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European Journal of Political Economy

xx (2005) xxx–xxx

European Journal of
POLITICAL
ECONOMY

www.elsevier.com/locate/econbase

Discussion

On reading Hayek: Choice, consequences and *The Road to Serfdom*

Peter J. Boettke*

*Department of Economics, George Mason University, Fairfax, VA, United States**James Buchanan Center for Political Economy, Fairfax, VA, United States**Mercatus Center, Arlington, VA, United States*

Received 30 June 2004; received in revised form 15 July 2004; accepted 1 August 2004

Abstract

The basic thesis in *The Road to Serfdom* is that the lure of socialist ideology has the unintended and undesirable consequence of economic deprivation and political tyranny when countries follow its policy agenda. Socialist planning requires economic planners to assume a level of responsibility for economic life in a country which is both cumbersome to the point of impossible, and powerful beyond any reasonable limit that could be safely trusted to any one individual or group of individuals. The papers in this symposium provide a critical reading of the Hayek's thesis on socialism. While many strong points are made in the discussion, the critical reading of Hayek offered must ultimately be judged unsatisfactory. The issues of choice and consequences are not addressed, and as a result the basic argument presented in *The Road to Serfdom* is never adequately engaged. © 2005 Elsevier B.V. All rights reserved.

JEL classification: B53; P16; P20*Keywords:* Hayek; Socialist planning; Political economy

The Road to Serfdom is the most famous work of F.A. Hayek, an economist and social philosopher who published his first scientific work in the early 1920s and his last

* Department of Economics, MSN 3G4, George Mason University, 4400 University Drive, Fairfax, VA 22030, United States. Tel.: +1 703 9931149.

E-mail address: pboettke@gmu.edu.

scientific work in the late 1980s. In an intellectual career that spans that many decades, and which attempted to make original contributions not only in economics, but in the disciplines of philosophy, political theory, law, history of ideas, and psychology, Hayek's work has a striking unity that is often overlooked by readers. His research program is fundamentally about the conditions for social cooperation among strangers. He is attempting to answer the classic question, to put it in the language of Adam Smith, as to how men can come to cooperate with one another, and in fact flourish, when "In civilized society he stands at all times in need of the cooperation and assistance of great multitudes, while his whole life is scarce sufficient to gain the friendship of a few persons" (1776, Book I, Ch. 2, 18). It is this cooperation among strangers that emerged in modern economic civilization that represents the mystery that classical economics and neoclassical economics sought to explain. Hayek clearly is pursuing this line of research from his earliest writings on money and capital to his last writings on philosophical anthropology. The main thread in Hayek's work is an understanding of the coordination of plans among diverse and often distant individuals that must be realized if social cooperation is going to be achieved and sustained. The production plans of some must mesh with the consumption demands of others if progress is going to be achieved. The social system of exchange and production must yield the material preconditions for a growing population at ever high standards of well-being.

As Bruce Caldwell (2003, 241, fn. 4) has stressed, *The Road to Serfdom* was conceived of as part of Hayek's Abuse of Reason project. It was a political tract for its time, but it was also much more than that. A careful reader can see in the book both where Hayek attempts to move beyond the political issues of his day to address more timeless issues of social cooperation. The long history of Hayek's frustrations with both 20th century social science and philosophy of science is the subject of Caldwell's excellent biography and we will not repeat that story here but point the readers instead to *Hayek's Challenge*. Instead, I will limit myself to building from earlier studies of my own and Caldwell's more recent study craft a response to the readings of Hayek offered by the papers in this symposium.¹ The essays in the symposium do raise some interesting points, but it is my position that each represents a misreading of Hayek precisely because of the author's failure to accurately deal with the analytical issues of choice and consequences in *The Road to Serfdom*.

