

Cultural showing

Review of *The Road to Serfdom* by Friedrich Hayek adapted by Lys Lenhart from the original by Thobias Zamboni, both members of IEE.

The Austrian economist Friedrich Hayek published one of his major works, *The Road to Serfdom* in 1944, a complex moment in global politics. Countries were still recovering from the end of the World War II and the socialist policies had wide support in Europe. With courage in this difficult time, Hayek stressed that the book's content was political in nature and not a thesis of social philosophy. The work was a warning against political movements (left and right) which then expanded in continental Europe, increasingly threatening freedom and individual rights. As socialist ideas were in vogue at the time and would hardly be left behind, the author feared was that England itself became socialist, with the support of intellectuals.

The book grew out of a small paper that Hayek published in 1938 under the title *Freedom and the economic system* (Freedom and Economic System), later expanded as a government policy Flyer. The work was dedicated to all socialists, as it was originated in discussions with colleagues of the author who leaned to the left. Hayek wanted to show that the intention to replace the spontaneous and complex market order by an order created by a central planning system inevitably result in misery and servitude.

In the preface, Hayek began its considerations reinforcing the importance of observing the experiences occurred in other countries to demonstrate the applications of certain ideas that led the nations to prosper or to impoverish. Although history never repeats itself, learning from the past would be critical to avoid repeating many of the mistakes. So it would suffice to observe what happened in socialist economies to learn the practical results of these ideas if they were applied in other nations. As well as the author said, "If in the long run we are the creators of our destiny, we are immediately slaves of the ideas that we create."

The very rise of Nazism and fascism was the result of the trends of socialist thought of the time. Despite the great evolution brought about by classical liberalism in the past, the ideas and desires that had given the great changes of social life came to be seen as wrong. There was progressive abandonment of the liberalism and individualism that had been inherited from previous generations. Freedom, in essence, was linked to the flourishing trade and was due to an unforeseen and not the result of a planned development of political freedom. Thanks to economic freedom, all walks of

life had great development and progress. The use of the spontaneous forces of society without resorting to coercive powers of the state was essential to the development of nations. Over time, it was the success of liberalism itself that has become the cause of its decline. Men became increasingly not tolerant to the evils still existent, which at one point seemed unbearable and unnecessary.

In this way, society's attitude totally changed through the years. With the new generation, interest turned to something new, and liberal ideas suffered a major downfall, although in imperceptible steps. Until 1870, liberalism had reached its peak, and from there onwards began to recede. England lost the intellectual leadership and Germany took over the leading role at the center of new ideas. It was in Germany that socialism has improved and reached its full development. The word "Western" had come to mean the world west of the Rhine, and was understood as synonymous with liberalism and democracy, capitalism and individualism, free trade and all forms of internationalization or love of peace. But with the passage of time, the West began to import German ideas, as the free trade doctrine became considered an invention to defend British interests, and as so, was perceived as outdated. For the German socialists, freedom of thought was the source of all the ills of society of the nineteenth century. It was the political thinker Alexis de Tocqueville who first cited the contradiction between the essence of individualism of Western societies and socialism.

While a democratic system sought equality in liberty, socialism sought equality in restraint and servitude. The socialists however branded their propaganda with the flag of freedom. In essence, socialists argued that they would bring an authentic and sincere freedom, and as so, they would be seen as the heir apparent of the liberal tradition. However in reality, socialism was not the way to freedom, but to the dictatorship. There was no way of achieving socialism under the banner of democracy. For totalitarians, the real enemy to be faced was the liberal of the old school. When Hitler came to power, socialism had destroyed liberalism. In England itself, liberalism's cradle, the idea that socialism and freedom could be reconciled had already flourished.

The socialists believed it was possible to reconcile freedom and organization. Socialism sought to abolish private initiative and private ownership of the means of production, creating a planned economy system, in which the profit of the capitalist would be replaced by central planning. Economic planning would only be achieved with centralized planning. Collectivism was also considered a form of socialism. Large

differences between socialists and liberals were given in relation to the methods for achieving the goals, not the specifics. For the Socialists to manage executing their plans, they needed to stay in power and to become oppressive and tyrannical. Socialists saw the concept of planning as essential to be able to plan all economic activity according to a single plan, in order to achieve certain purposes. In classical liberalism, planning possessed a concept diametrically opposed as it sought to provide conditions for individuals to prepare their own plans. In the liberal system, competition was seen as a means of coordinating human efforts. Good use of competition replaced coercive intervention in economic life and helped markets function. The attempt to control prices or quantity of goods prevented competition from coordinating individual efforts, transmitting unreliable information for individuals and distorting the basis for its guidelines and actions. Hayek pointed out that, so far, all legal institutions that could make the competitive system work efficiently had been neglected, and even then there were no studies of its importance. In other words, it was essential to create conditions for competition to be as efficient as possible, with an appropriate legal framework, made with intelligence and ever evolving. What had brought together the Socialists of left and right was hostility to the competition system, as it sought to replace it by a command economy system.

