

A Road to Hell Paved with Good Intentions[†]

Thomas Sowell

Hayek's Warnings to the World

The 20th Century looked for many decades as if it were going to be the century of collectivism, and for a while totalitarianism seemed like 'the wave of the future,' as it was called back in the 1930s. Fascism in Italy, communism in the Soviet Union, and Nazism in Germany looked like only the beginning, momentous as those beginnings were. Fascist and semi-fascist regimes sprang up from Spain to Eastern Europe, even before World War II began, and Japan's evolution in Asia carried the same hallmarks of fanatically nationalistic despotism, tinged with racism.

Even the military defeat of the Axis powers in World War II seemed only to foreshadow the spread of new forms of collectivism – communism in Eastern Europe, China, Indochina, and Cuba, and socialism in much of Western Europe and Africa, with ever more leftward trends in the United States under the name of 'liberalism.' Anyone who would have predicted the reversal of this trend, with privatisation being introduced by socialist and labour governments from France to New Zealand in the 1980s, much less the collapse of communism in Eastern Europe and the Balkans, and the dismemberment of the Soviet Union and Yugoslavia in the 1990s, would have been considered mad just a dozen years ago.

Innumerable factors led to these events, not the least of which was the bitter experience of seeing 'rational planning' degenerate into economic chaos and Utopian dreams turn into police-state nightmares. Still, it takes a vision to beat a vision. Otherwise collectivism would simply have been patched up, with unending 'reforms,' much like our public school systems. An alternative vision had to become viable before the reversal of the collectivist tide could begin with Margaret Thatcher in Britain and Ronald Reagan in the United States. That vision came from many sources, but if one point in time could mark the beginning of the intellectual turning of the tide which made later political changes possible, it was the publication of *The Road to Serfdom* by Friedrich A. Hayek 50 years ago.

It is difficult today even to conceive of the world of Britain in 1944 in which *The Road to Serfdom* was published. It could hardly have been a less receptive world for the message that Hayek brought. With a war raging all over the globe, it was an unpromising time for economic or political philosophy, much less a philosophy so completely out of tune with the prevailing

intellectual currents. John Maynard Keynes was the dominant figure in economics, and socialist theoretician Harold J. Laski was the reigning political idol at the London School of Economics, where Hayek taught. Even traditionally capitalist societies like Britain and the United States were pervaded by wartime government economic controls, during an era of patriotic fervour, in which government leaders were heroes and in which the subordination of the individual to the struggle for national survival was the watchword of the civilian world, as well as the military.

Keynesian economics reigned supreme, with its vision of a wise government maintaining full employment by offsetting the deficiencies of the marketplace. Hayek was clearly out of step – and virtually alone. At that point Milton Friedman was just a little-known economist doing research in mathematical statistics, and most of the other individuals and institutions that would later carry the banners of the free market were nowhere to be seen on the landscape of 1944. Joseph A. Schumpeter had written *Capitalism, Socialism and Democracy*, critiquing the socialist vision – and yet ultimately accepting it as inevitable.

Despite these unpromising circumstances, strangely – and surprisingly, even to Hayek – *The Road to Serfdom* had an immediate impact in Britain and was reprinted a few months later in the United States. Yet the intellectual climate of the time was such that three American publishers refused to publish *The Road to Serfdom*, despite its great impact in Britain, because of moral scruples against a book that threatened to turn back the clock on the social 'progress' of the New Deal era.

What was Hayek's message, that it stirred so many people in so many ways? Avoiding the facile dichotomising of the political spectrum into Left and Right, *The Road to Serfdom* attacked fascism, socialism and communism as kindred forms of collectivism, relying on kindred arguments and tactics in undermining the kinds of institutions which made freedom possible. Hayek argued that Hitler's National Socialism in Germany was indeed socialist. He saw the Nazi philosophy as

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'the culmination of a long evolution of thought,' going back well over a century, in which socialists disdained the systemic processes of law, traditions and the marketplace, in favour of direct pursuit of 'results.' Much of Hayek's later work on the erosion of law by judicial activism is an extension of the same analysis to judges preoccupied with social 'results' and oblivious to the larger dangers created by their well-meaning underminings of law itself.

