the choice must be made for him by those who control the distribution of the available income.

Speaking to the point made above, Hayek addresses the fact that a UBI does come with the very real risk that an individual will have no incentive to improve their life. When needs are being met with or without any effort on your own part, the desire to improve one's station in life becomes less important.

Ending this chapter Hayek states:

Some security is essential if freedom is to be preserved, because most men are willing to bear the risk which freedom inevitably involves only so long as that risk is not too great.

Though he is quick to add:

But while this is a truth of which we must never lose sight, nothing is more fatal than the present fashion among intellectual leaders of extolling security at the expense of freedom.”

In short, while economic security may be appealing to many and ease our minds, it does not come without a cost, and, in most instances, it is a loss to not only our economic freedom but freedom in general.

10

Why the Worst Humans Are Able to Rise to Power

In chapter ten of *The Road to Serfdom*, “Why the Worst Get on Top,” Hayek continues to warn about the dangers of planned economies, but with a slightly different approach from earlier chapters.

Stepping into new territory, here we see Hayek not only identifying economic problems but also discussing the very nature of power itself. Specifically, he addresses how totalitarians are able to rise to power and coerce entire populations into absolute despotism.

What is so fascinating about Hayek’s warnings in this chapter is the fact that they were written at a time when the world was desperately trying to make sense of what had just occurred in Germany during WWII. Hitler and the Third Reich were all too fresh in the minds of all mankind, making Hayek’s warnings extraordinarily relevant.

The world was determined to never let that kind of evil loose on civilization again, but as Hayek warned, it is not merely a matter of making sure “good” people get elected to office; it is making sure totalitarianism is rejected at all corners: economic, political, social and all other forms imaginable.

Three Reasons Why

History’s most notorious dictators did not rise to power randomly. And in this chapter of his book, Hayek explains why the most despicable people always end up with political power and why, to paraphrase Lord Acton, absolute power always corrupts absolutely.

Hayek explains:

There are three main reasons why such a numerous and strong group with fairly homogeneous views is not likely to be formed by the best but rather by the worst elements of any society. By our standards the principles on which such a group would be selected will be almost entirely negative.

Addressing the first reason, Hayek says:

In the first instance, it is probably true that, in general, the higher the education and intelligence of individuals become, the more their views and tastes are differentiated and the less likely they are to agree on a particular hierarchy of values. It is a corollary of this that if we wish to find a high degree of uniformity and similarity of outlook, we have to descend to the regions of lower moral and intellectual standards where the more primitive and “common” instincts and tastes prevail.

And this is precisely what happened in Germany prior to the rise of the Third Reich.

Hayek continues:

It is, as it were, the lowest common denominator which unites the largest number of people.

After the German economy was decimated in the aftermath of WWI, economic woes were the bond that united all Germans. They may have had nothing else in common save this one element, but it was of enough importance to impact the day-to-day lives of all Germans.

In addition to the economic hardships brought about by the hyperinflation of the Weimar Republic, the “volk” had one other common element: They were all Germans. And from this came a propaganda campaign that would capitalize on these few similarities in order to further unite the German people to one cause: The Third Reich.

Discussing his second reason, Hayek says:

Here comes in the second negative principle of selection: he will be able to obtain the support of all the docile and gullible, who have no strong convictions of their own but are prepared to accept a ready-made system of values if it is only drummed into their ears sufficiently loudly and frequently. It will be those whose vague and imperfectly formed ideas are

easily swayed and whose passions and emotions are readily aroused who will thus swell the ranks of the totalitarian party.

The German people were exhausted after WWI. Like the rest of the globe, their economy had already taken the fiscal hits associated with the costs of long-term war. They wanted prosperity and they would take it however they could get it if it meant a guarantee of putting food on the table.

But they had also just finished fighting a war. Women were widowed, limbs were lost, and morale was at an all-time low as the entire globe was pointing its fingers at Germany.

When Joseph Goebbels was tasked with manipulating the German people into not only submission but full-blown fanaticism, he knew exactly what to do: unite the people in a common cause and direct them to a desired end. He also knew that a good propaganda campaign involved repeating certain slogans and rhetoric over and over again until it became second nature to the people, as Hayek explains above.

By utilizing a brilliant propaganda campaign that played to the sympathies felt by all Germans in the post-WWI climate, Hitler and his followers were able to hoodwink an entire nation.

But the real evil genius of the Third Reich's propaganda campaign was its utilization of a common enemy that the whole populace could blame. This brings us to Hayek's third reason the worst get on top:

The third and perhaps most important negative element of selection enters. It seems to be almost a law of human nature that it is easier for people to agree on a negative program—on the hatred of an enemy, on the envy of those better off— than on any positive task. The contrast between the “we” and the “they,” the common fight against those outside the group, seems to be an essential ingredient in any creed which will solidly knit together a group for common action. It is consequently always employed by those who seek, not merely support of a policy, but the unreserved allegiance of huge masses.

The German people were mad, tired, and frustrated with their situation. Blaming the nations responsible for making their country pay reparations was not sufficient since, at the time, Germany lacked the

ability to do much about it. Instead, the enemy became anyone who wasn't like everyone else.

Don't Give up Your Power

Though Hitler's detestation of the Jewish population is no secret, they were not the only people on his list. Anyone who didn't have German blood coursing through their veins was a threat to the fatherland and had to be stamped out.

Most people would protest that they would be guilty of condemning entire segments of the population to death, but what is important to understand about Germany in WWII is that most Germans did not understand the magnitude of the situation.

They had capitulated power because they were desperate for change. But by relinquishing that power, they allowed horrible, unchecked atrocities to occur. As Hayek says, there is "an increasing tendency among modern men to imagine themselves ethical because they have delegated their vices to larger and larger groups."

This in itself hits at the very core of why all totalitarian regimes are dangerous. If individuals give up all their power to an authority, there are no longer any checks on power. All things that can be done will be done, and the people, through their own volition, have allowed this to come to pass because the ends were more important than anything else.

As Hayek says:

It is, even more the outcome of the fact that, in order to achieve their end, collectivists must create power—power over men wielded by other men—of a magnitude never before known, and that their success will depend on the extent to which they achieve such power. Power, and the competitive system is the only system designed to minimize by decentralization the power exercised by man over man.