The idea of the inevitability of central planning came with the idea that technological change entailed the replacement of competition by planning. Hayek recognized that there was a progressive growth of monopolies in recent years and there was, yes, increasing competition restriction. The result of monopolies, coming from government intervention, was the creation of stunts and destruction of previously established competition. The monopoly was favored by protectionism and also by direct stimulation, aiming to control prices and sales. To state that monopolies had emerged due to technological change and to the ever growing complexity of civilization was a distortion of the facts showing how much malevolent government intervention was.

The price system played key role in the competitive system. Decentralization was the system that catered more to economic coordination, as compared to the central dirigisme, which was primitive and limited in scope. The modern division of labor took place without the need for central planning. A key feature of the state was centrally directed resentment of frustrated specialists who could, via central planning, impose their ideas.

The types of collectivism, as communism and fascism, wanted to organize society in a single purpose, thus negating the sovereignty of the individual. Totalitarianism is inseparable from collectivism. In totalitarian regimes, the submission of individual wills to a single social perspective was imperative. Individualism emerged there, not arrogating that man was necessarily selfish, but rather that the limits of imagination of the people prevented them from putting on a scale of values their wills. The individual and their values should be sovereign and their scale of values should guide their conduct. To set all to the same scale of values would not satisfy anyone.

The great advantage of classical liberalism was to reduce the range of issues that depend on consensus. At a time when democracy was dominated by collectivism, it would destroy itself. Democracy was an instrument to safeguard peace and individual freedom. The most important aspect in a democracy was the limitation of power of the rulers, and as so, the state action was limited by pre-defined rules, so there is no room for arbitrary decisions. For Hayek, it was necessary to reduce as much as possible the discretion granted to the executive bodies, which could exert the power of coercion. The individual should be free to pursue their personal goals and desires, without the intervention plans of the government. The state should restrict itself to establish general rules, freeing individuals because only individuals would know the circumstances of their actions. The rule of law existed to safeguard the equality of individuals before the law. The philosopher Immanuel Kant has said: "Man is free when you do not obey anyone except the laws." Thus, the rule of law was limited by the legislative field by restricting their action to rules known as formal law: the state could only act in pre-defined cases.

Economic issues could not be seen as of secondary importance in the lives of citizens. If there was a demand for money, it was because it would widen options to use as the results of individual efforts. For the author, the economic freedom would allow individuals decide what was most important. On the other hand, the central planning, who would solve all the problems of this order was the central dirigisme, to the detriment of the community and the individual. In central planning, citizens would have to adapt to state standards. Individuals would become the means used by central planners to achieve social well-being and the good of the community. The Socialists aspired to collective satisfaction, thus paving the way for totalitarianism and depriving people of freedom of choice.

In a competitive basis, the opportunities for progress were more limited for the poor than for the rich. However, in this environment, the poor would have greater

freedom to thrive, thus being able to leave the status quo. While the property was divided among many people, none of them could have coercive right over another. The system of private property was the most important guarantee of freedom: no one would have absolute power over others.

The lack of economic foresight made it hard to plan. As a result, the planner was encouraged to extend their controls to reach all aspects of society. It was Lenin himself who introduced the phrase "Whom to whom?" To which summed up the universal problem of socialist society. Who planned the lives of those? Who drove the lives of those? On a fully planned society, the artificial separation of economics and politics demanded that politics dominated the economy. Equality preached in socialism never worked. Income distribution was a more unjust reality than in capitalist societies. The aim of the planners was not to reward merit and individual effort, but provide a fair return to all. The price of this planning, however, was freedom. Totalitarian regimes were due in historical causality to have been established by scoundrels and villains. For this reason, unscrupulous men were more likely to come to power in a society that tended to totalitarianism.