Socialism: appeal and vulnerability

Both the appeal and the vulnerability of socialism were seen by Hayek in the very different ways in which *The Road to Serfdom* was received in Europe and in the United States. The 'thoughtful and receptive manner' in which British readers discussed the book presaged its 'cordial reception by the post-Nazi generation in Germany,' but these and other European reactions contrasted with the 'passionate hatred' with which many American liberals reacted, seeing *The Road to Serfdom* as 'a malicious and disingenuous attack on

their finest ideals.' The difference, according to Hayek, was that Europeans had already tried many of the socialist schemes which were still aspirations of the political Left in the United States, so the Europeans were in a position to understand empirically the validity of many of the criticisms which Hayek made of collectivism.

In short, socialism is on its strongest ground as an ideal. As a reality, it is in serious trouble. In the United States, much of the collectivist agenda was still an ideal at that juncture – and a well-disguised one, as the policies advocated by the socialist party under Norman Thomas were renamed 'liberalism' when they became part of the agenda of the New Deal Democrats.

Communism, as the most thoroughgoing form of socialism, illustrates the appeal and the vulnerability even more sharply. People who have actually lived under communism are some of the most vehement anticommunists, making Ronald Reagan seem almost moderate on the issue. Reagan only urged Gorbachev to tear down the Berlin Wall. It was the peoples of Eastern Europe who tore down statues of Stalin and

Hayek in Australia

HAYEK'S IDEAS CAME TO NOTICE IN AUSTRALIA VIA A Dymock's Book Arcade edition of his *The Road to Serfdom*, published in July 1944. Initial responses to the book were mixed. The Melbourne *Age's* reviewer thought very few people would be convinced by Hayek's reasoning. Hayek's argument, he wrote, 'flew in the face of all the known facts.' *The Adelaide Advertiser* took a more positive view. As well as a lengthy book review, it ran an editorial spelling out the implications of Hayek's argument for contemporary Australian politics. The paper warned that a 'Yes' vote in the August 1944 referendum on postwar reconstruction would undoubtedly enable the Curtin government to 'embark on the 'road to serfdom' with a vengeance' (the referendum was defeated).

Hayek's book was well-timed. It was published during a period when the nation had to make fundamental choices about its economic and political future. Many liberals and conservatives of the 1940s used the *The Road to Serfdom* to argue against a planned economy. It cannot be said, though, that the dominant strand of liberal and conservative thinking of the time was Hayekian. The Institute of Public Affairs' *Looking Forward* manifesto, which had a great influence on the newly formed Liberal Party, represented an amalgam of the thought of Keynes and Hayek. Keynes was preferred on macroeconomic policy, Hayek's thought being used to argue against extending wartime regulations into peacetime.

After the initial impact of *The Road to Serfdom*, Hayek's influence in Australia in the first thirty years after World War

II was less obvious. Australia did not take the 'road to serfdom' – constitutional obstacles and a Liberal victory in the elections of 1949 ensured that the nation took a different path. But Hayek's particular brand of liberalism did not find favour either. He did not have a significant following within the economics profession. The Liberal governments of the postwar period were highly protectionist. It is more accurate to describe them as being in favour of free enterprise – with most industries being in the private sector – than as being for competitive free markets. Hayek's insights regarding the benefits of competition had been at best partially absorbed.

Nevertheless, it is possible to see the legacy of Hayek's contribution to postwar thinking in debates which occurred during the Menzies years. While socialism was no longer on the political agenda, there was still support for economic planning. Liberal and conservative groups such as the IPA opposed proposals for a planned economy, using (among other arguments) Hayekian ideas on the impossibility of the state acquiring all the knowledge necessary to construct such plans. Apart from *The Road to Serfdom's* legacy, Hayek's ideas continued to influence Australia through less direct means. London's Institute of Economic Affairs and the Freiburg School of liberal economists were important in shaping the thinking of Australian liberals and conservatives, and each had been influenced by Hayek. Hayek's *The Constitution of Liberty*, published in 1960, was the subject of wide discussion among student supporters of the Liberal Party in the 1960s.

If Hayek's influence was less direct in the 1950s and 1960s than it had been in the 1940s, he continued to enjoy

Lenin, and the people of the Soviet Union who banned the Communist Party and changed the name of Lenin-grad back to St. Petersburg.

Yet Marxism as an ideal continues to flourish on American college campuses, as perhaps nowhere else in the world. Even in hard-line communist countries like China and Cuba, Marxism is simply an instrument in a system of totalitarian power and control. With China, especially, it is clear that Marxism is used instrumentally – and is disregarded where the regime thinks it can allow market activities to generate economic benefits without losing political control. ‘Only in America’ are there substantial numbers of adherents to Marxism as a creed for its own sake.

