

SERFDOM USA

How Far Have We Traveled Down Hayek's "Road"?

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The free world celebrates two special 50th anniversaries this year. One is of D-Day, the beginning of the end of Nazi Germany's evil empire. The other is the publication of *The Road to Serfdom*, by Friedrich Hayek, which warned that Britain, America and other free nations that were expanding the welfare state and adopting centralized economic controls were unintentionally traveling down the same road to serfdom that led to fascism in Germany and communism in Russia. Hayek's *Road*, and his later works such as *The Constitution of Liberty* and *Law, Legislation and Liberty*, are among the most influential books in modern conservatism. To mark its semicentennial, *Policy Review* asked some of America's most thoughtful students of freedom to answer whether our country has moved closer or further from serfdom in the 50 years since Hayek's prophecy.

DICK ARMEY

Certainly we've travelled further down the road to serfdom since 1944, but that's really not the interesting question. The real issue is, in which direction on that road are we heading now? I believe we have just made a screeching U-turn and are now heading back toward freedom—but Washington doesn't know it yet.

Ironically, things in this country began to go wrong at the precise moment Hayek was writing. That's when our statisticians conceived income-tax withholding, the scheme that made our modern leviathan possible. In the old days, when free Americans paid their taxes out of their own wallets, there was a limit to how much revenue our statisticians could raise without having a rebellion on their hands. People could see how much they paid the government, and judge if the return was worth it. But once World War II gave the statisticians an excuse to take our money from our paychecks before we even touched it, the obscene growth of the government became inexorable.

Today, we are staggering beneath a bloated government that spends over \$24,000 for each household in America, an amount equal to almost 40 percent of the nation's economy. Every cent a typical American earns from New Year's Day to May 5 he in effect surrenders to the government. Throw in the hidden cost of government

regulations—a concealed tax of over a half-trillion dollars a year—and it is not until July 13 that he stops working for the political class and begins working for himself. Young families with children suffer the cruelest burden. When millions of American couples need a second income, they need it not to support their children, but to support the government. Yes, we are indeed frighteningly close to serfdom.

But liberation is at hand. For all the gloom of the Clinton term, we must remember that a paradigm-shattering revolution has just taken place. In the signal events of the 1980s—from the collapse of communism to the Reagan economic boom to the rise of the computer—the idea of economic freedom has been overwhelming vindicated. The intellectual foundation of statism has turned to dust. This revolution has been so sudden and sweeping that few in Washington have yet grasped its full meaning—which is why the Clinton plan to nationalize our health care is actually taken seriously. But when the true significance of the 1980s freedom revolution sinks in, politics, culture—indeed, the entire human outlook—will change.

Capitalism will lose its century-old connotation of materialism and greed, and will at last be recognized as an unambiguous good, the only system compatible with our creative human natures. The redistributionist pessimism of today's elites will give way to a new populist optimism of growth and opportunity. Policies that restrict economic freedom will suddenly seem backwards and reactionary; those that expand it will be seen as enlightened and progressive. And the Clinton administration will be remembered as an anomaly, the last gasp of a cause that had already been lost.

Once this shift takes place—by 1996, I predict—we will then be able to advance a true Hayekian agenda, including a flat tax, radical spending cuts, the end of the public school monopoly, a free market health-care system, and the elimination of the family-destroying welfare dole. Unlike 1944, history is now on the side of freedom.

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MALCOLM S. FORBES JR.

The road to serfdom has changed direction to the road to freedom. The combination of high technology and the failure of socialism has given traditional liberalism a new lease on life.

Industrialization was once seen by many observers as the enemy of the individual. Mass production meant monotonous assembly lines. Factories meant uprooting people from traditional rural societies to rootless, impersonal urban environments. An industrial economy meant more complex, more remote hierarchies. On the land, the peasant or the small farmer personally knew, or at least was familiar with, the landlord and members of the gentry. An auto worker, by contrast, rarely, if ever, saw the chairman of General Motors.

Non-Marxist intellectuals viewed industrialization as a Faustian bargain where people sacrificed their humanity to enjoy a better material life. Marxists saw workers being impoverished as well as dehumanized.

Thus socialism was seen by many supposedly thoughtful people as a means of bringing fellowship and unselfish, uncoerced cooperation among workers in the workplace as well as enriching their standard of living.

Three catastrophes—the two world wars and the Great Depression—made some sort of collectivism seem the wave of the future.

World War I, with its totally unexpected, seemingly pointless battlefield slaughter of an unimagined, horrific scale shattered the faith of many in the beliefs and institutions of Western civilization. The individualism glorified in the 19th century seemed hopelessly quaint after the First World War. The war was a catalyst for massive government penetration into and domination of society on a scale utterly inconceivable before the conflict.

The Great Depression discredited American-style *laissez-faire* economics. Given this catastrophic contraction, economists concluded, free markets could not be left to themselves. The notion of a mixed, peacetime economy was born. Politically, the Depression discredited Parliamentary democracy. After World War I most European countries either had or established democratic governments. By the mid-1930s, all but a handful had collapsed. Parliamentary democracy was seen as weak, corrupt, incompetent. By contrast, fascism and Nazism seemed more modern, brisk, efficient.

It took a world war to defeat Nazi-style totalitarianism. But this war also gave—for a while anyway—enormous prestige to the totalitarian Soviet Union. After the experiences of the inter-war years, even Western Europe saw some measure of socialism, or “social democracy,” as an antidote to unemployment and as an agent for a humane society.

This was the environment in which Hayek wrote his book. Most politicians, writers, academics and “generally informed” people believed in some variation of what came to be called the welfare state.

How different the environment is today. Even socialists

have to disguise their agendas with free market rhetoric à la Bill Clinton, or in the garb of Al Gore’s apocalyptic environmentalism, or with European-style protectionism. The administration’s attempt to *de facto* nationalize health care is the last great offensive of the collectivists.

Technology is now an agent of individualism. The microchip, which is expanding the reach of the human brain the way machines expanded the reach of the human muscle in the last century, is flattening hierarchies the way electricity physically flattened factories when it replaced steam power in the early part of this century. We simply don’t need as many layers of management to process information as we did before. The corporate sector has been undergoing this process for years; the public sector will soon be hit with it, too.

The microchip is the enemy of the tyrant. Not so long ago, money had to be transported physically by, say, putting bars of gold in ship bottoms or in wagons. Governments could literally prohibit their citizens from moving their wealth outside of their jurisdictions. Today the blip of a computer can transport hundreds of billions of dollars in less than a second.

Dictators can enslave the body, but they can no longer capture the true source of wealth, the human mind.

Wealth is less and less being measured by material resources. Resource-rich Brazil remains mired in an economic morass. Resourceless Hong Kong, which has to import its drinking water, is one of the richest and most densely populated specks of real estate on the earth today.

Now that the Cold War is over, the United States is paying serious attention to its extraordinary surge of violent crime and to soaring rates of illegitimacy. What was somewhat tolerated when we faced an external threat, has become intolerable now that the threat has been



Friedrich Hayek