Few politicians are ever elected on a platform of brutality of epic proportions. Had the German people known what the end results of the Third Reich would be, I doubt the majority would have complied. But it is always easier to make these claims in hindsight.

So how, as individuals, can we do our best to ensure we do not let this happen again? How do we do our absolute best to ensure that we are not tempted in the face of economic uncertainty or foreign threats? The answer is constant vigilance.

Be wary of any politician who is eager for the masses to give up their power, and when faced with such a decision, remember the creed so commonly associated with the great Ludwig von Mises, “*Tu ne cede malis sed contra audentior ito,*” do not give in to evil but proceed ever more boldly against it.

11

Education Is the State's Greatest Tool for Propaganda

In chapter 10 of *The Road to Serfdom*, Hayek describes how some of the worst people always end up rising to the top of the political heap. Continuing to touch on this theme in the eleventh chapter, Hayek digs even deeper and discusses the control of information and the very basis of truth in a planned society.

In a society where totalitarianism reigns, truth is found not in objective principles, but in a government's desired ends. Once these ends have been established, all other forms of information are tailored to reinforce that "truth." Reason is henceforth thrown out the window and the state's version of truth is beyond contestation. As George Orwell wrote:

Nazi theory indeed specifically denies that such a thing as "the truth" exists. ... The implied objective of this line of thought is a nightmare world in which the Leader, or some ruling clique, controls not only the future but the past. If the Leader says of such and such an event, "It never happened" – well, it never happened. If he says that two and two are five – well, two and two are five. This prospect frightens me much more than bombs.

But this on its own is not enough to sway entire nations. Instead of the people merely accepting these "truths" it is important that the state convince them that these truths are their own. When individuals begin to tie their interests to the state's interests a terrifying unity occurs, the likes of which can be seen in almost every deceptive dictatorship throughout history.

As Hayek says:

The most effective way of making everybody serve the single system of ends toward which the social plan is directed is to make everybody believe in those ends. To make a totalitarian system function efficiently, it is not enough that everybody should be forced to work for the same ends. It is essential that the people should come to regard them as their own ends.

In order to do this, all propaganda is orchestrated to reinforce these ends in order to push individuals in the desired direction. Common themes and slogans are repeated over and over again in order to beat these goals into the minds of the people. Anything contrary to the end goal must be squashed immediately. Anyone speaking out against them must too be destroyed in the name of national security. As Hayek says, “But the minority who will retain an inclination to criticize must also be silenced.”

And while most people associate propaganda with political posters and multimedia, there is no greater tool for propaganda than a nation's education system.

State-Controlled Education

No matter how intelligent an individual may be, almost every person is susceptible to propaganda. This is because, in many instances, most are unaware that they are falling prey to it. It seeps into our lives through all forms of entertainment but most especially through state-sponsored education.

In Nazi Germany, indoctrinating the youth was one of the easiest ways to ensure the fervent support of future generations. Adolf Hitler himself said, “He alone, who owns the youth, gains the future.” Children were forced into youth groups where their role in the Third Reich was reinforced continually. Germany even tailored toys, games, and books towards the desired ends of the Reich, ensuring that children would believe whatever they wanted them to believe.

Hayek writes:

If all the sources of current information are effectively under one single control, it is no longer a question of merely persuading the people of this or that. The skillful propagandist then has

power to mold their minds in any direction he chooses, and even the most intelligent and independent people cannot entirely escape that influence if they are long isolated from all other sources of information.

And this was the aim of the Third Reich. If the German people were to not only accept but condone the acts of their government, there was no better way to do it than to teach them young, and lead them to believe that this has always been the case.

Touching on this, Hayek says:

The most effective way of making people accept the validity of the values they are to serve is to persuade them that they are really the same as those which they, or at least the best among them, have always held, but which were not properly understood or recognized before.

Or, to pull from Orwellian speak, the goal is to make these children believe that, “we have always been at war with Eastasia.”

But this deliberate molding of minds does not only occur in young students. In fact, once these children’s minds have been sufficiently indoctrinated, they are passed off to institutions of higher education where a belief in intellectual elitism is then instilled.

The Educated Elite

Trained to learn by rote methods rather than critical thinking, young adults, eager to assert their independence, were thrown into colleges and universities and told that they are now part of the intellectual elite. But from this comes the dangerous tendency to stop questioning the information that is presented to you. After all, your professors are highly regarded for their intellect. Why would they steer you in the wrong direction?

But when these professors begin to present state opinion as unquestioned truth, this is where the real problems arise.

The field of eugenics, for example, was once taught as if it were doctrinal truth. If racial superiority could be “scientifically” proven, or,

rather, if the state could assert that this was fact, then questioning this doctrine became heresy.

As Hayek says:

The need for such official doctrines as an instrument of directing and rallying the efforts of the people has been clearly foreseen by the various theoreticians of the totalitarian system. Plato's "noble lies" and Sorel's "myths" serve the same purpose as the racial doctrine of the Nazis or the theory of the corporative state of Mussolini. They are all necessarily based on particular views about facts which are then elaborated into scientific theories in order to justify a preconceived opinion.

And, as has been seen throughout history, once a theory becomes part of the scientific narrative, it contributes to the direction of all societal ends. Hayek comments on this saying, "Thus a pseudoscientific theory becomes part of the official creed which to a greater or lesser degree directs everybody's action." While the eugenics example may seem rather extreme, it was very applicable to the time that Hayek was writing.

And while it is not easy in hindsight to understand how an entire population could fall for theories this callous, Hayek reminds us, "It is not difficult to deprive the great majority of independent thought."

It may be easy to cast blame on the media and the entertainment industry for being natural propaganda machines, but history tells a different story. As we have now seen, state-controlled education is one of the worst and most effective propaganda tools that has ever existed.

12

Socialist Academics Contributed to the Rise of the Third Reich

Throughout the last three chapters of F.A. Hayek's *The Road to Serfdom*, I have found myself questioning whether I am still reading the same book. In chapters 1-11, Hayek went from being an economist to a philosopher, to a historian. But in chapter twelve, "The Socialist Roots of Nazism," he takes on the role of biographer.