Since socialism has never been openly advocated in the United States with any political success on a national scale, none of the dire consequences of socialism in other countries creates any inhibitions against the many ‘liberal’ schemes which together add up to socialism. Even with the tragic example of the economic and social consequences of government economic

controls in Eastern Europe before our eyes, numerous programs of greater government control, from ‘energy policy’ to the staggering new government health care proposals, are still politically viable.

The Road to Serfdom was not a muckraking exposé of socialist inefficiencies or overbearing bureaucracies. It attacked socialism on its own ground, as an intellectual ideal, showing how the assumptions underlying this ideal were fatally flawed in theory and dangerous in their practical implications.

The underlying vision

At the heart of the socialist vision is the notion that a compassionate society can create more humane living conditions for all through government ‘planning’ and control of the economy. Both the moral and the efficiency arguments for socialism depend crucially on what Hayek called ‘intellectual hubris’ – the assumption that we have such comprehensive knowledge that the only things lacking are such subjective factors as compassion and will.

a very good reputation here. When the *IPA Review* published an article by Hayek in 1950 it described him as a ‘champion of individualism’, and the praise was still flowing a quarter of a century later on the eve of Hayek’s visit to Australia. Then the *IPA Review* described *The Constitution of Liberty* as ‘among the greatest books on liberty ever written’. At the IPA Annual Meeting for 1976 Hayek received a spontaneous standing ovation. After his visit, which had been organised by Sydney financial journalist Roger Randerson, a special issue of the *IPA Review* was devoted to Hayek. Respect for Hayek was not limited to the IPA. During his month long trip to Australia in 1976 he attracted large audiences to meetings put on by universities and business groups, as well as the IPA. He was separately entertained by Prime Minister Fraser, Deputy Prime Minister Anthony, and High Court Chief Justice Sir Garfield Barwick. He participated in discussions with officials of the Treasury and the Reserve Bank.

Hayek was connected to the Centre for Independent Studies from its foundation period in the late 1970s until his death. He met Greg Lindsay during his trip to Australia and later joined the CIS Council of Advisers. The CIS has published Hayek twice: *Social Justice, Socialism and Democracy* (1979) and *Why I Am Not a Conservative* (1992), the postscript to *The Constitution of Liberty*. In 1985 it published *Hayek’s Serfdom Revisited*, a look at *The Road to Serfdom* forty years on. Since 1987 the CIS has been a supporter of an ambitious project to publish Hayek’s collected works, which are being issued under the imprint of Routledge and the University of Chicago Press. Two books of the collected works are being edited in Australia – Chan-

dran Kukathas (author of *Hayek and Modern Liberalism*) is working on *The Constitution of Liberty* and Jeremy Shearmur (author of the forthcoming *After Hayek*) is responsible for a revised version of *Studies in Philosophy, Politics and Economics*. Both these Canberra-based academics are involved in the newly formed Hayek Society.

Hayek’s influence in Australia has been greatest at historical turning points. Despite being a man who spent much of his life with ideas that were out-of-step with the intellectual orthodoxy, he was for Australians capable of some very good timing. He published *The Road to Serfdom*, his most accessible and attention-grabbing book, just at the time when the issues it raised were of greatest relevance to Australia. Then again in 1976, when the rise of simultaneous inflation and unemployment was causing doubt to be cast on Keynesian economics, he arrived in Australia and became part of the reorientation of economic policy toward economic rationalism. The formation of the Hayek Society, on-going study of his work at some universities, and continued interest from student Liberal Party activists suggests that Hayek’s thought will live on in Australia. It is likely it will live as it did in the 1950s and 1960s, as a background influence. Hayek’s death, the fact that there are now many important thinkers with free market ideas, and the absence of major intellectual challenges to liberal economics all work against Hayek’s thinking becoming part of topical debates. In intellectual terms, though, background influence can be a sign of great success – it suggests that Hayek’s ideas are now part of the set of basic assumptions with which we work.

Ed. ■

Socialists are 'dangerous idealists,' according to Hayek, including many people 'whose sincerity and disinterestedness are above suspicion' and individuals 'of considerable intellectual distinction.' The denigration and demonising of political opponents, which has been an integral part of the vision of the Left for at least two centuries, was no part of Hayek's vision. Socialists to him were people who overestimated what was possible and underestimated the dangers created in pursuit of their ideals.