1. A quick refresher course on *The Road to Serfdom*

Hayek's basic thesis in *The Road to Serfdom* is that the lure of socialist ideology has the unintended and undesirable consequence of economic deprivation and political tyranny when countries follow its policy agenda. The reason for this is that the task of socialist planning requires economic planners to assume a level of responsibility for economic life in a country which is both cumbersome to the point of impossible, and powerful beyond any reasonable limit that could be safely trusted to any one individual or group of

¹ See, for example, Boettke (1999) and Boettke (2001) (47–65).

individuals.² Hayek's work is grounded in the economists understanding of incentives and the informational requirements necessary to coordinate an advanced division of labor. Socialism sought to transcend both of the issues of incentives and information with collective ownership and comprehensive central planning. At the time of Hayek's writings the romanticism of Soviet socialism had already faded a bit, but the vast majority of intellectuals in the west still thought that socialist economic policies could be combined with democratic politics in a manner that would yield a more rational economic allocation of resources than capitalism, a more just system in terms of egalitarian distribution of income, and a more democratic society by transferring power to the powerless. One of the great contributions of *The Road to Serfdom* was the demonstration that democratic politics would have to be suppressed in order for the socialist economic plan to be fulfilled. Either democracy would give way to planning, or planning would be curtailed to permit democratic decisions.

Hayek's book was not a deterministic one, but rather a warning to those countries of the West who were enamored with socialist ideology, that the implementation of socialism would tend to undermine the beliefs that were at the core of Western civilization. If his warning was heeded, then countries such as Britain could avoid the fate of Germany, let alone Russia. The book was controversial from the moment it was published. In the world of politics, it was used as a critique of Winston Churchill that he had read and enjoyed the book in the immediate post-war election. In the world of ideas, when the *American Economic Review* decided to review the book they had an unprecedented two reviewers because they wanted to make sure they had balance. In newspapers Hayek's book was referred to as "angry", and he was chided for equating our enemy German Nazism with our ally Soviet communism. Several political scientists, such as Herbert Finer and Charles Merriam, challenged Hayek for moving into the areas of law and politics, which they claimed were beyond his abilities as a thinker and that he should have been content to stay in the realm of economics. Even Hayek himself feared the damage the book did to his scientific reputation and thus devoted himself in its aftermath to his most abstract work, *The Sensory Order*. But 60 year on, we are still celebrating Hayek's achievement with *The Road to Serfdom*.

Most of this celebration of Hayek, admittedly, is ideological in nature and confirms Hayek's status as an iconic figure for the world-wide conservative and libertarian movement.³ I do not deny the importance of this in explaining the popularity of Hayek's

² Compare Hayek's thesis to Adam Smith's insight that "What is the species of domestic industry which his capital can employ, and of which the produce is likely to be of the greatest value, every individual, it is evident, can, in his local situation, judge much better than any statesman or lawgiver can do for him. The statesman, who should attempt to direct private people in what manner they ought to employ their capitals, would not only load himself with a most unnecessary attention, but assume an authority which could safely be trusted, not only to no single person, but also to no council or senate whatever, and which would no-where be so dangerous as in the hands of a man who had folly and presumption enough to fancy himself fit to exercise it" (Smith et al., 1776, Book IV, Chap 2, 478).

³ Some libertarian thinkers, such as Walter Block and Hans Herman Hoppe, have repeatedly challenged Hayek's status as a libertarian icon, as Rosser points out in his essay. I will not address this question here, but elsewhere I have argued that the arguments of Block and Hoppe are misplaced because it is not a matter of finding out whether Hayek himself passed some libertarian litmus test, but whether his analytical arguments improve our understanding of political economy. The fact that, in my own view, if one persistently and consistently follows Hayek's arguments about knowledge and power they will lead in a libertarian direction far beyond Hayek's own imagination is beside the point.

work, but I also think those who rely on this explanation exclusively relegate Hayek's work to the status of a "coffee-table book"—a work to be seen as in one's possession among the intelligentsia but not read. Rather, I want to stress the analytical contribution that Hayek makes in his work and to contrast that with the argument one finds in the set of papers in this symposium. Hayek's argument I contend is grounded in Mises's insight on the impossibility of rational economic calculation under socialism, and the public choice logic of interest group politics. In short, what Hayek does is pick up where Mises left off with *Socialism* (1922).⁴