Hayek highlights the very important connection between the socialist and Nazi intellectuals by profiling a handful of prominent German Marxist supporters whose philosophical beliefs would radicalize during WWI. While their academic careers were centered on spreading socialist philosophy, many would later come to the conclusion that nothing short of Nazism would help bring about the necessary revolutionary change they each wanted.

But most importantly, Hayek points out that contrary to what many think, Nazism did not simply appear out of thin air and infect the minds of docile German people. There were academic roots that, while grown in the soil of socialist thought, grew into a philosophy that praised German superiority, ultimate war, and the degradation of the individual.

As Hayek writes:

It is a common mistake to regard National Socialism as a mere revolt against reason, an irrational movement without intellectual background. If that were so, the movement would be much less dangerous than it is. But nothing could be further from the truth or more misleading.

Speaking of socialism's intellectual leaders who later helped lay the intellectual foundation for the rise of the Third Reich, Hayek says:

...It cannot be denied that the men who produced the new doctrines were powerful writers who left the impress of their ideas on the whole of European thought. Their system was developed with ruthless consistency. Once one accepts the premises from which it starts, there is no escape from its logic.

While touching on each of Hayek's examples would be just as long as Hayek's own twelfth chapter, I will touch specifically on Werner Sombart, Johann Plenge, and Oswald Spengler.

Werner Sombart

Hayek writes:

From 1914 onward there arose from the ranks of Marxist socialism one teacher after another who led, not the conservatives and reactionaries, but the hardworking laborer and idealist youth into the National Socialist fold. It was only thereafter that the tide of nationalist socialism attained major importance and rapidly grew into the Hitlerian doctrine.

Beginning his list of influential thinkers prior to WWII, Hayek begins with the dedicated Marxist who later embraced nationalism and dictatorship, Werner Sombart (1863-1941). Hayek says of Sombart:

Sombart had begun as a Marxian socialist and, as late as 1909, could assert with pride that he had devoted the greater part of his life to fighting for the ideas of Karl Marx. He had done as much as any man to spread socialist ideas and anticapitalist resentment of varying shades throughout Germany; and if German thought became penetrated with Marxian elements in a way that was true of no other country until the Russian revolution, this was in a large measure due to Sombart.

Sombart was no stranger to radicalized thought. In fact, he would never be allowed to rise to the ranks of university chair in the course of his career because of his ties to Marxism.

He was also a strong believer in the glory of war and, specifically, the German people's global role as ideal soldiers. In his works can be found this belief that a "German War" between England's capitalist society of "peddlers" and Germany's warrior culture of "heroes" was inevitable and vital for the progress of the world. He seethed with criticism for the English people, who, in his mind, had lost their warlike instincts. This became a recurring theme for him in later writings.

His other main criticism of English culture was the emphasis placed on the individual. For Sombart, individual happiness was hampering societies from being truly great. As Hayek said of Sombart, "Nothing is more contemptible in his eyes than the universal striving after the happiness of the individual..."

Sombart's dismissal of the individual tied in with his obsession with and glorification of war. In Sombart's view, the concept of individual liberty was a barrier, preventing Germany from obtaining its true greatness. As Hayek says of Sombart's beliefs, "there is a life higher than the individual life, the life of the people and the life of the state, and it is the purpose of the individual to sacrifice himself for that higher life."

This all plays in perfectly with the rise of the Third Reich, where people were seen as means to an end, rather than as ends themselves.

Johann Plenge

Professor Johann Plenge (1874-1963) was another leading intellectual authority on Marxist thought during this time. He also saw war with England as a necessary struggle between two opposite principles: emphasis on the individual and organization and socialism.

Hayek explains what organization meant to Plenge by saying, "Organization is to him, as to all socialists who derive their socialism from a crude application of scientific ideals to the problems of society, the essence of socialism." But for Plenge, the Marxist doctrine did not take this belief far enough.

Quoting Plenge, Hayek writes:

Marx and Marxism have betrayed this basic idea of socialism by their fanatic but utopian adherence to the abstract idea of freedom.

Interestingly enough, many of these socialist philosophers eventually abandoned Marxism in favor of National Socialism because they considered the former too liberal. Since Marxists at least claim to incorporate principles of democracy into the philosophy, this was thought to give too much power to individuals and was thus seen as dangerous by these intellectuals.

The doctrines which had guided the ruling elements in Germany for the past generation were opposed not to the socialism in Marxism but to the liberal elements contained in it, its internationalism and its democracy...It was the union of the anticapitalist forces of the Right and of the Left, the fusion of radical and conservative socialism, which drove out from Germany everything that was liberal.

Both Sombart and Plenge would have agreed. In order to have an ideal world, an extreme regimentation of society would have to take place and strong intellectual ideas would need to form the basis for this new planned world.

In Plenge's own words:

Because in the sphere of ideas Germany was the most convinced exponent of all socialist dreams, and in the sphere of reality she was the most powerful architect of the most highly organized economic system.—In us is the twentieth century. However the war may end, we are the exemplary people. Our ideas will determine the aims of the life of humanity.—World History experiences at present the colossal spectacle that with us a new great ideal of life penetrates to final victory, while at the same time in England one of the World-Historical principles finally collapses.

Plenge believed that Germany's war economy born in 1914 was:

The first realization of a socialist society and its spirit the first active, and not merely demanding, appearance of a socialist spirit. The needs of the war have established the socialist idea in German economic life, and thus the defense of our nation produced for humanity the idea of 1914, the idea of German organization, the people's community (Volksgemeinschaft) of national socialism... The feeling of economic responsibility

which characterizes the work of the civil servant pervades all private activity.

If Marxism, as it was believed, allowed too much of an emphasis on democracy, many of these intellectuals believed that their socialist views had to be taken even further to achieve the ends they wanted. By 1918, Plenge was already reflecting his new belief that something stronger and more authoritarian than Marxism was needed.

Plenge writes:

It is high time to recognize the fact that socialism must be power policy, because it is to be organization. Socialism has to win power: it must never blindly destroy power. And the most important and critical question for socialism in the time of war of peoples is necessarily this: what people is pre-eminently summoned to power, because it is the exemplary leader in the organization of peoples?