Socialists have 'prepared the way for totalitarianism,' according to Hayek, though they are themselves morally incapable of doing the hideous things necessary to make a totalitarian state work, and will draw back before following the inescapable logic of their vision to its conclusion – leaving the field to those whose ruthlessness is equal to the task. Thus he saw the rise of the Nazis in Germany as the consequence of a prior socialist demolition of the ideas and values which sustained free institutions, such as the rule of law and decentralisation of political power and economic activity.

Once equality before the law – the application of the same rules to all – was brushed aside as a mere sham, since 'real' equality did not exist among the various classes and groups subjected to that law, the path was paved for subordinating law itself to 'results.' In pursuing this line of thought and policy, the socialists had very different results in mind from those later imposed by the Nazis. But they had opened the floodgates – and once you have opened the floodgates, you cannot tell the water where to go.

Perhaps the cleverest expression of the distinction between 'real' equality and merely formal equality was made by Anatole France when he said: 'The Law, in its majestic equality, forbids rich and poor alike to sleep under bridges, beg in the streets or steal bread.' Less witty but more insistent versions of the same idea underlie many policies today which promote quotas and other 'results' – with the ironic legal result that the Supreme Court finds itself virtually every year forced repeatedly to make scholastic distinctions and Delphic pronouncements, in order to maintain the appearance of administering legal principles when it is in fact deciding how far to sacrifice those principles for the sake of social 'results.'

The rule of law, on which freedom itself ultimately depends, is inherently incompatible with socialism, as Hayek pointed out in *The Road to Serfdom* and in numerous later writings. People who are free to do as they wish will not do as the economic planners wish. Differences in values and priorities are enough to ensure that. These differences must be ironed out by propaganda or power, if socialism is to be socialism. Indoctrination must be part of the program, not because socialists want to be brainwashers, but because socialism requires brainwashing.

It was not the Fascists but the socialists who began to collect children from the tenderest age into political organisations to make sure that they grew up as good

proletarians,' Hayek pointed out. 'It was not the Fascists but the socialists who first thought of organising sports and games, football and hiking, in party clubs where the members would not be infected by other views.' This politicising of all sorts of nonpolitical activities is flourishing today among the political Left in all sorts of American institutions, including especially educational institutions where 'politically correct' views are the clear goal of those for whom education is seen as the continuation of politics by other means.

The inherent requirements of a socialist system which make indoctrination necessary also make the increased imposition of political power necessary, often well beyond what the socialists themselves would have imagined beforehand. People will not go where they are told and do what they are told to do, or perform all the work that is essential to society, after capitalist incentives have been removed, unless government power is exerted against them. At some point, some of the more idealistic and humane socialists may balk at further use of government force, but that means either abandoning some of the socialist agenda or the replacement of the squeamish with those who are made of sterner stuff.

Even among intellectuals, as Hayek pointed out in 1943, some of the British socialists like Harold Laski and the Webbs had come to accept the authoritarian implications of socialism, though others continued to cherish the hope that 'democratic socialism' was possible, without watering down either democracy or socialism, or both.

One of the major insights of *The Road to Serfdom* is that the kinds of people who 'come out on top' change as the characteristics of the system change. Thus idealistic socialists create systems in which *idealists are almost certain to lose* and be superseded by those whose drive for power, and ruthlessness in achieving it, make them the 'fittest' to survive under a system where government power is the ultimate prize in the whole society. Numerous cries throughout history of the 'betrayal' of socialist ideals by those in power miss the crucial point that those ideals could only be betrayed.

No doubt socialists like Norman Thomas would have behaved much more humanely than Stalin, but the kind of systems they espoused were almost predestined to fall into the hands of someone like Stalin, just as similar systems of thoroughgoing socialism have fallen into similar hands in other countries around the world. Conversely, once a Soviet leadership evolved that was no longer willing to be Stalinist, the system itself was doomed, no matter how confident Gorbachev and his followers were that they could reform and fine-tune communism.

Hayek's analysis, whether in *The Road to Serfdom* or in his books on law, economics or political philosophy, begins with the inherent constraints of human life and with the necessary implications of those constraints as particular policies and social systems are put into place. The issue is not what anyone intends but what

consequences are in fact likely to follow. At a minimum, we must make our choices among the alternatives actually available – and when we choose something impossible to achieve, the disappointments and dangers that follow are not accidental. Socialism, comprehensive economic ‘planning,’ and ‘social justice’ were to Hayek all impossible dreams.

