



## ***“Condensing Friedrich Hayek: How Popularization Radicalized Austrian Economics”***

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In a 1984 interview John O’Sullivan asked Friedrich Hayek to explain the contradiction between the reality of English freedom and his argument that economic planning leads down the Road to Serfdom. Sullivan pointed out that since World War Two, the United Kingdom had adopted “increasing control over industry, over planning, over education, over the provision of welfare, and yet the people in this country don’t feel any less free.” Hayek responded, “I did never say, as it is alleged, that once you go down this track, you are bound to go along to the bitter end.”<sup>[1]</sup> Just ten short years later, however, this popular mis-characterization of Hayek’s thesis persisted. [Gerald O’Driscoll](#), director of policy analysis at Citicorp and a senior fellow of the Cato Institute, told an audience gathered to dedicate an auditorium in honor of the Austrian intellectual, that “Hayek’s thesis in *The Road to Serfdom* is that one intervention *inevitably* leads to another.” [emphasis added]<sup>[2]</sup> Clearly, there is a disconnect between the ideas of Hayek himself and the popular understanding. The roots of the disconnect stretch back to the arrival of the Road to Serfdom in America. Conservatives in the United States, not only found a simplistic explanation for the rise of European totalitarianism, both Nazism and Communism, but also a tool to attack the foundation of New Deal policies. Like their counterparts in the United Kingdom, ordinary Americans felt free, and American conservatives took it upon themselves to raise the alarm about the inevitable threat of government intervention. Reflecting back on the American popularity of his ideas and the shallowness of that popularity, Hayek said, “Both sides talk about my book. Nobody really read it or studied it.”<sup>[3]</sup>

Hayek would have us believe that the radical interpretations of his philosophy are rooted in ignorance. They are no fault of his own. He even went so far as to write an essay entitled “Why I am Not a Conservative.”<sup>[4]</sup> In the essay he tried to distance himself from the simplistic maintenance of traditional social institutions. “Personally, I find that the most objectionable feature of the conservative attitude is its propensity to reject well-substantiated new knowledge because it dislikes some of the consequences which seem to follow from it - or, to put it bluntly, its obscurantism.” Instead of obscuring knowledge,

and hiding facts, Hayek believed society benefits from a full, open and rational questioning of morals, values and traditions. A successful society “can not rationally decide except by experimentation.”<sup>[5]</sup> For Hayek, ideas are testable. They produce real world results and should be judged based on empirical evidence. Free markets are better for society because they efficiently allocate resources and enhance individual liberty. He cautioned his reader, however, that “Probably nothing has done so much harm to the liberal cause as the wooden insistence of some liberals on certain rules of thumb, above all the principle of laissez-faire.”<sup>[6]</sup>

Unfortunately, there is another side to Hayek--Hayek the [Manichean](#). While making the leap from the Austrian professor to English political pundit, he cut corners and eliminated nuisances “for the sake of brevity.”<sup>[7]</sup> In this version of Hayek he draws a straight line from nineteenth century socialism to Hitler's Germany and Stalin's Soviet Union. The path was clear and direct; nothing stood in the way of “Social Justice” turning into tyranny and death. Condensing Friedrich Hayek not only made him more accessible to the general public but also radicalized Austrian Economics.

As a European intellectual Hayek rightly saw himself within the mainstream of the English tradition. Rejecting modern political labels of conservative and liberal, he preferred the term “unrepentant Old Whig.”<sup>[8]</sup> To the general public this term was dead, but to the student of history it represented the leaders in English Constitutional history. In the Glorious Revolution of 1688 the Whigs brought a real, and lasting, limitation of monarchical power. During the 1830s the Whigs gave up their own political monopoly, passing the Great Reform Act in 1832, and then moved on to abolish the economic monopoly of the East India Company as well as the religious monopoly of the Anglican Church. The Whigs also had their own interpretation of history in which early modern merchants, Protestants and scientists broke the stagnation of the Middle Ages and ushered in a new age of innovation, material progress and expanding personal freedoms.<sup>[9]</sup> Arriving in England in the 1930s, the young Austrian was disappointed. World War One and the Great Depression shattered this quintessential English optimism, and Hayek longed for its return.