However, while Sombart and Plenge are thought to have provided the intellectual basis for Nazi thought, it was Oswald Spengler (1880-1936) who took the thoughts of these men and directly channeled them into the burgeoning philosophy of the National Socialist Party.

Oswald Spengler

Like the other two intellectuals, Spengler believed philosophy wasn't enough to ensure the continuation of the German people and viewed liberalism as a dangerous English philosophy that was spreading throughout the world.

For Spengler, the Prussian model stood in opposition to England's liberalism and was the ideal example of what Germany should aspire to. In the Prussian political model, the individual has no other role than to be a part of the whole and to serve the collective's interests in the name of the state.

As Hayek says:

The three last nations of the Occident have aimed at three forms of existence, represented by famous watchwords: Freedom, Equality, Community. They appear in the political

forms of liberal Parliamentarianism, Social Democracy, and authoritarian socialism... The German, more correctly, Prussian, instinct is: the power belongs to the whole. . . Everyone is given his place. One commands or obeys. This is, since the eighteenth century, authoritarian socialism, essentially illiberal and anti-democratic, in so far as English Liberalism and French Democracy are meant.

And while Prussian militarism was seen to be the enemy of socialism, Spengler helped bridge that gap. Both schools of thought require an abandonment of the individual identity and a dedication to the greater good of society. Explaining the similarities, Hayek says:

In Prussia there existed a real state in the most ambitious meaning of the word. There could be, strictly speaking, no private persons. Everybody who lived within the system that worked with the precision of a clockwork, was in some way a link in it. The conduct of public business could therefore not be in the hands of private people, as is supposed by Parliamentarianism.

This sounds shockingly similar to the requirements made of the German people by the Third Reich. This is exactly why Spengler hated English liberalism so much. He targets it as the enemy of the Prussian model.

But unlike the other two, Spengler's views were directly manifested in his support for Nazism. Spengler, more so than the others, wanted to incorporate these views in a tangible way that made Germany the ultimate authority on the matter.

Spengler writes:

The decisive question not only for Germany, but for the world, which must be solved by Germany for the world is: Is in the future trade to govern the state, or the state to govern trade? In the face of this question Prussianism and Socialism are the same...Prussianism and Socialism combat the England in our midst.

The Birth of National Socialism

At its very core, and as specified by these German thinkers, liberalism was the archenemy of planning and organization. And unless full-fledged National Socialism was adopted, the individual would not be sufficiently squashed as to allow for authoritarian rule.

This hatred and fear of the individual is the worldview espoused by these thinkers and it continues on with those who claim to be socialists today. Unless the concept of individualism is completely eradicated, the glorified state cannot come into existence. Let this, of all things, be a lesson on why Hayek places so much importance on the individual.

It is the individual, above all things, and the philosophical outlook that defends his or her rights, who presents the greatest obstacle to totalitarianism.

13

England Inches Down the Road to Serfdom

Hayek has spent the last few chapters of *The Road to Serfdom* explaining the roots and rise of totalitarian governments. In chapter twelve, Hayek highlighted prominent Marxist theorists who would later lay the roots for the German National Socialist party.

Hayek's whole purpose in writing this chapter, "The Totalitarians in Our Midst," serves as a warning to his readers. The mass death of WWII had devastated and shocked the world. But unless individuals were able to identify how totalitarianism had taken over Europe in the first place, they would be ill-prepared to prevent it from happening again.

It was for this reason that Hayek uses chapter thirteen to demonstrate to his readers that a similar perversion of truth was already occurring among England's intellectual elite as had occurred in the leadup to the Third Reich.

Individualism in Danger

England, which, as explained in the last chapter, represented the origin of individualist thought, had steadily been heading down a similar road as Germany had in the decades prior to WWII. While it may have taken a different form, when looked at from the perspective of totalitarianism in all things economic, England, as it stood in 1944, had taken swift strides away from liberalism and instead found itself headed in the direction of complete central authority.

It is for this reason that Hayek's writing sounds so urgent in this chapter. As fresh as WWII was in the minds of all people, Hayek is urging them to not become complacent. It was not enough to mourn the

recent past; they needed to proceed vigilantly and look to the enemies in their own nations.

As Hayek writes:

Probably it is true that the very magnitude of the outrages committed by the totalitarian governments, instead of increasing the fear that such a system might one day arise in more enlightened countries, has rather strengthened the assurance that it cannot happen here.

But for those who pushed away any suggestion that England was in any way comparable to Germany, Hayek says:

And the fact that the difference has steadily become greater seems to refute any suggestion that we may be moving in a similar direction. But let us not forget that fifteen years ago the possibility of such a thing's happening in Germany would have appeared just as fantastic...

But the real problem, as Hayek has stressed throughout the entire book, is that the threat to economic liberty comes from both sides of the political spectrum.

...but the Germany of twenty or thirty years ago to which conditions in the democracies show an ever increasing resemblance...We have already mentioned the most significant—the increasing similarity between the economic views of the Right and Left and their common opposition to the liberalism that used to be the common basis of most English politics.

And most importantly, especially to Hayek, was pointing out how England was already well on their way down a most dangerous path.

England, or rather, Great Britain, is the birthplace of liberalism in many capacities. It is where many of the founding philosophies of the American Revolution came from. These same principles of contract law and property rights served as the roots of free market economics and also came from England. So it was all the more troubling for Hayek to see his this nation going astray.

How far in the last twenty years England has traveled on the German path is brought home to one with extraordinary vividness if one now reads some of the more serious discussions of the differences between British and German views on political and moral issues which appeared in England during the last war.

Men like Lord Morley or Henry Sidgwick, Lord Acton or A. V. Dicey, who were then admired in the world at large as outstanding examples of the political wisdom of liberal England, are to the present generation largely obsolete Victorians.

Although few people, if anybody, in England would probably be ready to swallow totalitarianism whole, there are few single features which have not yet been advised by somebody or other.

E.H. Carr

Beginning his accusations against those contemporary English figures who were having a dramatic impact on the political climate, Hayek writes:

There are, perhaps, few other instances in contemporary English literature where the influence of the specific German ideas with which we are concerned is so marked as in Professor E. H. Carr's books on the Twenty Years' Crisis and the Conditions of Peace.

