



Short Article

The Road to Serfdom Turns 80

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Takeaways

For Hayek, the role of government is not to guide or direct the individual; the individual is free to pursue their own desires and happiness.

The freedom of the individual is the source of development, innovation, entrepreneurship, wealth, diversity, and excitement that characterize our modern society.

The order in society arises spontaneously within the interactions among economic agents pursuing their own interests; and this order is what characterizes a free and prosperous society.

The Road to Serfdom should inspire advocates of economic freedom and policymakers to fight for these ideas and achieve the necessary victories to preserve liberty.

A famous anecdote recounts that, during a public policy meeting of the Conservative Party in the United Kingdom, Margaret Thatcher pulled a book out of her purse, slammed it on the table, and declared: “This is what we believe.” The book was *The Constitution of Liberty* by Friedrich August von Hayek, considered his *magnum opus* and the most complete development of his defense of the value of individual liberty; however, this work is not the one that led Hayek to be recognized as one of the most important advocates of freedom in the 20th century. The work deserving of that title is a small book published in the 1940s titled *The Road to Serfdom*.

The Path to *The Road to Serfdom*

The road to *The Road to Serfdom* was long for the economist born in 1899 in Vienna. It began with his studies at the University of Vienna, where he earned doctorates in law and political science. At this university, Hayek was exposed to thinkers of the Austrian School of Economics such as Carl Menger and Ludwig von Mises. These influences solidified his advocacy for individual and economic freedom. Beyond these academic influences, Hayek’s experience in post-war Austria, marked by economic problems and high inflation, strengthened his opposition to excessive and, in many cases, unnecessary state intervention in the economy (Caldwell & Klausinger, 2023).

Hayek began an academic career that eventually led him, in the 1930s, to accept an invitation from Lionel Robbins to join The London School of Economics and Political Science (LSE). This university institution, founded by Fabian socialists, had a tradition of free market economics, especially in the economics department led by Robbins. At the LSE, Hayek began to notice a growing discontent with the free market, a dissatisfaction that had been brewing since the late 19th and early 20th centuries, when modern liberalism began to perceive poverty as its main concern. This discontent intensified with the Great Depression, when many blamed free-market capitalism and began to see considerable state intervention in the economy and socialism as alternatives (Caldwell & Klausinger, 2023).

Within the intellectual economic field, various responses to the Great Depression emerged, but one figure stood out especially: John Maynard Keynes. For Keynes, the solution could not come from the market, as it was inherently unstable. Instead, he believed that the response should come from state intervention through fiscal and monetary policies, in order to stimulate aggregate demand, combat unemployment, and stabilize the economic cycle. Hayek believed that Keynes’s ideas, instead of resolving the situation, would worsen it; and argued that these interventions would distort market signals, resulting in economic instability and inflation (Caldwell & Klausinger, 2023).

The debate between economists allied with the views of Hayek and Keynes dominated economic intellectual conversation during the 1930s. Unlike Keynes, Hayek showed little interest in debating with the latter’s followers and even publicly refrained from responding to Keynes’s masterpiece, *The General Theory of Employment, Interest, and Money* (1936), a mistake he later admitted (Caldwell & Klausinger, 2023). During World War II, Hayek began to notice a growing interest in socialism spreading, on a large scale, in movements towards collectivism and central planning in Western societies. Perceiving this as a threat alongside the growing argument that the development of fascism was a response to the crisis of capitalism, Hayek gave rise to *The Road to Serfdom* (1944).

The Problem with Central Planning

The central thesis of the book is the incompatibility of central planning of the economy with a society of free individuals. Hayek argues that central planning is a mistake and a danger that leads society down the path towards totalitarianism. His argument against central planning is based on several important components. Firstly, the epistemological component points out that in the economy there is dispersed knowledge, and each agent possesses distinctive knowledge based on their particular circumstances and experiences. The implication of this argument is that for the central planner it would be impossible to gather and process all economic information. As a result, the planner would not have access to the inherent signals of the market and would not be able to ensure efficient resource allocation. This lack of access to dispersed knowledge would inevitably lead to erroneous decisions and inefficient resource allocation, damaging individual freedom and undermining the foundations of a free society.

The question that arises is if the planner, in our case the State, cannot have absolute access to economic knowledge, as explained by Hayek, how is it then possible for the ordered economic system in which we interact to function? The answer lies, according to the second component of Hayek's argument, in the concept of spontaneous order. For Hayek, order in society arises spontaneously within the interactions among economic agents pursuing their own interests; and this order is what characterizes a free and prosperous society, as it allows for more effective coordination and allocation of resources. This idea means that a society cannot be designed or directed effectively due to the planner's limitation of knowledge. Even if the planner had access to all information, they would still violate individual freedom by attempting to impose their decisions on society.

The third component of Hayek's argument is a democratic critique of planning, based on the idea that "the will of a small minority be imposed upon the people" (1945, p. 51). This means that political power is concentrated in the hands of planners, thereby suppressing the plurality of opinions. Thus, the democracy of the market, which reflects the plurality of desires and needs of all agents, is replaced by the planner's ideal. Furthermore, it could be argued that central planning suppresses politics itself, as this human practice, filled with conflicts and disagreements, is inherently fatal to the planner's project.

