

Economics: on the road to serfdom, friedrich a. hayek



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Hayek and the Road to Serfdom, Book Review Hayek wrote and released this book during the of the World War II (1944-45). He had a front row seat to the clash of the collectivist titans from the mild socialism he saw in the West to the national socialism of Germany and the communism of the Russian state. Hayek sought to provide a comprehensive set of principles and observations illustrating why private property not only manages to be the most rational means to allocate economic resources but the one which allows the most freedom to grow and mature. He makes a compelling argument that the smallest bureaucrat in a statist command of the economy will have much more power to influence society in a negative manner than the most successful millionaire in a free society. His primary thesis is that the power of the state will lead to slavery, misery and poverty. Along with his colleague in the Austrian School of Economics, Ludwig von Mises, he delivered a powerful indictment of the state in two respects: its inability to rationally behave economically and ultimately the brutal manner in which the state will ultimately treats its citizens once it has the power to tax, regulate and redistribute. By robbing the individual citizens of property rights and collectivizing either through outright nationalization or through the more fascistic means of taxation and regulation, all citizens are reduced to slavery and serfdom. Hayek says: " The increasing veneration for the state, the admiration of power, and of bigness for bigness' sake, the enthusiasm for " organization" of everything (we now call it " planning") and that " inability to leave anything to the simple power of organic growth"... are all scarcely less marked in England now than they were in Germany."(Hayek, 200) It is interesting to note that outside of Germany and the USSR during the course of WWII, the United Kingdom was considered the most repressive society in <https://assignbuster.com/economics-on-the-road-to-serfdom-friedrich-a-hayek/>

the Western world. Whether this was due to wartime secrecy considerations with the imminent invasion of Western Europe by the Allies or the creeping blanket of Fabian socialism, it is hard to ascertain. Hayek made a very convincing case that the nexus of planning and power in state hands would lead not only to economic mischief and miscalculation but would chip away at freedoms and liberties enjoyed by citizens in the Western world. He was very concerned that the notion that power taken from individuals and put in the hands of the collective would not destroy that power as some socialists contended but that it would enhance the power of potential oppressors to an even greater degree. James Buchanan, the founder of the “Public Choice” economic school, went on to provide some startling evidence and observations that this very thing would occur. Public Choice Theory contends that “ [a]dopting the assumption that all individuals, be they voters, politicians, or bureaucrats, are motivated more by self-interest than by public interest evokes a Madisonian perspective on the problems of democratic governance. Like that founding father of the American constitutional republic, public choice recognizes that men are not angels and focuses on the importance of the institutional rules under which people pursue their own objectives.” (Shugart II) Hayek goes on to describe the embryonic stages of state planning as a brew of heady idealism that promptly runs into the reality of making political choices with limited time and resources and having to resort to force and coercion to finally bring the larger plans into play. Mind you, Hayek is not of a mind that the government should entirely divorce itself from the economy. Hayek contends “[t]he successful use of competition as the principle of social organization precludes certain types of coercive interference with economic life, but it

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admits of others which sometimes may vary considerably assist its work and even requires certain kinds of government action.” (Hayek, 42) He is concerned that the government should see to pollution, fraud and other possible negative outcomes of the market. Not only does the monopoly of force and coercion on the part of the government start to increase in size and scope with more power granted to it but the growing absence of rational price signals in a command economy start to atrophy the ability of the economy to even rationally allocate resources. Which brings us to prices and the information signals they contain; price are merely the efficient and effective means to transmit scarcity information. The law of supply and demand dictates that generally the prices will go up when demand remains while supplies diminish and the reverse is true. Imagine a centrally planned economy like the old Soviet Union trying to determine how many shoes to manufacture in a certain size with no prices whatsoever except those dreamed up by a central planning committee. Relying on this less than stellar information signal, they could go manufacturing this show...forever or however long before the centrally planned economy implodes. In a market economy, shoe sales are determined by their demand. The more popular shoes will sell and incentivize further production while slower selling shoe sales will slow down the manufacturing of them and even stop it altogether. Hayek could straddle the middle of the 20th century and have the temerity to look in the opposite direction as his entire economics profession was looking. Under the sway of Keynes and other command economy theorists along with the Marxian influences sweeping in from the East and the USSR, Hayek was a tiny minority in the profession waving the danger flag and predicting that the economics profession was embracing doctrine which were

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not only inimical to human freedom but would ride entire nations off the economic rails. On reflection, his courage and temerity was quite impressive, for Stalin's despoliations of his country and Mao's genocidal campaigns under communism had not even come to light. As a matter of fact, the entire West during WWII was enchanted and entirely supportive of Josef Stalin with many reporters coming back from Russia barely able to contain their enthusiasm for Communism and the "next wave" of human progress. All the central planning enthusiasts would be proved brutally wrong. WORKS CITED Hayek, F. A. (1994). *The road to serfdom*. Chicago, IL: University of Chicago Press. Shughart II, W. F. (2008). Public Choice. *Concise encyclopedia of economics*. Retrieved March 24, 2011, from <http://www.econlib.org/library/Enc/PublicChoice.html>