Explaining why he views Carr (1892-1982) as dangerous to the future England, Hayek writes:

How little difference he is able to see between the ideals held in this country and those practiced by present-day Germany is best illustrated by his assertion that 'it is true that when a prominent National Socialist asserts that 'anything that benefits the German people is right, anything that harms them is wrong' he is merely propounding the same identification of national interest with universal right which has already been established for English-speaking countries by [President] Wilson, Professor Toynbee, Lord Cecil, and many others.

What is interesting, at least to me, when reading this chapter is the tone Hayek takes. Hayek's entire purpose for writing this book is to warn others not to repeat history, and yet here it is repeating itself and going almost completely unnoticed by the people. You can almost hear the frustration in Hayek's voice when he condemns Carr's dismissal of the 19th-century liberalism.

Does Professor Carr, for example, realize, when he asserts that "we can no longer find much meaning in the distinction familiar to nineteenth-century thought between 'society' and 'state,' that this is precisely the doctrine of Professor Carl Schmitt, the leading Nazi theoretician of totalitarianism and, in fact, the essence of the definition of totalitarianism which that author has given to that term which he himself had introduced?

Further commenting on Carr's negative attitude towards free market capitalism, Hayek quotes Carr himself:

The victors lost the peace, and Soviet Russia and Germany won it, because the former continued to preach, and in part to apply, the once valid, but now disruptive ideals of the rights of nations and laissez faire capitalism, whereas the latter, consciously or unconsciously borne forward on the tide of the twentieth century, were striving to build up the world in larger units under centralized planning and control.

Referring to the principles of capitalism as "disruptive ideas" and praising planned economies was enough for Hayek to say, "Professor Carr completely makes his own the German battle cry of the socialist revolution of the East against the liberal West in which Germany was the leader..."

Hayek also goes on to undermine Carr's commentary on economics by writing, "Professor Carr is not an economist, and his economic argument generally will not bear serious examination.

Professor Carr's contempt for all the ideas of liberal economists...is as profound as that of any of the German writers quoted in the last chapter. He even takes over the German thesis, originated by Friedrich List, that free trade

was a policy dictated solely by, and appropriate only to, the special interests of England in the nineteenth century.

C.H. Waddington

The next target of Hayek's criticisms is C.H. Waddington (1905-1975) another prominent science figure in British society in 1944. He specialized in the realms of developmental biology, genetics, and paleontology. Again, this was so close in time to the horrors of the Holocaust and the pseudoscience that accompanied it, and this concerned Hayek gravely.

It is well known that particularly the scientists and engineers, who had so loudly claimed to be the leaders on the march to a new and better world, submitted more readily than almost any other class to the new tyranny.

But to make matters worse, Hayek's warnings seem to increase in severity as he digs deeper into Dr. Waddington's beliefs on totalitarian rule:

Dr. Waddington's claim that the scientist is qualified to run a totalitarian society is based mainly on his thesis that "science can pass ethical judgment on human behavior"—a claim to the elaboration of which by Dr. Waddington Nature has given considerable publicity.

Further elaborating as to why he believes Dr. Waddington is a threat to liberty, Hayek attacks his belief in freedom in itself. Or rather, his lack thereof.

For an illustration of what this means we do not need to go outside Dr. Waddington's book. Freedom, he explains, "is a very troublesome concept for the scientist to discuss, partly because he is not convinced that, in the last analysis, there is such a thing."

He continues to make the connection between Dr. Waddington's work and his own Marxist roots, writing:

As in almost all works of this type, Dr. Waddington's convictions are largely determined by his belief in "inevitable historical

tendencies” which science is presumed to have discovered and which he derives from “the profound scientific philosophy” of Marxism, whose basic notions are “almost, if not quite, identical with those underlying the scientific approach to nature.

But, coming to at least one area of agreement, Hayek points out that even those who are pushing England further down the road to serfdom recognize that the country had been on the decline since the height of the liberalism in the 19th-century.

Thus Dr. Waddington, though he finds it “difficult to deny that England now is a worse country to live in than it was” in 1913, looks forward to an economic system which “will be centralized and totalitarian in the sense that all aspects of the economic development of large regions are consciously planned as an integrated whole.”

Where We Are on the Road

While Hayek is certainly more urgent in his tone during this chapter, he has not given up hope quite yet. In spite of the stumbling blocks inhibiting free-market competition, he still believes that society has the option of turning back before totalitarianism reached its full and ugly potential.

While there is no reason to believe that this movement is inevitable, there can be little doubt that if we continue on the path we have been treading, it will lead us to totalitarianism.

But, as is obvious throughout this chapter, Hayek implores the readers to proceed with constant vigilance and to not be fooled by the ruling class once again. And, as is demonstrated in one of his final passages of the chapter, Hayek wanted really to drive home the importance of studying history in order to prevent it from happening again.

But to find it once more held after twenty-five years of experience and the re-examination of the old beliefs to which this experience has led, and at a time when we are fighting the results of those very doctrines, is tragic beyond words.

14

Hayek Was Right, Welfare Is False Philanthropy

In chapter 14 of *The Road to Serfdom*, “Material Conditions and Ideal Ends,” Hayek focuses on the path forward now that the Second World War was coming to an end. Specifically, he explains that calling on the state to coercively act in the name of the “greater good” is not a moral act worthy of praise.

Employment

When the book was written in 1944, the country was anxious to see what America’s post-war economy would look like. One of the primary concerns in this regard was the issue of employment. Two million soldiers were returning from war. They needed work. What would be the effect on wages and growth?

Hayek writes:

That no single purpose must be allowed in peace to have absolute preference over all others applies even to the one aim which everybody now agrees comes in the front rank: the conquest of unemployment.

Keynesian economists claim that war is actually supremely beneficial to the national rate of employment. And on paper, this might appear to be true.

In times of war, and especially when a draft is instituted, employment does tend to rise. But this is due largely to the fact that when a draft forces many into military service, they are now considered “employed.”

For many young adults who were otherwise unemployed prior to the war, being drafted bumped these men up to “employed” status.