The fourth component of Hayek's argument is that central planning treats the individual as "a mere means, to be used by the authority in the service of such abstractions as the "social welfare" or the "good of the community"" (1945, p. 72); that is, the planner does not treat the individual as an end in themselves, with their own happiness, desires, and moral identity, but as a means to achieve the collective goal determined by the planner, even if the individual is opposed to the goal. This is why the planner needs to resort to the coercive use of the State to implement their plan, thereby violating individual freedom.

The Role of Government

Hayek saw serious problems in central planning and excessive government intervention in the economy; however, he was not an anarcho-capitalist.

The successful use of competition as the principle of social organisation precludes certain types of coercive interference with economic life, but it admits of others which sometimes may very considerably assist its work and even requires certain kinds of government action. (1945, p. 27)

The acknowledgment that there is a legitimate area in which the State can intervene points to the two ways identified by Hayek in which the State acts within the market. Firstly, there is the regulatory state, which creates a framework within which agents will interact with each other, known as the rule of law. Similarly, Hayek highlights the compatibility of regulations to restrict methods of production, as long as they are applied fairly and do not affect market signals, such as prices and the quantities of goods available in the economy.

Secondly, Hayek recognizes the welfare state, where there is room to create a social safety net.

There is no reason why in a society that has reached the general level of wealth which ours has attained, the first kind of security should not be guaranteed to all without endangering general freedom. . . . there can be no doubt that some minimum of food, shelter, and clothing, sufficient to preserve health and the capacity to work, can be assured to everybody. (1945, pp. 89-90)

This recognition by Hayek suggests that the government can, in a limited and decentralized manner, alleviate extreme poverty or other extreme problems that arise within the modern life of individualists. The incorporation of a social safety net, albeit limited and decentralized, suggests that there are areas where there is legitimacy for collective action without violating individual freedom. For Hayek, the crucial aspect in creating this social safety net is the method the government employs to achieve it. If the method involves the coercive use of the State, prohibits alternatives for individuals, is highly centralized, or is guided by a plan, among other aspects, then the net created represents a danger to human freedom. This view of Hayek goes against the caricature made of those who believe in economic freedom, that we do not care about the people in our society who are in trouble or extreme poverty.

Although he acknowledged that the State can intervene in the market to a limited extent, for Hayek all of this must be framed within the rule of law. He argues that

under the Rule of Law the government is prevented from stultifying individual efforts by *ad hoc* action. Within the known rules of the game the individual is free to pursue his personal ends and desires, certain that the powers of government will not be used deliberately to frustrate his efforts. (1945, p. 54)

For Hayek, the role of government is not to guide or direct the individual towards a teleocratic ideal; the individual is free to pursue their own desires and happiness. Critics of this impersonal and neutral view of the State argue that, to achieve the *desired* world, the government must pursue a teleocratic ideal. Furthermore, proponents of this view argue that the neutrality of the State is a facade and that the State aims to preserve what they consider the oppressive system of modernity with its individualistic way of life. The value of Hayek lies not only in highlighting the failure of these plans but also in understanding that their true objective is individual freedom; and therein lies the danger of the planner's ideas.

The continued relevance of *The Road to Serfdom*

The world of totalitarianism of communism and fascism that dominated much of Hayek's life is now a distant past; nevertheless, if Hayek were to examine contemporaneity, after so many years combating socialism, planning, and collectivism, he might be disillusioned to see the prevalence of these ideas in our world. Hayek's possible disillusionment may stem from the fact that he perhaps never understood that politics is a conversation in which the three great doctrinal traditions of the West —liberalism,

conservatism, and socialism— do not possess undisputed truths on political issues. In that conversation, each of these doctrines has something to contribute; and, therefore, even if socialism is refuted or its problems are exposed, it will continue to be present.

Eighty years after its publication, *The Road to Serfdom* remains relevant for us. This relevance consists, first and foremost, in providing us with arguments to object to the dreams of modern planners, who believe they can recreate utopia on earth and end up creating disasters from which we must pick up the pieces of their *brilliant* ideas; and, secondly, in inspiring advocates of economic freedom and policymakers to join the fight for these ideas and achieve the necessary victories to preserve the freedom that remains.

Finally, and perhaps most importantly, the freedom we enjoy in the West is based on conditions of utmost importance that Hayek summarized:

independence and self-reliance, individual initiative and local responsibility, the successful reliance on voluntary activity, non-interference with one's neighbour and tolerance of the different and queer, respect for custom and tradition, and a healthy suspicion of power and authority. (1945, p. 159)

Hayek understood that the freedom of the Western individual and the conditions that sustain it are the source of development, innovation, entrepreneurship, wealth, diversity, and excitement that characterize our modern society. Hayek did not save the world from socialism —an ambition beyond his reach; however, the legacy of *The Road to Serfdom* is to provide us with the intellectual tools to combat those who wish to bury and forget the individuality of the human being in the planner's dream of saving the world.

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