Hayek was dealing with the issue of Western, and English, exceptionalism. Something special happened in Europe that allowed it to turn traditional societies on their head. Instead of power flowing from the top down, men like John Locke argued that power flowed from the bottom up. Breaking with a thousand years of Medieval Christian tradition, Renaissance scholars rediscovered the individualism of classical antiquity and asserted “the belief it is desirable that men should develop their own gifts and talents.”<sup>[10]</sup> Free from the bonds of tradition, individuals could follow their own consciences, breaking new ground in commerce and science. Individuals, following their own enlightened self interest, produced a spontaneous growth and organic order in society. Hayek could have, but did not, expand on the role Civic Humanism played in shaping ideas of virtue and serving others. He simply leaves that part of the story to the educated reader. In other words, there is nothing really radical in this part of his story.

Spread throughout *The Road to Serfdom* is also a rather conventional and unsurprising role for government in the economy. A simply enumeration of appropriate government activity can illustrate how Hayek accepted much of the modern welfare state. Since he did not prioritize or even make a list, the following list is presented in the order in which the activities appear in *The Road to Serfdom*.

- \* Monetary system (p.72)
- \* Prevention and control of monopolies (p.72)
- \* 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." (p.86)
- \* Create "conditions in which competition will be effective as possible . . ." (p.88)
- \* Organize "public utilities" (p.95)
- \* Establish a system of formal rules that "could almost be described as a kind of instrument of production, helping people predict the behavior of those with whom they must collaborate, rather than as efforts toward the satisfaction of particular needs." (p.113)
- \* Define weights and measures (p.118)
- \* Prevent fraud and deception (p.118)
- \* Prevent workplace violence, either on the part of management or labor "Similarly with respect to most of the general and permanent rules which the state may establish with regard to production, such as building regulations or factory laws; these may be wise or unwise in the particular instance, but they do not conflict with the liberal principles so long as they are intended to be permanent and are not used to favor or harm particular people." (118)
- \* Spread knowledge and information (p.129)
- \* Assist in mobility (p.129)
- \* Reduce inequality of opportunity (p.134)
- \* Provide "security against physical privation" by assuring that everybody has "some minimum of food, shelter, and clothing, sufficient to preserve health and the capacity to work." (p.148)
- \* Help "organize a comprehensive system of social insurance" that cushions against the hazards of life including "sickness and accident." (p.148)

\* Assist victims of earth quakes and floods. "Wherever communal action can mitigate disasters against which the individual can neither attempt to guard himself nor make provision for the consequences, such communal action should undoubtedly be taken." (p.148)

\* Combat "general fluctuations of economic activity and the recurrent waves of large-scale unemployment which accompany them. . . . In any case, the very necessary efforts to secure against these fluctuations do not lead to the kind of planning which constitutes such a threat to our freedom." (p.149)

Hayek then was not opposed on principle to government intervention in the economy. He was opposed to a particular type of intervention, namely central planning. It is of the utmost importance to the argument of this book for the reader to keep in mind that the planning against which all our criticism is directed is solely the planning against competition—the planning which is to be a substitute for competition.[\[11\]](#) Government intervention in the economy is not a prima facie case for the rise of totalitarianism. In fact, taken together, Hayek praised the virtues of quite a number of government interventions in the economy.

These positive powers of government are presented as matters of fact. Where Hayek diverged from the main stream of European thought was in his attempt to answer a simple question, "Why Hitler?" In this part of *The Road to Serfdom*, Hayek the Manichean redefined terms to create two simple opposing view points—one promoting liberty, the other leading to totalitarianism. In the old Whig histories the opponents of liberty were monarchs and Roman Catholics. In Hayek's new Whig history, the advocates of tyranny were the "socialists," and the champions of freedom were the "capitalists." Unfortunately, his use of the term "socialism" obscured history rather than illuminated it. He begins this discussion with a reasonable definition of twentieth century socialism:

In this sense socialism means the abolition of private enterprise, of private ownership of the means of production, and the creation of a system of a planned economy in which the entrepreneur working for profit is replaced by a central planning body.[\[12\]](#) Hayek then ignored his own definition in favor of a much broader and inclusive application. He dropped the requirement that "socialist" favor public ownership of property and began applying the term "socialism" to any "collective" action.[\[13\]](#) This changed allowed him to create an ahistorical straw man—a coherent socialist movement away from personal liberty toward totalitarianism.