Similarly, WWII saw an influx of working women. The Rosie the Riveter era of women entering the workforce also had significant impacts on the rate of employment. There was also a higher demand for jobs in the sectors that were part of what Eisenhower called the Military Industrial Complex.

As Hayek says:

One of the dominant features of the immediate postwar situation will be that the special needs of war have drawn hundreds of thousands of men and women into specialized jobs where during the war they have been able to earn relatively high wages. There will, in many instances, be no possibility of employing the same numbers in these particular trades.

But now that the war was coming to an end employment was going to once again become an issue. The soldiers coming back from war who were not mentally or physically fatigued would be looking to re-enter the workforce immediately. With less of a demand for weaponry and other war-related products, the employer’s demand for jobs would decrease at the same time the workforce market was increasing. Not only were veterans looking for work, but there were now also more women competing for some of these same jobs in the workforce.

This caused many to turn to the government to provide enough jobs to keep the employment rates high. Books like William Beveridge’s *Full Employment in a Free Society* asserted that the free market was not capable of creating full employment and so it was the state’s job to provide this to all individuals.

Hayek comments on this belief of “full employment” saying:

It is, in fact, in this field that the fascination of vague but popular phrases like “full employment” may well lead to extremely shortsighted measures, and where the categorical and irresponsible “it must be done at all cost” of the single-minded idealist is likely to do the greatest harm.

And while the answer for the country’s unemployment woes was not to be found within state bureaucracies, the prospect of massive

unemployment was still a major problem in the post-WWII era, as Hayek explains:

There will be an urgent need for the transfer of large numbers to other jobs, and many of them will find that the work they can then get is less favorably remunerated than was true of their war job. Even retraining, which certainly ought to be provided on a liberal scale, cannot entirely overcome this problem. There will still be many people who, if they are to be paid according to what their services will then be worth to society, would under any system have to be content with a lowering of their material position relative to that of others.

But, most people do not want to lower their material positions, even after surviving a war. And as we see happen today, when this material status is in any way threatened, labor unions and activists began calling for a raising of wages to help correct this great “injustice.” But this can not be done with coercion threatening our liberties.

Hayek says:

If, then, the trade unions successfully resist any lowering of the wages of the particular groups in question, there will be only two alternatives open: either coercion will have to be used (i.e., certain individuals will have to be selected for compulsory transfer to other and relatively less well paid positions) or those who can no longer be employed at the relatively high wages they have earned during the war must be allowed to remain unemployed until they are willing to accept work at a relatively lower wage.

And, as many free market economists have tried to warn in our current day, there is the failure on the part of many of these labor activists to recognize that by artificial raising wages, other inflationary measures must be taken as well.

Yet to raise all other wages and incomes to an extent sufficient to adjust the position of the group in question would involve an inflationary expansion on such a scale that the disturbances, hardships, and injustices caused would be much greater than those to be cured.

And while the state could use its power to waive its proverbial magic wand and do its best to force full employment, it does not usually turn out as many would hope:

There will always be a possible maximum of employment in the short run which can be achieved by giving all people employment where they happen to be and which can be achieved by monetary expansion. But not only can this maximum be maintained solely by progressive inflationary expansion and with the effect of holding up those redistributions of labor between industries made necessary by the changed circumstances, and which so long as workmen are free to choose their jobs will always come about only with some delays and thereby cause some unemployment: to aim always at the maximum of employment achievable by monetary means is a policy which is certain in the end to defeat its own purposes.

False Philanthropy

Those calling on the state to provide jobs and higher wages to all individuals have a tendency to believe that they are standing on the moral high ground. These people believe that forcing individuals to meet their “charitable” expectations is only right. Nothing could be further from the truth. Forcing “ideal” behavior through coercion does not make people moral. People will do almost anything when forced.

Touching on this, Hayek writes:

What our generation is in danger of forgetting is not only that morals are of necessity a phenomenon of individual conduct but also that they can exist only in the sphere in which the individual is free to decide for himself and is called upon voluntarily to sacrifice personal advantage to the observance of a moral rule.

An individual is not acting out of personal responsibility when he or she is forced to do something. Instead, whatever act is being forced is neutral, serving only the ends of the state and no moral ends that will serve to benefit the individual in any way. If someone held you

at gunpoint and demanded that you give five dollars to a homeless individual, that would not make your “donation” moral, but it would make the gun holder’s actions immoral.

Hayek says:

Outside the sphere of individual responsibility, there is neither goodness nor badness, neither opportunity for moral merit nor the chance of proving one’s conviction by sacrificing one’s desires to what one thinks right. Only where we ourselves are responsible for our own interests and are free to sacrifice them has our decision moral value.

When acting out of fear of state retribution, we are not acting of our own volition, we are simply doing what we have to do to stay out of a prison cell.

Hayek writes:

Responsibility, not to a superior, but to one’s conscience, the awareness of a duty not exacted by compulsion, the necessity to decide which of the things one values are to be sacrificed to others, and to bear the consequences of one’s own decision, are the very essence of any morals which deserve the name.

And after explaining that coercion is not on par with authentic philanthropy, Hayek laments the direction society is headed. As has been the theme throughout the last few chapters of this book, Hayek worries that by abandoning the English concepts of liberalism, we are quickly approaching collectivism.

That in this sphere of individual conduct the effect of collectivism has been almost entirely destructive is both inevitable and undeniable. A movement whose main promise is the relief from responsibility cannot but be antimoral in its effect, however lofty the ideals to which it owes its birth.

One of the primary elements of classical liberalism is the focus on self-reliance and personal responsibility, without which, a free society cannot truly exist.

It is true that the virtues which are less esteemed and practiced now—independence, self-reliance, and the willingness to bear

risks, the readiness to back one's own conviction against a majority, and the willingness to voluntary cooperation with one's neighbors—are essentially those on which the working of an individualist society rests. Collectivism has nothing to put in their place, and in so far as it already has destroyed them it has left a void filled by nothing but the demand for obedience and the compulsion of the individual to do what is collectively decided to be good.

Looking to the Future

Hayek always tries to end his chapters on somewhat of a hopeful note. But at the end of this chapter you can sense the sadness in his writing. Hayek, who as we have seen was a bit of an anglophile was sad to see the English liberal traditions fading from popular opinion.