The class struggle incited by government was essential ingredient for any ideology that unites a group aimed at joint action. That's how the Nazis joined with the anti-capitalist, *noskulaks*, in Russia. To act in the interests of a particular group seemed to liberate men from many moral restrictions governing their behavior. The intense moral emotion involved in National Socialist or Communist movement was similar to that seen in large religious movements. In the collectivist perspective, the complete disregard for life and happiness of the individuals was imperative. Any moral principle could be violated. In the totalitarian society, intimidation, duplicity, espionage was essential, and thus the state maintained a general rule of its citizens. The propaganda of totalitarian regimes sought a single target: all propaganda tools were coordinated so as to lead individuals in the same direction and produce the same characteristic. It aimed to manipulate the minds in the most shrewd and timely manner. All moral rules were destroyed, ending the sense of truth and respect to them. They created myths to justify the actions of leaders and used new meanings to old words. There was a complete perversion of language, with the change of the meaning of the words that expressed the ideals of the new regimes. The word that was most perverted was liberty, "in the name of a supposed new freedom promised to the people." The whole language was emptied, and the words were bereft of any precise meaning. It was a characteristic in the spirit of totalitarians to condemn all human activity exerted by pleasure without ulterior purposes. Science for science, art for art's sake, was

equally abhorrent to the Nazis and to socialist intellectuals and communists. Every activity had to be justified by a conscious social purpose. There should be no spontaneous activity, unguided, because this could lead to unexpected results, not covered by the plan – that could promote the emergence of something new that the philosophy of the planner had even anticipated.

In Germany occurred the junction of the anti-capitalist right and left that destroyed everything that was liberal. Thus, Nazism was a direct result of the absence of the bourgeoisie and of socialism progress. War against England was war to the opposite system. The commercial idea and freedom of expression was English, while the socialist totalitarianism was central planning. Organization was the keyword for socialists. The global economic war was a war against bourgeois life in England.

At the conclusion of his work, Hayek emphasized the need to destroy the obstacles imposed by governments that blocked our way in order to let the free individuals to create favorable conditions for progress, rather than letting the rulers plan progress. If in certain periods of history, some societies failed to create a world of free men, we must try again. Freedom for the individual is the only policy capable of actually producing permanent progress.

Biography

Friedrich August von Hayek was born in Vienna, Austria, on May 8, 1899, into a family of scientists and academic teachers. Despite their interest in psychology, Hayek chose to study economics. His doctorate in law and economics was achieved in the University of Vienna in 1920, where he studied under Ludwig von Mises, one of the best known exponents of Austrian School of Economics. In 1931, Hayek became Professor of Economics at the London School of Economics (LSE). In the following years, he published a number of books on capital theory, monetary theory and comparative economic systems. His powerful work against socialism, *The Road to Serfdom* (Road to Serfdom), was published in 1944 and made him famous and notorious.

In 1947, he invited a group of renowned economists, philosophers and historians for a meeting at Mont Pelerin in Switzerland, where they agreed to form the Mont Pelerin Society that Hayek was President 1961. Founding members included his teacher von Mises, his friend and colleague at LSE, the philosopher Karl Popper, and

some famous economists of what came to be known as the Chicago School, including Frank H. Knight, and Nobel laureates Milton Friedman and George Stigler. Hayek moved to the University of Chicago in 1950, where he was professor of History of Thought. Hayek returned to Europe in 1961 to be professor of economics at the University of Freiburg and Salzburg until his retirement in 1973. Hayek was awarded the Nobel Prize in Economics in 1974 for his studies about the economy (interdependence of economic phenomena, social and institutional and theory of money).

He passed away in Freiburg on 23 March 1992. He is widely recognized as one of the exponents of the "Austrian School of Economics" and one of the most important classical liberal thinkers of the twentieth century. His major works of Hayek are: Monetary Theory and the Trade Cycle (1929), Prices and Production (1931), Collectivist economic planning (1935), Monetary Nationalism and international instability (1937), Pure capital theory (1941) , Scientism and the study of society (1942-1944), Individualism and Economic Order (1948), The sensory order (1952), Capitalism and the Historians (1954), The Constitution of Liberty (1960), Privatization of Money (1976), Law, legislation and liberty (Vol.I, 1974; vol.II, 1976; vol III., 1979), Studies in philosophy, politics and economics (1980), Unemployment and Monetary Policy (1981) and The Fatal Conceit: the Socialism errors (1989).