Mises had demonstrated that it was impossible for socialism to achieve its stated ends. But this did not deter a generation of political leaders from pursuing socialist policies. The failure to achieve socialist ends tends to lead not to a reversal of course, but instead to an unleashing of political privilege seeking that will challenge the economic viability and the political order of a society. The detour in intellectual history that one finds at the beginning of *The Road to Serfdom* was considered necessary to show that despite the Misesian demonstration of the problems with socialism, the socialist critique of economic liberalism and free competition had effectively undermined the legitimacy of liberal institutions among the public and the intellectual elite. One of the great advances of classical liberal political economy was to unmask the special pleading activity of interest groups—the sophistry of the mercantile class that Smith warned us of, and which Bastiat had so ridiculed in his classic essays. The classical liberal economists had a healthy suspicion of any argument that favored restrictions on market competition, and thus they sought to buttress the political system from interest group manipulation. However, the socialist critique had so effectively discredited liberalism, that the classical liberal institutional constraints against special pleading were eliminated as well, and the political door was left wide open for a flood of interest groups to demand government protection from competition under the banner of socialist planning. The socialist intellectual critique of competition as leading to monopoly privilege would give way to a political reality of concentrating benefits on certain special interests and disperse the costs on the mass of citizens. Government mandated monopolies would be established throughout the economy as special interest groups would be protected from competition rather than governmental institutions protecting and promoting free competition among businesses.

Hayek sought to demonstrate in a manner persuasive to the public and the intellectual elite that the consequences of the policy choice of socialism would lead them down a path that they themselves would never want to go if they made their choices in full knowledge of the consequences of their choice. It is a tragic tale he is telling in *The Road to Serfdom*, not one of determinism or even opportunism. "Is there a greater tragedy imaginable," Hayek asks, "than that, in our endeavor consciously to shape our future in accordance with our highest ideals, we should in fact unwittingly produce the very opposite of what we have been striving for?" (Hayek, 1944, p. 5). In assessing the readings provided by Levy, Peart and Farrant; McPahil; and Rosser, it is important to keep these points about ideological commitment, policy choice, and unintended consequences constantly in mind.

⁴ For a reassessment of Mises's impossibility claim see Boettke and Leeson (2004).

2. From the Servile State to *The Road to Serfdom*

McPhail's paper is more about the interpretative fate of Belloc's *Servile State* than Hayek's *Road to Serfdom*. The basic thesis is that Belloc's book was written as an attack on the mechanization of modern economic life under capitalism, yet it was interpreted as a critique against attempts at socialization. Key to McPhail's counter-interpretation is the intellectual context within which Belloc wrote and his close association with G.K. Chesterton. Once this is established, McPhail then demonstrates how Belloc's book was deliberately misinterpreted by intellectual opponents and how this misinterpretation is then appropriated by Hayek and others as a forerunner to thesis of *The Road to Serfdom*.

McPhail provides some solid arguments that Belloc's work should not be linked to the line of argument laid out by Herbert Spencer's *Man Versus the State* and concluded by Hayek's *The Road to Serfdom*. He provides testimony by Belloc himself distancing himself from this sort of reading, as well as GK Chesterton defending his associate from this misreading from the very first reviews which sought to locate Belloc in the company of Spencer. McPhail's argument seems to be reasonably defended. However, the discussion in McPhail's paper is only vaguely related to the assessment of Hayek's *The Road to Serfdom*. Hayek cites Belloc's book, but nowhere does he argue that his work is dependent on Belloc's earlier work. There is just an affinity of concerns. And here McPhail does not pay close enough attention to Belloc's actual argumentative structure, which is an unintended consequences story.

The socialist critique of capitalism demanded an abolition of commodity production, but socialist reformism did not strive for abolition. The unintended by-product of the reformism would be not social justice but the servile state. The progressive era agenda of social justice through rational public administration and the social control of business would produce instead regimentation of the workplace, large scale organizations in business and government, and a diminution of individual autonomy. It is not the capitalist state that is oppressive, but the state that results as the unintended by-product of socialist attempts to reform capitalism. As McPhail writes: "*The Servile State* thesis was directly aimed at the Fabian go-slow approach to social reform." The Fabian strategy was that by pursuing piecemeal social reform, the collectivist utopia would be won bits and pieces at a time. But Belloc argued that such an approach in the end will lead to no such transformation. Reformism would not achieve the goal. McPhail concludes, "It is not an attack on collectivism once achieved but an attack on whether or not it is an attainable state of the world given the tools the socialist have chosen."

