Hayek and ‘The Road to Serfdom’

Kerby Anderson gives an overview of the bestseller The Road to Serfdom *and explains how it is consistent with a Christian worldview.*

Why the Interest in Hayek and *The Road to Serfdom*?

A few years ago, if you said the name Friedrich Hayek to the average person in society, they wouldn’t know his name. They might wrongly guess that he was the father of actress Selma Hayek. His name was unknown to non-economists.

Today he has much more visibility. People are reading his classic book, *The Road to Serfdom*, perhaps in order to make sense of our troubled economic climate and the current administration’s policies. When TV host Glenn Beck talked about Hayek and *The Road to Serfdom*, the book went to number one on Amazon and stayed in the top ten for some time. A rap video featuring cartoon versions of Hayek and John Maynard Keynes have been viewed over a million times on YouTube.

Why all the interest in a Vienna-born, Nobel Prize-winning economist who passed off the scene some time ago? People are taking a second look at Hayek because of our current economic troubles. Russ Roberts, in his op-ed, “Why Friedrich Hayek is Making a Comeback,”{1} says people are reconsidering four ideas Hayek championed.

First, Hayek and his fellow Austrian School economists such as

Ludwig Von Mises argued that the economy is much more complicated than the simple economic principles set forth by Keynes. Boosting aggregate demand by funding certain sectors with a stimulus package of the economy won't necessarily help any other sector of the economy.

Second, Hayek highlighted the role of the Federal Reserve in the business cycle. The artificially low interest rates set by the Fed played a crucial role in inflating the housing bubble. Our current monetary policy seems to merely be postponing the economic adjustments that must take place to heal the housing market.

Third, Hayek argued in his book that political freedom and economic freedom are connected and intertwined. The government in a centrally controlled economy controls more than just wages and prices. It inevitably infringes on what we do and where we live.

Even when the government tries to steer the economy in the name of the "public good," the increased power of the state corrupts those who wield that power. "Hayek pointed out that powerful bureaucracies don't attract angels—they attract people who enjoy running the lives of others. They tend to take care of their friends before taking care of others."{2}

A final point by Hayek is that order can emerge not just from the top down but also from the bottom up. At the moment, citizens in many of the modern democracies are suffering from a top-down fatigue. A free market not only generates order but the freedom to work and trade with others. The opposite of top-down collectivism is not selfishness but cooperation.

Although *The Road to Serfdom* was written at the end of World War II to warn England that it could fall into the same fate as Germany, its warning to every generation is timeless.

Misconceptions About *The Road to Serfdom* (part one)

Hayek wrote his classic book *The Road to Serfdom*{3} more than sixty years ago, yet people are still reading it today. As they read it and apply its principles, many others misunderstand. Let's look at some of the prevalent misconceptions.

Because Hayek was a Nobel-winning economist, people wrongly believe that *The Road to Serfdom* is merely a book about economics. It is much more. It is about the impact a centrally planned socialist society can have on individuals. Hayek says one of the main points in his book is "that the most important change which extensive government control produces is a psychological change, an alteration in the character of the people. This is necessarily a slow affair, a process which extends not over a few years but perhaps over one or two generations."{4}

The character of citizens is changed because they have yielded their will and decision-making to a totalitarian government. They may have done so willingly in order to have a welfare state. Or they may have done so unwillingly because a dictator has taken control of the reins of power. Either way, Hayek argues, their character has been altered because the control over every detail of economic life is ultimately control of life itself.

In the forward to his book, Hayek makes his case about the insidious nature of a soft despotism. He quotes from Alexis de Tocqueville's prediction in *Democracy in America* of the "new kind of servitude" when

> *after having thus successively taken each member of the community in it powerful grasp, and fashioned him at will, the supreme power then extends its arm over the whole community. It covers the surface of society with a network of*

> *small, complicated rules, minute and uniform, through which the most original minds and the most energetic characters cannot penetrate to rise above the crowd. The will of man is not shattered but softened, bent and guided; men are seldom forced by it to act, but they are constantly restrained from acting. Such a power does not destroy, but it prevents existence, and stupefies a people, till each nation is reduced to be nothing more than a flock of timid and industrious animals, of which the government is the shepherd.{5}*

Tocqueville warned that the search for greater equality typically is accompanied by greater centralization of government with a corresponding loss of liberty. The chapter was insightfully titled, "What Sort of Despotism Democratic Nations Have to Fear."