While this "brevity" assisted his ultimate aim—promoting personal liberty—it distorted historical reality. In Hayek's version, the Bismarckian Reich was converted from an divine right absolute monarchy to a socialist community. Instead of describing the rise of capitalist industrial cartels and syndicates as the emergence of Neo-mercantilism, allowing the traditional state to harness the power and wealth of private enterprise, Hayek looked to the future. Late nineteenth century Germany was "the first great experiment in 'scientific planning.'" [\[14\]](#) Missing from his story is Otto von Bismarck's attack on true

socialists—activists who wanted to transfer wealth and power away from the hereditary elite and toward ordinary workers. The well-known German-American historian Hajo Halborn described the conflict.

The rise of a German socialist party after 1871 had alarmed the chancellor [Bismarck]. The Paris Commune of 1871 and the nihilist movement in Russia had made him extremely apprehensive of revolutionary socialism, and although he did not believe in an exclusively negative approach, he was convinced that as a first step the socialist movement of the workers should be suppressed by any means.[\[15\]](#)

The uninformed reader of the Road to Serfdom is then left with an inaccurate impression of late nineteenth century Germany. Bismarck and Socialists did not work together to create the preconditions for the rise of Hitler and the Nazi party. Hayek wanted to shift the focus away from “Prussianism” toward “Socialism.”[\[16\]](#)

Without this shift Hayek’s accusations against the socialists falls apart. He rightly pointed out that a key element of totalitarianism was the ruthless pursuit of a collective goal. Both Hitler and Stalin killed millions to create an ideal state. By the inter-war period, however, the German Social Democratic Party had abandoned collective violence as a means to bring about social change. Unlike the Russian Bolsheviks, the German SDP created a constitutional government—the Weimar Republic—in November of 1918. This “socialist” constitution required multi-party, competitive elections for president and the legislature, created an independent judiciary and established equality for all men and women before the law. The constitution also had an extensive bill of rights, guaranteeing freedom of religion, the right to private property as well rights protecting physical and intellectual labor. The German SDP were the heirs to, not the destroyers of, nineteenth century liberalism. German conservatives at the time recognized this fact.

The November revolution was the result of a moral collapse promoted by external pressures. . . . Rightly, it was called a stab in the back . . . We saw the feeble liberals and heard for the hundredth time the promulgation of human rights. One might say a dusty storeroom was thrown open from which emerged human rights, freedom, toleration, parliament, suffrage, and popular representation. Finally, they wrote a liberalist novel: the Weimar constitution.[\[17\]](#)

The German socialists were leading their nation away from centralized control and down the road to personal liberty.

Early twentieth century socialists thus lacked the deadly feature of totalitarianism—the militarization of life. At several points during The Road to Serfdom, Hayek acknowledged the role war played in the development of Nazism and Communism. At one point he hits the nail right on the head.

The conflict with which we have to deal is, indeed, a quite fundamental one between two irreconcilable types of social organization . . . the commercial and military type of society.[\[18\]](#)

The first type values negotiation and compromise; the second glorifies obedience and violence. Hayek rightly identified the “security of the barracks” as a step down the road to serfdom. On the battlefield, good soldiers learn that life and death require taking orders from a strong leader.[\[19\]](#) In a key paragraph several pages later Hayek linked the two types of society to opposing sets of values.