By making Belloc's contribution out to be an examination of the unintended consequences of socialist reformism, McPhail actually links Belloc and Hayek when his intention was to distance them. Because McPhail reads Hayek as criticizing the collectivist state as it would exist had it been achieved, he misses the tragedy that Hayek's book is trying to convey to its reader. Collectivism in terms of its stated end rationalized production and unprecedented social harmony cannot be realized with the tools chosen—collective ownership in the means of production and economic planning. The unintended outcome of the attempt to achieve collectivism in practice is economic deprivation and political tyranny. Moreover, Hayek's slippery slope argument never referred to number of interventions, but the type of interventions. It is not the size of government that matters,

but the scope, and Hayek argues that unintended and undesirable consequences emerge when government's scope expands beyond its administrative capability.

3. Rosser on *The Road to Serfdom*

In reading Hayek many readers see him as making an indictment on planning per se. But as Hayek emphasized himself the debate was never over planning, but who was to be entrusted to do the planning. In a market economy, planning is decentralized and done at the firm level, whereas under socialism planning would be centralized and would therefore require conformity among the different industries in order to be rational. In a market firms would compete with other firms as to whose plan is the most effective, where most effective is determined by meeting consumer demands. Under socialism competition between firms would be curtailed, but competition between the different branches of the planning bureaucracy would ensue and effectiveness would be determined on the basis of meeting the targets set by the planning bureau.

In laying out this argument in his writings Hayek emphasized the functional significance of three basic institutions of a market economy: private property, monetary prices, and profit and loss accounting. When property is secure, prices are free to adjust, and profit and loss accounting can be done reasonably accurately, the market economy will tend to align incentives, utilize existing information effectively, and discover new and ever fresh knowledge about how best to allocate scarce resources and satisfy the consumption demands of others. Socialist planning, by definition, sought to allocate scarce resources as efficiently as the ideal market economy would, but without relying on the institutions of property, prices and profit and loss.

Hayek's argument about dispersed information is simply one slice of the argument he employs. And in *The Road to Serfdom*, as I have argued already, he begins with the assumption that the Misesian argument against socialism is true, but not universally accepted by the intelligentsia and politicians. As a result, socialism will be pursued even though it cannot be achieved and the unintended consequence is the delivery into a new age of serfdom.

Rosser's paper at times reflects the understanding I have just laid out, and at other times it seems to push for a more narrow reading of Hayek—one which provides a blanket indictment of planning, and divorces the calculation argument from the dispersed information one. For purposes of this comment I will steer clear of debate on these points, and instead push on the points that Rosser raises with respect to Nazi Germany and the modern social democratic welfare states.⁵

⁵ Rosser and I also disagree about the relative effectiveness of happiness indicators as a way to address economic systems. While I agree that this research can be philosophically interesting, I would argue that this line of research is fundamentally problematic because of the "elastic" nature of happiness. The standard metric is always changing as progress occurs. At one time not too long ago people were happy if they could afford one television set, then it had to be a color television, then with a cable, then with a VCR, eventually a DVD, and now HDTV with Tivo. So what is happiness when it comes to economic life?

As Rosser points out, Hayek's discussion of Germany makes sense given the time he was writing, but he challenges the idea that Germany was in fact a socialist experiment under the Nazis. He points to the fact that while planning existed under the Nazi regime, private property rights were retained. But here Rosser is failing to recognize the distinction between the *de facto* and the *de jure*. Private property rights might have been retained *de jure*, but the *de facto* reality was that private property rights were severely restricted. Attenuated property rights are not the same as private property. Germany was the flip side of the social system of production as in the Soviet Union. In the Soviet Union, private property was officially abolished, but the reality was that control rights rested in the hands of those in positions of privilege. Again an attenuated property rights system was at the core of the social system, the source of its order, and its perversities. In Germany, Hitler ushered in 'National Socialism', in the Soviet Union, Stalin argued for 'Socialism in One Country', and the consequences in both countries was repression and mass murder. Hayek sought to explain the common connection between these two experiences and from that explain to readers in the democratic west the danger of flirting with certain ideas about social organization and public policy.