Tocqueville also described the contrast between democracy and socialism:

> *Democracy extends the sphere of individual freedom; socialism restricts it. Democracy attaches all possible value to each man; socialism makes each man a mere agent, a mere number. Democracy and socialism have nothing in common but one word: equality. But notice the difference: while democracy seeks equality in liberty, socialism seeks equality in restraint and servitude.{6}*

Hayek believed that individual citizens should develop their own abilities and pursue their own dreams. He argued that government should be a *means*, a mere *instrument*, "to help individuals in their fullest development of their individual personality."{7}

Misconceptions About *The Road to Serfdom*

(part two)

Another misconception about Hayek is that he was making a case for radical libertarianism. Some of the previous quotes illustrate that he understood that the government could and should intervene in circumstances. He explains that his book was not about whether the government should or should not act in every circumstance.

What he was calling for was a government limited in scope and power. On the one hand, he rejected libertarian anarchy. On the other hand, he devoted the book to the reasons why we should reject a pervasive, centrally controlled society advocated by the socialists of his day. He recognized the place for government's role.

The government, however, should focus its attention on setting the ground rules for competition rather than devote time and energy to picking winners and losers in the marketplace. And Hayek reasoned that government cannot possibly know the individual and collective needs of society. Therefore, Hayek argues that the "state should confine itself to establishing rules applying to general types of situations and should allow the individuals freedom in everything which depends on the circumstances of time and place, because only the individuals concerned in each instance can fully know these circumstances and adapt their actions to them."{10}

Wise and prudent government must recognize that there are fundamental limitations in human knowledge. A government that recognizes its limitations is less likely to intervene at every level and implement a top-down control of the economy.

One last misconception has to do with helping those who suffer misfortune. It is true that he rejected the idea of a top-down, centrally controlled economy and socialist welfare state. But that did not exclude the concept of some sort of social safety net.

In his chapter on “Security and Freedom” he says, “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.”{11} He notes that this has been achieved in England (and we might add in most other modern democracies).

He went on to argue that the government should provide assistance to victims of such “acts of God” (such as earthquakes and floods). Although he might disagree with the extent governments today provide ongoing assistance for years, Hayek certainly did believe there was a place for providing aid to those struck by misfortune.

Paved With Good Intentions

Friedrich Hayek wrote *The Road to Serfdom* to warn us that sometimes the road can be paved with good intentions. Most government officials and bureaucrats write laws, rules, and regulations with every good intention. They desire to make the world a better place by preventing catastrophe and by encouraging positive actions from their citizens. But in their desire to control and direct every aspect of life, they take us down the road to serfdom.

Hayek says the problem comes from a “passion for conscious control of everything.”{12} People who enter into government and run powerful bureaucracies are often people who enjoy running not only the bureaucracy but also the lives of its citizens. In making uniform rules from a distance, they deprive the local communities of the freedom to apply their own knowledge and wisdom to their unique situations.

Socialist government seeks to be a benevolent god, but usually morphs into a malevolent tyrant. Micromanaging the details of life leads to what Hayek calls “imprudence.” Most of us would call such rules intrusive, inefficient, and often downright idiotic. But the governmental bureaucrat may believe he is

right in making such rules, believing that the local people are too stupid to know what is best for them. Hayek argues that citizens are best served when they are given the freedom to make choices that are best for them and their communities.

