

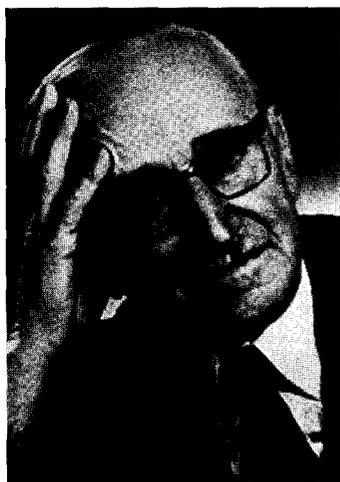
The Road to Serfdom*

Lessons for state budgeteers: government is dangerous

Friedrich A. Hayek introduced by John Kurzweil

Why Hayek?

As Ray Haynes argues persuasively in this issue's cover article (page 17), beyond the often-voiced concerns about how long California can sustain its huge, and hugely growing, state budgets (with their built-in deficits even in times of revenue abundance) lies a moral question of even greater importance: What effect on our leaders' and the people's moral sensibilities can we expect from a political culture in which no one registers any trepidation about entrusting government to spend such vast amounts of our money, and to do it no longer to meet any discernible, much less rationally-defensible, needs but only in response to a manic imperative to spend as much as we can as fast as we can. Every extra dime spent is seen as progress *just because it is more*, every slowing in increased spending is portrayed as a step backward, and anyone betraying a hint of doubt about the wisdom of it all is reflexively denounced as morally reprobate if not actually imbecilic.



Friedrich A. Hayek

Friedrich A. Hayek witnessed the growth of the Nazi, Italian Fascist, and Soviet tyrannies. In his book, here excerpted, he explained in devastating detail how a corrupt idea — that tyrannical control of men was both more pragmatically productive and morally compassionate than freedom — produced the totalitarian horrors of World War II and Stalin's slave-state. His book, a smashing success on both sides of the Atlantic, was a crucial contribution to the post-war debate over Europe's future while helping launch the post-war conservative intellectual renaissance for freedom that eventually flowered in the elections of Ronald Reagan and Margaret Thatcher with mandates to lead their respective countries away from the socialist brink and, in time, to the final downfall of the Soviet Empire. This excerpt is taken

from a new Foreword Hayek wrote for a 1955 re-printing (for publication in the United States) of *The Road to Serfdom*. It analyzes the applicability of the book's lessons originally gleaned by consideration of what he called "hot socialism" — the by-then already dying

*The Road to Serfdom was originally published in 1944. We here excerpt from the Foreword to the 1955 U.S. edition.

Vienna-born Friedrich A. Hayek (1899-1992) was a Nobel Prize-winning, internationally influential economic theorist. Author of several books, he was a professor at the Universities of London and Chicago.

or dead enthusiasm for all-encompassing state controls over national economies as adopted by Hitler and Stalin and championed in the west by the English Fabians — to the residual socialist ideas at work in a far less strident and systematic mode (the “Welfare State”) in the post-war United States and western Europe. We reprint here extensively from this Forward because it throws considerable light on the current phenomenon of Sacramento budget brinkmanship, a process driven by no clear plan advancing toward no clear goals, but simply driven. The moral implications for Californians of risking the freedom of our children and grandchildren on such an unthoughtful course far outweighs in importance the question of how long we can keep spending as we have been before going broke.

— *John Kurzweil*

recognize that the hot socialism against which it [*The Road to Serfdom*] was mainly directed — that organized movement toward a deliberate organization of economic life by the state as the chief owner of the means of production — is nearly dead in the Western world. The century of socialism in this sense probably came to an end around 1948. Many of its illusions have been discarded even by its leaders, and elsewhere as well as in the United States the very name has lost much of its attraction