It is important to stress that Hayek's argument in *The Road to Serfdom* was not deterministic. Faced with failure, socialist planner could in fact reverse course and move instead toward a more liberal order. Hayek's argument at this point is one of tendency and direction, not inevitability. Once the interest groups are unleashed by the relaxing of liberal constraints, the tendency and direction is toward responding to the failure with more government direct action not less. This is the slippery slope argument. While surprising, there would be nothing logically impossible about government officials reversing course. One intervention need not lead to more intervention, though this is how Hayek is read and therefore supposedly refuted by countries, such as the Scandinavian countries, which do have extensive government regulation and welfare programs but are not politically tyrannical. Rosser seems to push this line of argument.

Sweden and its neighbors are doing fine, though there have been attempts to suggest that the standard of living is not as stellar as picked up by aggregate measures and the practice of democratic governance has been less than perfect. But for sake of argument let's assume that Rosser's argument is correct. The question remains as to why Sweden and its neighbors have been able to do so well. If they are so socialists, then how can they align incentives and marshal the dispersed information in the economy to coordinate production plans and consumption demands so as to allocate scarce resources efficiently and realize the gains from exchange? Rather than arguing that socialism works in Scandinavia where it did not work in East and Central Europe, Latin America, Africa and India, one could argue that Sweden and its neighbors are not really socialist in practice. If we look at policies toward free international trade, as well as practices of tax avoidance and non-compliance with business regulations, and combine that with the fact that Sweden is a relatively small country with a homogenous population (which strains the span of our moral sympathy less), then the relative ability of Sweden to experience solid economic performance in the face of government intervention is not as surprising. Socialism in Scandinavia is not about the abolition of private property, but instead about the social democratic goals that are adopted by political parties and leaders. Perhaps Hayek's argument in *The Road to Serfdom* is not as relevant to addressing the problems to be faced

by Scandinavian countries as much as the work on public debt that can be found in the public choice writings of James Buchanan.

4. On the preferences of planners and the consequences of policy

Levy, Peart and Farrant provide a very challenging interpretation of Hayek. They argue that he overlooked the possibility that socialist economists who cared about consumer sovereignty could reverse course in the wake of failed policies. Instead, Hayek insisted that the economist who believed in planning would be led inevitably to accept the serfdom that collectivism will bring. This aspect of Hayek's argument was disrespectful, Levy, Peart and Farrant contend, to liberal economists who had socialist leanings like Durbin, Lerner, and this fact is something that even Robbins came to agree that Hayek was wrong about.

There is a broader sub-context to Levy, Peart and Farrant's paper that relates to the entire issue of the left-right divide and the issue of legacy of debates from the 19th century on social hierarchy and the market economy. I will not address any of these issues directly. Instead, I will limit my comments to the claim that there was an established model of socialism where at center stage was consumer sovereignty that was relevant for the discussion in *The Road to Serfdom* and that even outside the context of that book that Hayek did not adequately address the problems with the model.

That the model of market socialism was of course something that Hayek was intimately familiar with, there should be no doubt.⁶ In fact, the statement at the end of the Levy, Peart and Farrant article that Hayek did not respond to the market socialists appears to be an egregious error in scholarship as his papers on socialism in *Individualism and Economic Order* (1948) contain direct responses to the schemes of Taylor, Lange, Dickinson, etc. And any student of Hayek's career will learn quickly that Lerner was a student and Durbin a colleague at the LSE. But, of course, Levy, Peart and Farrant do not mean that Hayek did not respond, but that his argument did not meet its mark because he does not address the issue of consumer sovereignty versus planning per se.