Hayek actually makes his case for economic freedom using a moral argument. If government assumes our moral responsibility, then we are no longer free moral agents. The intrusion of the state limits my ability to make moral choices. “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.”{13} This is true whether it is an individual or a government that takes responsibility. In either case, we are no longer making free moral decisions. Someone or something else is making moral decisions for us. “Responsibility, not to a superior, but to one’s conscience, the awareness of duty is 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.”{14}

A socialist government may promise freedom to its citizens but it adversely affects them when it frees them from making moral choices. “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.”{15}

Hayek also warned about the danger of centralizing power in the hands of a few bureaucrats. He argued that, “by uniting in the hands of a single body power formerly exercised independently by many, an amount of power is created infinitely greater than any that existed before, so much more far reaching as almost to be different in kind.”{16}

He even argues that once we centralize power in a bureaucracy, we are headed down the road to serfdom. “What is called economic power, while it can be an instrument of coercion, is, in the hands of private individuals, never exclusive or complete power, never power over the whole of life of a person. But centralized as an instrument of political power it creates a degree of dependence scarcely distinguishable from slavery.”{17}

Biblical Perspective

How does *The Road to Serfdom* compare to biblical principles? We must begin by stating that Friedrich Hayek was not a Christian. He did not confess Christian faith nor did he attend religious services. Hayek could best be described as an agnostic.

He was born in 1899 into an affluent, aristocratic family in Austria. He grew up in a nominally Roman Catholic home. Apparently there was a time when he seriously considered Christianity. Shortly before Hayek became a teenager, he began to ask some of the big questions of life. In his teen years, he was influenced by a godly teacher and even came under the conviction of sin. However, his quest ended when he felt that no one could satisfactorily answer his questions. From that point on he seems to have set aside any interest in Christianity and even expressed hostility toward religion.

Perhaps the most significant connection between Hayek and Christianity can be found in their common understanding of human nature. Hayek started with a simple premise: human beings are limited in their understanding. The Bible would say that we are fallen creatures living in a fallen world.

Starting with this assumption that human beings are not God, he constructed a case for liberty and limited government. This was in contrast to the prevailing socialist view that human beings possessed superior knowledge and could wisely order the

affairs of its citizens through central planning. Hayek rejected the idea that central planners would have enough knowledge to organize the economy and instead showed that the spontaneous ordering of economic systems would be the mechanism that would push forward progress in society.

Hayek essentially held to a high view and a low view of human nature. Or we could call it a balanced view of human nature. He recognized that human beings did have a noble side influenced by rationality, compassion, and even altruism. But he also understood that human beings also are limited in their perception of the world and subject to character flaws.

Such a view comports with a biblical perspective of human nature. First, there is a noble aspect to human beings. We are created in the image of God (Gen. 1:27-28) and are made a little lower than the angels (Psalm 8:5). Second, there is a flaw in human beings. The Bible teaches that all are sinful (Rom. 3:23) and that the heart of man is deceitful above all things (Jer. 17:9).

Hayek believed that "man learns by the disappointment of expectations." In other words, we learn that we are limited in our capacities. We do not have God's understanding of the world and thus cannot effectively control the world like socialists confidently believe that we can. We are not the center of the universe. We are not gods. As Christians we can agree with the concept of the "disappointment of expectations" because we are fallen and live in a world that groans in travail (Romans 8:22).

Although Hayek was not a Christian, many of the ideas in *The Road to Serfdom* connect with biblical principles. Christians would be wise to read it and learn from him the lessons of history.

Notes

1. Russ Roberts, "Why Friedrich Hayek is Making a Comeback,"

Wall Street Journal, 28 June 2010.
2. Ibid.
3. F.A. Hayek, *The Road to Serfdom: Text and Documents, the Definitive Edition*, ed. Bruce Caldwell (Chicago: University of Chicago Press, 2007).
4. Ibid., 48.
5. Ibid., 49.
6. Ibid., 77.
7. Ibid., 115.
8. Ibid., 57.
9. Ibid., 59.
10. Ibid., 114.
11. Ibid., 148.
12. Ibid.
13. Ibid., 216.
14. Ibid., 217.
15. Ibid.
16. Ibid., 165.
17. Ibid., 166.

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