[Germans] possess a strong sense of order, duty, and strict obedience to authority; and that they often show great readiness to make personal sacrifices and great courage in physical danger. . . . [These qualities] . . . have been carefully nurtured in the old Prussian state and the new Prussian dominated Reich. What the “typical German” is often thought to lack are the individualist virtues of tolerance and respect for other individuals and their opinions, of independence of mind and that uprightness of character and readiness to defend one’s convictions against a superior . . . of consideration for the weak and infirm, and that healthy contempt and dislike of power which only an old tradition of personal liberty creates.[\[20\]](#)

Regrettably, he made this type of security an essential feature of his definition of “socialism.” He did so, however, at the expense of the truth. Hayek, himself, wrote “The old socialist parties were inhibited by their democratic ideals; they did not possess the ruthlessness required for the performance of their chosen task.”[\[21\]](#) In other words the socialists valued freedom so much that they refused to go down the road to serfdom.

Neither the Fascists nor the Communists possessed these inhibitions. They believed the essential feature of life was war. Only when faced with an existential threat does man truly become man. War focuses attention on a single enemy and forces the community to come together as one mind, one heart.[\[22\]](#) Soldiers have no personal freedom, losing their voice to established authority. They surrender themselves to a single higher power. For the Fascists and Communists that higher power was the “leader”—Duce, Fuhrer, or Party Chairman. In totalitarian societies the leaders fostered a personal loyalty to themselves. For example, on the death of German President Paul von Hindenburg (1847 - 1934), Hitler concentrated power.

Hitler did what no one expected. He made himself both President and Chancellor. Any doubts about the loyalty of the army was done away with before the old field-marshal’s body was hardly cold. Hitler had the army swear an oath of unconditional obedience to him personally.[\[23\]](#)

Hitler was not following the road paved by the Social Democratic Party. In fact he abandoned the road they had paved. He tore up the separation of powers and blurred the lines between civilian and military life. The “Road to Serfdom” was paved by militarism not socialism.

Hayek had all the pieces to solve the “totalitarian puzzle”—how could “modern” Europe descend into the barbarity of neighbor killing neighbor? He provided a one word answer—socialism. This answer only makes sense if a reader allows Hayek the freedom to redefine terms and history. In the preface to the original editions of the Road to Serfdom, he appeared to ask his reader for latitude. He wrote

This is a political book. I do not wish to disguise this by describing it, as I might perhaps have done, by the more elegant and ambitious name of an essay in social philosophy.[\[24\]](#) Hayek wanted to change the political debate in a dramatic way. History and philosophical accuracy had to be sacrificed to make a simple point—the British Labour Party, by maintaining war planning after the end of World War Two, were creating the conditions for totalitarianism. While this goal is certainly laudable, it contributed to the persistent popular misunderstanding of his thesis. Hayek sacrificed the complexity of an academic history or social philosophy in order to have a wide popular impact. He wanted the general public to question the necessity of collective action and to warn about its potential dangers.

The misunderstanding of Hayek's argument, whether by a senior fellow of the Cato Institute or Glen Beck,[\[25\]](#) stem not from ignorance but from following Hayek's example. The Austrian intellectual encouraged his readers to condense and consolidate. When they did, phrases like "potential threat" are reduced to "threat." Complex phenomena like a "technical planned, centrally controlled society" become simply "government regulation." This condensation can be found in the Reader's Digest version of *The Road to Serfdom*: "This does not mean that it is possible to find some 'middle way' between competition and central direction, through nothing seems at first more plausible, or is more likely to appeal to reasonable people."[\[26\]](#) By approving such a statement, Hayek ruled out compromise and negotiation. In the political realm anyone taking collective action destroys freedom; anyone blocking collective action preserves freedom. Ironically, such an attitude makes a Lockian social contract impossible. Individuals are left in a crude laissez-faire, dog-eat-dog capitalism that does great damage to civil society. The origins of this radical political philosophy may lie in ignorance, but it is an ignorance Hayek helped to create by condensing his argument for a popular audience.

Author's Note: I originally wrote this over a year ago and only published it on my website. Because Hayek is once again making the rounds on blogs, I thought I would share it here too. I hope you find it useful.