First, with respect to *The Road to Serfdom* we have to keep in mind that socialism has a specific meaning at the time of its writing, and while the model of market socialism was being developed in the economics literature in the late 1930s and early 1940s, it was not this technical model that informed political discourse. Second, even with respect to the model of market socialism one must keep in mind the unintended consequences of the attempt to plan while maintaining consumer sovereignty. The objection that Maurice Dobb had to the model of market socialism was that it was not socialist, and in a fundamental sense both Mises and Hayek had to agree with Dobb on this definitional point. Both Mises and Hayek, however, did not stop there but also showed that the model of market socialism possessed flaws on its own terms.

Levy, Peart and Farrant write: "For those people who accept consumer sovereignty as a norm, if socialism fails we return to a system of exchange somewhat sadder and

⁶ For a review of Hayek's debate with the market socialists see [Boettke et al. \(2005\)](#).

disillusioned but otherwise no worse for wear. Here, socialism does not involve directions that overrides preferences. It was precisely this distinction within socialism itself, that Hayek neglected in his *Road to Serfdom*.” But they are making a distinction which becomes forceful only once Hayek’s argument about the problems with socialist planning are proven right. Hayek is wrong because he argues that democratic planning will give way to non-democratic planning as socialist planning proves impossible to achieve its intended results. But in the Levy, Peart, and Farrant rendering, Hayek is wrong precisely because he was right. Socialism is impossible, but therefore it is not inevitable that non-democratic planning will result because the socialist economist will abandon their plan. In other words, the reason why Lerner and Durbin are so convinced that consumer sovereignty and socialist economic planning can be reconciled with one another is because they believe that the core Lange type model works. Hayek’s argument is that the Lange model does not work except for under conditions of full information. In short, Hayek would agree that under conditions of general competitive equilibrium that we would be indifferent between socialism and capitalism with respect to the efficient allocation of resources. But his argument was that the model of general competitive equilibrium was irrelevant for the understanding of the dynamics of the market economy, and the problems that socialist economic organization would have to solve. The model suffers because it assumes what it would have to prove if it was to be relevant to the assessment of economic systems. So we must first recognize that Lerner and Durbin’s insistence that consumer sovereignty could be reconciled, and in fact, more fully realized, under a model of market socialism, was in fact the contested point in Hayek’s debate with the market socialists.⁷ And if Hayek proves to be right, then according to Levy, Peart and Farrant, the market socialists will simply give up on socialism, and instead endorse markets as they maximize consumer sovereignty.

If we follow Lerner and Durbin on the point of consumer sovereignty, Levy, Peart, and Farrant argue that it is unclear how a democratic socialist will be transformed into a non-democratic one. But, of course, this assumes that the theorist’s ideological priors are sufficiently flexible so as to cope with frustration quickly and in a direction toward the ideology of their opponent without concern. Hayek’s argument, in contrast, is that the frustration of policy forces adjustments faster than ideological presumptions can change. Therefore, the tendency and direction is to try harder to realize, rather than abandon, a cherished ideological program. Once we make this subsidiary assumption, then the transformation is straightforward. Planning leads to frustration, but rather than abandon planning, we plan in a more aggressive manner and we entrust more power in

⁷ “The fact is that it has never been denied by anybody, except socialists, that these formal principles *ought* to apply to a socialist society, and the question raised by Mises and others was not whether they ought to apply but whether they could in practice be applied in the absence of a market” (Hayek, 1948, p. 183). In the limit, consumer sovereignty would imply that the conditions of exchange efficiency would be met. By construction, the market socialist model prices equal to marginal cost and produces at that level which minimizes average costs. Production efficiency, exchange efficiency and product-mix efficiency will be simultaneously realized. The socialist calculation debate challenged that socialist planning could in fact generate these efficiency properties once we move away from full information assumptions.

the hands of those in charge of planning to make sure that we have unity in the plan so it can be realized. Those who have a comparative advantage in exercising the discretionary power required to push through the unified economic plan will rise to positions of leadership. And thus we have just described the logic of why the worst get on top.