Hayek has continuously written about his deep respect for the classical liberal tradition that derived from England. He truly believed that holding vigorously to these ideas was the right antidote to economic servitude.

If we are to succeed in the war of ideologies and to win over the decent elements in the enemy countries, we must, first of all, regain the belief in the traditional values for which we have stood in the past and must have the moral courage stoutly to defend the ideals which our enemies attack.

And closing the chapter with a rather frank statement that reflects the political rhetoric of the day, Hayek says:

Not by shamefaced apologies and by assurances that we are rapidly reforming, not by explaining that we are seeking some compromise between the traditional liberal values and the new totalitarian ideas, shall we win confidence and support. Not the latest improvements we may have effected in our social institutions, which count but little compared with the basic differences of two opposed ways of life, but our unwavering faith in those traditions which have made England and America countries of free and upright, tolerant and independent people is the thing that counts.

15

The International Road to Serfdom

In the previous chapter of *The Road to Serfdom*, F.A. Hayek spelled out his concerns for the problems facing America in the aftermath of WWII. Moving away from discussing domestic policy, in chapter 15, “The Prospects of International Order” Hayek discusses the grave problems associated with global governance.

Making no effort to downplay the topic of foreign policy, Hayek says:

In no other field has the world yet paid so dearly for the abandonment of nineteenth-century liberalism as in the field where the retreat began: in international relations.

Hayek has dedicated the majority of his book to explaining why planned economies on a national scale are bound to fail. You can understand his frustration then, when in the wake of World War II there was a bigger push for international governance.

Global Governance Is Not the Answer

As is understandable, there was an overwhelming desire to make sure the atrocities of WWII were never allowed to happen again. Since Germany’s nationalist sentiment had isolated it from the rest of the world prior to WWII, there was a sense that forced globalization would provide the necessary safeguard.

Hayek writes:

That there is little hope of international order or lasting peace so long as every country is free to employ whatever measures

it thinks desirable in its own immediate interest, however damaging they may be to others, needs little emphasis now.

It was easy, after all, for the Third Reich to take full control of the Germany's economy when all outside influences were cut off.

Many kinds of economic planning are indeed practicable only if the planning authority can effectively shut out all extraneous influences; the result of such planning is therefore inevitably the piling-up of restrictions on the movements of men and goods.

But international planning was not the answer to the problem facing the world after WWII. By assuming to treat each nation as an actor in the global economy, instead of realizing that each nation was comprised of individual actors, the world now faced new issues.

As Hayek explains:

Less obvious but by no means less real are the dangers to peace arising out of the artificially fostered economic solidarity of all the inhabitants of any one country and from the new blocs of opposed interests created by planning on a national scale. It is neither necessary nor desirable that national boundaries should mark sharp differences in standards of living, that membership of a national group should entitle one to a share in a cake altogether different from that in which members of other groups share.

Continuing to point out the dangers associated with this line of thinking, Hayek writes:

If the resources of different nations are treated as exclusive properties of these nations as wholes, if international economic relations, instead of being relations between individuals, become increasingly relations between whole nations organized as trading bodies, they inevitably become the source of friction and envy between whole nations.

But still, there remained this belief that a global authority was needed in order to foster the transactions between different nations all in the

name of maintaining the peace and reducing instances of disagreement. But this is just not the case, as Hayek explains.

It is one of the most fatal illusions that, by substituting negotiations between states or organized groups for competition for markets or for raw materials, international friction would be reduced.

When a global governing body is the ultimate authority, rather than multiple sovereign nations serving as checks and balances to each other the opportunity for abuse is ripe. You effectively leave the world vulnerable to totalitarianism on a grander scale than has been seen before. And where there is totalitarianism, there will exist perpetual conflict as the scales of power attempt to balance themselves.

Hayek writes:

Economic transactions between national bodies who are at the same time the supreme judges of their own behavior, who bow to no superior law, and whose representatives cannot be bound by any considerations but the immediate interest of their respective nations, must end in clashes of power.

Hayek even hypothesized that if this push towards international authority was taken more seriously in the years leading up to WWII, as Wilson had hoped for his League of Nations, we may have found ourselves in an even worse situation than reality provided.

He says:

If we were to make no better use of victory than to countenance existing trends in this direction, only too visible before 1939, we might indeed find that we have defeated National Socialism merely to create a world of many national socialisms, differing in detail, but all equally totalitarian, nationalistic, and in recurrent conflict with each other.

The Bigger the Jurisdiction, the Harder to Plan

Planning economies for small entities comes with its own set of challenges and economic fallacies. But imagine how these would be magnified on a global scale. It is for this reason that Hayek and other

free market economists believe that the individual is the only entity capable of planning his or her financial futures.

If there must be governance, as Hayek would argue, it would need to be as small and contained as possible. Much of the reason for this is because as smaller units, like families and communities, there are certain mutual goals and traditions that unite us and make it easier to agree on economic outcomes.

There need be little difficulty in planning the economic life of a family, comparatively little in a small community. But, as the scale increases, the amount of agreement on the order of ends decreases and the necessity to rely on force and compulsion grows. In a small community common views on the relative importance of the main tasks, agreed standards of value, will exist on a great many subjects. But their number will become less and less the wider we throw the net; and, as there is less community of views, the necessity to rely on force and coercion increases.

The individual is already a threatened entity easily swallowed up by the collective. Imagine what would happen if that individual was one among many on an international scale.

When in wartime Americans were asked to make sacrifices in the name of national security, it was easier to enforce these rationing policies because of the guise of national solitude. But when asked to make sacrifices for unnamed people in a foreign country whose name you cannot even pronounce, this becomes a much harder task.

Hayek writes:

The people of any one country may easily be persuaded to make a sacrifice in order to assist what they regard as “their” iron industry or “their” agriculture, or in order that in their country nobody should sink below a certain level. So long as it is a question of helping people whose habits of life and ways of thinking are familiar to us, of correcting the distribution of incomes among, or the working conditions of, people we can well imagine and whose views on their appropriate status are fundamentally similar to ours, we are usually ready to make some sacrifices.