Yet though hot socialism is probably a thing of the past, some of its conceptions have penetrated far too deeply into the whole structure of current thought to justify complacency. If few people in the Western world now want to remake society from the bottom according to some ideal blueprint, a great many still believe in measures which, though not designed completely to remodel the economy, in their aggregate effect may well unintentionally produce this result. And, even more than at the time when I wrote this book, the advocacy of policies which in the long run cannot be reconciled with the preservation of a free society is no longer a party matter. That hodgepodge of ill-assembled and often inconsistent ideals which under the name of the Welfare State has largely replaced socialism as the goal of the reformers needs very careful sorting-out if its results are not to be very similar to those of full-fledged socialism. This is not to say that some of its aims are not both practicable and laudable. But there are many ways in which we can work toward the same goal, and in the present state of opinion there is some danger that our impatience for quick results

may lead us to choose instruments which, though perhaps more efficient for achieving the particular ends, are not compatible with the preservation of a free society. The increasing tendency to rely on administrative coercion and discrimination where a modification of the general rules of law might, perhaps more slowly, achieve the same object, and to resort to direct state controls or to the creation of monopolistic institutions where judicious use of financial inducements might evoke spontaneous efforts, is still a powerful legacy of the socialist period which is likely to influence policy for a long time to come.

Just because in the years ahead of us political ideology is not likely to aim at a clearly defined goal but toward piecemeal change, a full understanding of the process through which certain kinds of measures can destroy the bases of an economy based on the market and gradually smother the creative powers of a free civilization seems now of the greatest importance. Only if we understand why and how certain kinds of economic controls tend to paralyze the driving forces of a free society, and which kinds of measures are particularly dangerous in this respect, can we hope that social experimentation will not lead us into situations none of us want

Of course, six years of socialist government in England [under Prime Minister Clement Atlee, from 1945 until 1951, when Winston Churchill was again elected prime minister] have not produced anything resembling a totalitarian state. But those who argue that this has disproved the thesis of *The Road to Serfdom* have really missed one of its main points: 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. The important point is that the political ideals of a people and its attitude toward authority are as much the effect as the cause of the political institutions under which it lives. This means, among other things, that even a strong tradition of political liberty is no safeguard if the danger is precisely that new institutions and policies will gradually undermine and destroy that spirit. The consequences can of course be averted if that spirit reasserts itself in time and the people not only throw out the party which has been leading them further and further in the dangerous direction but also recognizes the nature of the danger and resolutely change their course. There is not yet much ground to believe that the latter has happened in England.

Yet the change undergone by the character of the

British people, not merely under its Labour government but in the course of the much longer period during which it has been enjoying the blessings of a paternalistic welfare state, can hardly be mistaken. These changes are not easily demonstrated but are clearly felt if one lives in the country. In illustration, I will cite a few significant passages from a sociological survey dealing with the impact of the surfeit of regulation on the mental attitudes of the young. It is concerned with the situation before the Labour government came into power, in fact, about the time this book was first published, and deals mainly with the effects of those wartime regulations which the Labour government made permanent:

It is above all in the city that the province of the optional is felt as dwindling away to nothing. At school, in the place of work, on the journey to and fro, even in the very equipment and provisioning of the home, many of the activities normally possible to human beings are either forbidden or enjoined. Special agencies, called Citizen's Advice Bureaus, are set up to steer the bewildered through the forest of rules, and to indicate to the persistent the rare clearings where a private person may still make a choice [The town lad] is conditioned not to lift a finger without referring mentally to the book of words first Surveying his parents and older brothers or sisters he finds them as regulation-bound as himself. He sees them so acclimatized to that state that they seldom plan and carry out under their own steam any new social excursion or enterprise. He thus looks forward to no future period at which a sinewy faculty of responsibility is likely to be of service to himself or others (from *Youth Service in an English County: A Report Prepared for King George's Jubilee Trust*, L.J. Barnes, London, 1945)

Is it too pessimistic to fear that a generation grown up under these conditions is unlikely to throw off the fetters to which it has grown used? Or does this description not rather fully bear out De Tocqueville's prediction of the "new kind of servitude" when

after having thus successively taken each member of the community in its 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