This result is an unintended consequence of planning, not the planned outcome. In fact, as Levy, Peart and Farrant's discussion of Durbin's contribution reveals, Durbin was completely innocent of the problem of unintended consequences. Of course, Levy, Peart and Farrant are correct that the emphasis on consumer sovereignty "renounces any attempt to make 'higher' human beings."⁸ But again this is the tragedy that Hayek alludes to in his writings against socialism. He never impugns the character of those he is arguing with, instead he points out how their intellectual error leads to results that would make these individuals shudder with fear. To reiterate my counter-claim, the market socialists thought their model of socialist planning could be reconciled with consumer sovereignty, but their position was untenable due to the organizational problems of socialism in terms of aligning incentives, utilizing information, and discovering knowledge. Neither Lerner nor Durbin ever admitted that Hayek had refuted their claim to have squared the circle. Of course, they believe in individualism and not authoritarian government. But their theory if put into practice would have resulted in a march toward serfdom as special interest forces would be unleashed to agitate for greater and greater government control over resources and the allocation of labor. Either consumer sovereignty would be suppressed, or planning would have to be abandoned—but the two could not be reconciled. Levy, Peart and Farrant quote Durbin as saying that "Professor Hayek's nightmares fade away in the cooler lights of clearer definitions. There need be no arbitrary budgets, no dictation of occupation or consumption, no concentration camps or torture chambers, no frenzied gangsters in control, no night of freedom, no road to serfdom." But Durbin's position can only be maintained in a world where there are no unintended consequences, and thus no reason for social explanation. Once the contradictions between Durbin's ideal and the demands of socialist economic planning are made clear, and we remember that intentions to do well in public policy do not translate into results which produce good outcomes, then Hayek's nightmare does not fade so easily.

Robbins made the distinction between market socialists and socialist planners, and argued that the individualist who recognizes the importance of public goods, and the socialist who values freedom of the individual will have much in common, and that by implication those who fail to make the distinction, such as Hayek, will misread the arguments of their opponents. But rather than demonstrating Hayek's blind spot, I believe that Levy, Peart and Farrant have given us evidence once again of how brilliant economists such as Robbins can be misled by equilibrium models (such as the model of market socialism) and intellectual frameworks which under-emphasize the unintended consequences of policy choices.

⁸ This position is the link between the 19th century debates on markets and natural hierarchies, and the 20th century debate on socialism.

5. Conclusion

Hayek wrote *The Road to Serfdom* at a crucial stage in the 20th century. The Nazi threat to western civilization had just been defeated, but the Communist system had grown in legitimacy in the process. Communism had avoided the Great Depression, and whatever problems might exist, Stalin did mobilize the resources in the Soviet Union to transform a peasant society into an industrial power in a generation and effectively enough to help the allies defeat Hitler. Hayek's argument was that our fascination with the Communist ideal will prove to be our undoing unless we recognize the warning signs. He stood there and could do no other, but to pen this warning.

The Road to Serfdom made Hayek a famous man, but it also partially discredited him among his fellow academics and the intellectual elites in the west. But he was not deterred and his career post-1944 focused increasingly on the issues of social philosophy and political economy. This symposium has sought to provide a critical reading of Hayek's work. I think the different authors have made some very good points in their discussion, but ultimately I was unsatisfied with their reading of Hayek. The reason I was unsatisfied is because the analytical issues of choice and consequences, so crucial to Hayek's system, were not dealt with adequately, and as a result the argument presented in *The Road to Serfdom* is not engaged.

What ultimately matters is not reading Hayek accurately, but instead providing a productive reading of Hayek that can improve our understanding of the principles of political economy that is relevant for us today. Hayek's emphasis on how alternative institutional arrangements, through their properties to align incentives and utilize dispersed information, impact the choices people make, and the consequences of those choice that will be realized in social interaction provides the basis for a reinvigorated classical liberal political economy research program.

Acknowledgements

I would like to acknowledge the comments and criticisms on an earlier draft by Christopher Coyne and Peter Leeson, and also the assistance of Jennifer Smith in preparing the manuscript. Financial assistance from the Kaplan Fund is gratefully acknowledged. The usual caveat applies.

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