Brilliantly expanding on this, Hayek says:

Who imagines that there exist any common ideals of distributive justice such as will make the Norwegian fisherman consent to forgo the prospect of economic improvement in order to help his Portuguese fellow, or the Dutch worker to pay more for his bicycle to help the Coventry mechanic, or the French peasant to pay more taxes to assist the industrialization of Italy?

And to those who most fervently supported the idea of an international order in spite of its many obstacles, Hayek explains that these sympathies usually arise because they see themselves as calling the shots in this new order:

If most people are not willing to see the difficulty, this is mainly because, consciously or unconsciously, they assume that it will be they who will settle these questions for the others, and because they are convinced of their own capacity to do this justly and equitably.

And given the fact that most individuals would not agree with the sacrifices they are being asked to make for the good of global order, it would leave those in authority no choice but to rule by force.

Hayek writes:

To imagine that the economic life of a vast area comprising many different people can be directed or planned by democratic procedure betrays a complete lack of awareness of the problems such planning would raise. Planning on an international scale, even more than is true on a national scale, cannot be anything but a naked rule of force, an imposition by a small group on all the rest of that sort of standard and employment which the planners think suitable for the rest.

But as history had so recently shown the world in Hayek's day, the Germans were not uniquely evil. But, they had adopted a system that opened its arms to a "by any means necessary" policy, which in itself was evil.

Hayek says:

It is a mistake to regard the brutality and the disregard of all the wishes and ideals of the smaller people shown by the

Germans simply as a sign of their special wickedness; it is the nature of the task they have assumed which makes these things inevitable.

But even if you believe your path to be the right one, as many Germans undoubtedly did, once you have crossed the line between consent and coercion, morality in your quest cannot exist:

To undertake the direction of the economic life of people with widely divergent ideals and values is to assume responsibilities which commit one to the use of force; it is to assume a position where the best intentions cannot prevent one from being forced to act in a way which to some of those affected must appear highly immoral...This is true even if we assume the dominant power to be as idealistic and unselfish as we can possibly conceive. But how small is the likelihood that it will be unselfish, and how great are the temptations!

Individualism Is the Answer

But as is so typical of Hayek, he concludes this chapter by explaining that the only substantial alternative capable of effectively curbing authoritarianism is the individual. Without recognizing the role individual actors play in limiting power Hayek says, “We shall never prevent the abuse of power if we are not prepared to limit power in a way which occasionally may also prevent its use for desirable purposes.”

While the state’s ends may sometimes include prospects that might benefit us, consistency is of the utmost importance. We cannot condemn the state only when it acts in ways contrary to our own benefits. Because once we let the state in on one issue, they will soon invade as many as they can feasibly get away with.

It is for this reason that Hayek implores readers to consider the options ahead of us and realize that the path is clear:

Neither an omnipotent superstate nor a loose association of “free nations” but a community of nations of free men must be our goal.

In a world comprised of individual actors certain occurrences are inevitable. We can do our best to follow the golden rule and do all that we have promised to do, but we may never be able to prevent wars and instances of great violence from occurring. But as Hayek warns:

While we must aim at preventing future wars as much as possible, we must not believe that we can at one stroke create a permanent organization which will make all war in any part of the world entirely impossible.

16

The Road to Serfdom: What Is Past Is Prologue

When I decided to read and live-blog *The Road to Serfdom* by F.A. Hayek, I will admit I did not fully understand what I had signed up to do. Reading excerpts from the book is one thing, but endeavoring to read the book in its entirety and also write my accompanying thoughts was an entirely different feat altogether.

Even though I knew ahead of time that I would not always agree with Hayek, I was well aware of his incomparable intellect. And I knew I needed to do my due diligence to pay his prize-winning work the respect it deserved. As it turns out, doing so took a lot of effort not only through reading Hayek's work, but through understanding the historical setting in which it was written.

But understanding the economic and political factors of the two World Wars alone wasn't enough, because Hayek doesn't limit his economic perspective to only that of the recent events of his own day. Instead, he briefly but concisely explains the very foundations of liberalism and how the modern political trajectory was threatening to undo all the progress of the 19th-century.

Hayek takes the reader on a historical journey that traces the roots of free market economics along with the rise of totalitarian governments. Both topics of course not being mutually exclusive to Hayek's primary cause of writing the book.

While the bulk of Hayek's work is contained within 15 chapters, in the final sixteenth chapter, Hayek concludes his work and spells out his final message to the reader: Do not let history repeat itself.

What Is Past Is Prologue

Hayek is quick to point out that, “The purpose of this book has not been to sketch a detailed program of a desirable future order of society.” And while he may not have painted a picture of what his ideal society may look like, he does tell the reader what types of government coercion we should avoid at all costs.

Above all things, this book presents an opportunity for the reader to have a positive impact on history by first learning from it. Hayek has taken a justifiably ominous tone while explaining how totalitarians rise to power and then devastate the economies and people they oppress.

Yet, as hopeless and frustrated as Hayek may seem at times, the book is at its core a beacon of hope that, if used correctly, illuminate the future path toward freedom.

As Hayek says:

A great deal will depend on how we use the opportunity we shall then have. But, whatever we do, it can only be the beginning of a new, long, and arduous process in which we all hope we shall gradually create a world very different from that which we knew during the last quarter of a century.

Continuing, Hayek says:

The important thing now is that we shall come to agree on certain principles and free ourselves from some of the errors which have governed us in the recent past.

Hayek’s ultimate hope is that each reader of his book will understand the important role they play as individuals. As Hayek has demonstrated in his book, the individual is the greatest threat to the totalitarians and the collectivists of the world. The individual has been a thorn in the state’s side that has prevented it from total abuse of power since the beginning of time.

But it is up to each reader of the book to heed Hayek’s warnings and prevent the past from occurring once again.

As Hayek writes:

If we are to build a better world, we must have the courage to make a new start—even if that means some reculer pour

mieux sauter [strategic withdrawals]. It is not those who believe in inevitable tendencies who show this courage, not those who preach a “New Order” which is no more than a projection of the tendencies of the last forty years, and who can think of nothing better than to imitate Hitler.

So as I finish this book, I would implore others to read it and take a lesson from F.A. Hayek. If he believed the country was in grave economic danger in 1944, the stakes are even higher in our present day.

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