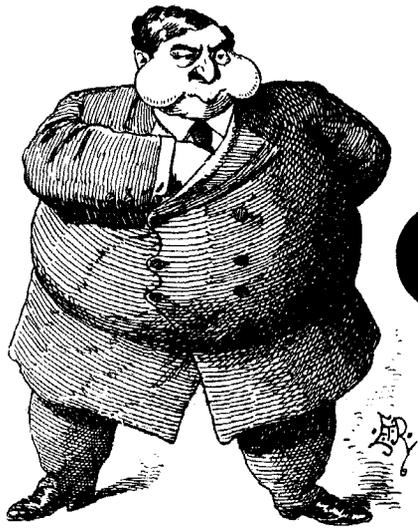
not destroy, but it prevents existence; it does not tyrannize, but it compresses, enervates, extinguishes, and stupefies a people, till each nation is reduced to be nothing better than a flock of timid and industrial animals, of which government is the shepherd. — I have always thought that servitude of the regular, quiet, and gentle kind which I have just described might be combined more easily than is commonly believed with some of the outward forms of freedom and that it might even establish itself under the wing of the sovereignty of the people.

(From Alexis de Tocqueville, *Democracy in America*, Part II, Book IV, chap. vi. — The whole chapter should be read in order to realize with what acute insight De Tocqueville was able to foresee the psychological effects of the modern welfare state. It was, incidentally, De Tocqueville's frequent reference to the "new servitude" which suggested the title of the present book.)

.... The most serious development is the growth of a measure of arbitrary administrative coercion and the progressive destruction of the cherished foundation of British liberty, the Rule of Law, for exactly the reasons here discussed in chapter vi. This process had of course started long before the last Labour government came into power and had been accentuated by the war. But the attempts at economic planning under the Labour government carried it to a point which makes it doubtful whether it can be said that the Rule of Law still prevails in Britain. The "new Despotism" of which a Lord Chief Justice had warned Britain as long as 25 years ago is, as *The Economist* recently observed, no longer a mere danger but an established fact. It is a despotism exercised by a thoroughly conscientious and honest bureaucracy for what they sincerely believe is the good of the country. But it is nevertheless an arbitrary government, in practice free from effective parliamentary control; and its machinery would be as effective for any other than the beneficent purposes for which it is now used

It seems now unlikely that, even when another Labour government should come into power in Great Britain, it would resume the experiments in large-scale nationalization and planning. But in Britain, as elsewhere in the world, the defeat of the onslaught of systematic socialism has merely given those who are anxious to preserve freedom a breathing space in which to re-examine our ambitions and to discard all those parts of the socialist inheritance which are a danger to a free society. Without such a revised conception of our social aims, we are likely to continue to drift in the same direction in which outright socialism would merely have carried us a little faster.

CPR



Big Government

The moral implications of spending money for no better reason than that it is there.

by Ray Haynes

The most effective way of making people accept the validity of the values they are to serve [in a totalitarian system] is to persuade them that they are really the same as those which they, or at least the best among them, have always held, but which were not properly understood or recognized before And the most efficient technique to this end is to use the old words but change their meaning. Few traits of totalitarian regimes are at the same time so confusing to the superficial observer and yet so characteristic of the whole intellectual climate as the complete perversion of language, the change of meaning of the words by which the ideals of the new regime are expressed.

— Freidrich A. Hayek, *The Road to Serfdom*

Tonight we passed a responsible and balanced budget that is also compassionate

— Assembly Speaker Fabian Nuñez

Let's try to translate into standard English words conveying standard English meanings what Speaker Nuñez might have been thinking as he spoke the words quoted above. I will use as my guide the actual budget California's Legislature passed for the new year and the meanings routinely attached to words by state Capitol ruling elites when expressing their "ideals." "Tonight," we can readily imagine the Speaker thinking, "our vote for this budget helps bolster this body's image as being *responsible* with voters whose comfort zone is soothed by the idea of an on-time budget and who don't know, or much care to know, what it actually contains.

"In addition, we have achieved *balance* in that the various parties in the Capitol power structure each can point to budget aspects they favored, and everybody also had to give a little, commensurate with the level of power they hold. Finally, we are spending *more* than ever, hiking the rate of spending increases *faster* than ever, and buying *more* support from *growing* numbers of contented recipients of government spending for *all* the politicians who can claim credit for this or that slab of pork in this budget — what, I ask you, could be more pleasing, more generous, more *compassionate* than that?"

Is this translation unfair to the Speaker? Given the contents of the budget, it would be less charitable to interpret his words literally, which would indicate either lunacy, gross ignorance of the document he is talking about, or simply that he is a shameless

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