The future

What Hayek referred to in *The Road to Serfdom* as ‘hot socialism’ was already beginning to be tarnished in the 1940s wherever it had been tried and wherever observers were aware of its actual consequences. What he feared was what he called ‘the totalitarians in our midst’ who were not consciously seeking totalitarianism but who were individually pressing agendas which added up collectively to totalitarianism.

Among these were those who were so enthralled by the achievements of science and technology that they imagined that an economy and a society could be dealt with as engineering problems. Others wanted ‘a sort of co-operative society in which the organised industries would appear as semi-independent and self-governing ‘estates’ – ‘industrial policy’ and ‘health alliances’ today. Half a century after *The Road to Serfdom*, we can add the advocates of affirmative action, environmental extremists, AIDS activists, radical feminists, and all others who want their agendas carried out ‘at all costs.’ None advocates totalitarianism, though all are moving the society in that direction, because only more centralised government power can deliver what they want.

Once I had an opportunity to ask Professor Hayek whether he was optimistic or pessimistic about the future.

‘Optimistic, of course!’ he said, surprised at my question. When he wrote *The Road to Serfdom*, his was a voice in the wilderness. Now, the fight had been taken up by people all over the world, by institutions and movements, and the ideas that seemed so strange to many in 1944 can be found from scholarly journals to television programs.

Today, think tanks devoted to free market ideas can be found from coast to coast in the United States – from the Hoover Institution in California to the Heritage Foundation, Cato Institute, and American Enterprise Institute in Washington, the Manhattan Institute in New York, and from the Private Sector Organisation of Jamaica to the Centre for Independent Studies in Australia. Milton Friedman has become a household word and Rush Limbaugh a social phenomenon unto himself.

Moreover, all the optimistic trends have not been confined to the world of ideas. The Reagan Administration did manage to shrink the size of the *Federal Register*, with its innumerable regulations, and to give the economy what *Wall Street Journal* editor Robert L. Bartley called ‘seven fat years’ in his book of the same title.

Optimism, however, is not euphoria. Nor is the horizon free of storm clouds. The Clinton Administra-

tion’s health care plan is a large down payment on socialism, with future instalments certain to be larger than advertised, whether measured in money or in lost freedom to make our own decisions about medical care that are literally questions of life and death.

The rule of law, which Hayek saw as crucial, both to the economy and to the survival of freedom, is nowhere in greater danger than in the Supreme Court of the United States. With two or three exceptions, the Justices seem determined to be philosopher-kings, deciding issues according to ‘evolving standards’ rather than fixed principles, and responsive to the self-styled ‘thinking people’ rather than to the written Constitution or the statutes passed to express the will of the voting public.

In the Supreme Court and elsewhere, blithe talk about ‘a living Constitution’ conceals the fact that the Constitution is in fact dying as it is being reinterpreted out of existence, whenever it stands in the way of the prevailing *zeitgeist*.

The Reagan revolution of the 1980s, and corresponding trends in Britain under Prime Minister Margaret Thatcher, showed that political victories are still possible against the onrushing hordes of collectivists. But the resurgence of the collectivists in the Clinton Administration, and to some extent even in the Bush Administration, which opened the Pandora’s box of the Americans with Disabilities Act, shows that the battle is not over, nor the outcome at all certain.

As Churchill said after the first Allied military successes in World War II ended an unbroken record of defeats at the hands of the Axis powers: ‘Now, this is not the end. It is not even the beginning of the end. But it is, perhaps, the end of the beginning.’ Someday, if freedom finally does win decisively in the political and judicial arenas, and the collectivist tide is beaten and dispersed, Friedrich Hayek’s *The Road to Serfdom* will be seen as a landmark in that struggle. It will mark, not the end of collectivism, nor even the beginning of the end, but the end of the ominous beginning with which collectivism and totalitarianism once seemed destined to sweep across the world before the 20th century was over.

Can a man whose name is so little known to the general public be such a pivotal figure in the thought and politics of this century – and perhaps the next? Doubters need only ask themselves: Who invented the computer? But even in the field of social thought and action, the role of the unknown but powerfully influential thinker is not unknown. As Oliver Wendell Holmes put it, the mark of the great thinker is that ‘a hundred years after he is dead and forgotten, men who never heard of him will be moving to the measure of his thought.’ As the influence of Hayek’s thoughts issues from a thousand sources around the world, many who never heard of him will be the beneficiaries of his ideas, whether because they provided the respite of a generation from the rush down the road to serfdom or because those thoughts turned the course of history toward the road to freedom. ■