

On Hayek's Road to Serfdom: Sixty Years Later

M. Ali Khan

Department of Economics
The Johns Hopkins University
Baltimore, MD. 21218 USA
The Graduate Faculty
The New School University
65 Fifth Avenue
New York, NY 1003 USA

Abstract:

Stimulated by recent work of Levy-Peart-Ferrant, Rosser and McPhail, I read *The Road to Serfdom* by projecting it onto four registers – security and freedom, impersonal forces and the market, rules and the rule of law, and language and education – and identify in each the need for judgement, hopefully balanced but inevitably arbitrary beyond an analytical threshold, a need exacerbated by incomplete and dispersed knowledge. My larger project is to understand the role of the expert, theoretician if one prefers, in a 'free' society.

Forthcoming: *European Journal of Political Economy*

Keywords: Security, freedom, submission, impersonal forces, rules, rule of law, language, education, incomplete and dispersed information, theorizing, theoretician.

JEL Classifications: J7, B31

... a book whose central message is timeless, applicable to a wide variety of concrete situations. In some ways it is even more relevant to the United States today than it was when it created a sensation ... (Milton Friedman 1994)¹

... if the state of affairs assumed by the theory of perfect competition ever existed, it would not only deprive of their scope all activities which the verb "to compete" describes but would make them virtually impossible. (F. A. Hayek 1946)²

... neither the provision of signposts on the road nor, in most circumstances, that of the roads themselves, can be paid for by every individual user. (F. A. Hayek 1944)³

¹ See Friedman's opening to the fiftieth anniversary edition of *The Road to Serfdom*.

² See Hayek (1948, p. 92). Other than this epigraph, all quotations from Hayek are taken from *The Road to Serfdom*.

³ See Hayek (1994, p. 44). All numbers in brackets appended to quotations in the sequel refer to Hayek (1994).

1 Introductory comment

The three articles on which I have been invited to comment open three windows onto Hayek's 'road to serfdom' and thereby into Hayek's oeuvre: Levy-Peart-Ferrant view it through the eyes of its contemporaneous (and past) interlocutors, Rosser sees it as a testable prediction of where we are to be today, and McPhail relies on the lens of Belloc's servile state.⁴ This brief comment responds to this tripartite perspective by opening additional windows and viewing it, and the 'road' it surveys, from four, perhaps even complementary, perspectives: security versus freedom, impersonal forces and the market, rules and the rule of law, and education and language. These registers (angles, restpoints, subspaces, signposts, at heart simply phrases) all go towards forming a composite of what we are to take from a text that Milton Friedman sees as 'timeless'.⁵ This (my) commitment to the composite and the plurality it necessarily entails, to complementation rather than to substitution, implies that there is no correct or singular view of the 'road', certainly not a view that properly does not recognize itself as a view, a view from nowhere, but rather one, not uniquely compelling or persuasive, that invites only an additional look and asks for further reading of passages whose meaning one had thought exhausted, staled and spent; one that seeks to find and open other windows rather than closing all but one of the existing ones.⁶

2. On Security and Freedom

Hayek's ninth chapter and signpost on the road to serfdom concerns *security and freedom*, and draws on the distinction, also used earlier by his cousin Wittgenstein and his cousin's friend Keynes,⁷ between the *relative* and the *absolute*.

It will be well to contrast at the outset between the two kinds of security: the limited one, which can be achieved for all, and which is therefore no privilege but a legitimate object of desire: and absolute security, which in a free society cannot be achieved for all and which ought not to be given as a privilege (132).

⁴ See Ferrant-Levy-Peart (2004), Rosser (2004) and McPhail (2004).

⁵ Also see Footnote 40 below. Perhaps my own background leads me to blur the distinction between the 'timelessness of the book' and the 'timelessness of its central message'. On the relevance of composite photography to theorizing, and to ethics, see Leys (1991) and Khan's discussion (2003, 2004 a) of Wittgenstein's Lecture referenced in Footnote 9 below.

⁶ These four sentences respond, in their own way, to a question posed to the author by Warren Samuels. For the methodological stance they convey, also see Žižek (2004), particularly the last paragraph of his opening section.

⁷ For Hayek's own view of the former relationship, see Hayek (1977), and for the latter, see McGuinness-Wright (1995).

For Keynes it is absolute needs that are limited and attainable; if not now, then surely “within a hundred years”. Man’s “permanent problem – how to use his freedom from pressing economic cares” revolves around relative needs, those which are “insatiable” and unlimited in the sense that “the higher the general level, the higher are they”.⁸ Keynes’ employment of the distinction had already turned Wittgenstein’s usage on its head: a relative meaning of a word was circumscribed by context and conditionality, by the purpose it served, whereas it was the absolute meaning that was transcendent, taking sense into non-sense. “To be safe essentially means that it is physically impossible that certain things should happen to me and therefore it is nonsense to say that I am safe *whatever* happens.”⁹

But let me remain focussed on Hayek. While noting the possible slippage in the contrast between a ‘legitimate object of desire’ and an undefined privilege, a striving opposed to a granting, let me emphasize that Hayek is fully aware of the elusive nature of his distinction, and underscores it by what can be sighted as his signature statement concerning the law of unintended consequences.¹⁰

There are difficult questions about the precise standard that should thus be assured... An incautious handling of these questions might even cause serious and perhaps dangerous political problems ...(133). Indeed, when security is understood in too absolute a sense, the general striving for it, far from increasing the chances for freedom, becomes the gravest threat to it (132). [T]he more we try to provide full security by interfering with the market system, the greater the insecurity becomes; and, what is worse, the greater becomes the contrast between the security of those to whom it is granted as a privilege and the ever-increasing insecurity of the under-privileged (143).

Even though the two basic linguistic parameters, the relative and the absolute, remain the same, a dynamic is introduced, one that opens up interesting possibilities for interrogation and reflection. How does an attempt to expand the space contract the space? an aspiration towards the unlimited only tightens the limits? in going towards certainty, increases the uncertainty? How does Hayek conceive of the distinction between ‘serious’ and ‘dangerous’? And when he uses the term ‘gravest’, am I to take him literally and think of some underlying notion of maximality (minimality to be ‘more’ precise) rather than a simple metaphor that stands for ‘decreasing the chances for freedom’?

⁸ See Keynes’ 1930 essay on *The economic possibilities for our grandchildren* reprinted in Keynes (1963); also see Section VI Khan (2004b) for a reading.

⁹ See Wittgenstein’s 1929 *Lecture on Ethics* reprinted in Wittgenstein (1993); also Khan (2003) for a reading.

¹⁰ See Merton (1936, 1949). In this connection, I would caution that Vanberg’s (1986, Footnote 6) reproduction of Ullman-Margalit’s (1978) phrase “minding their own business” ought not to be read as necessarily indicating any passivity on the part of the agents.

But perhaps these questions arise from a reading that, in its closeness and attention to detail, misses what Hayek takes to be the point of his text. I need to get move back to get a better view, perhaps to work in terms of a distinction which is more singularly Hayekian, that between a “commercial and a military type of society (140).”

This [unlimited] security is, however, inseparable from the restrictions on liberty and the hierarchical order of military life – it is the security of the barracks (140). So long as only a part of society is organized on military lines, the unfreedom of the members of the military organization is mitigated by the fact that there is still a free sphere to which they can move if the restrictions become too irksome (141).

Hayek’s twelfth signpost concerning the *socialist roots of Naziism* returns to the commercial spirit and falls upon Sombart’s denunciation of the “most infamous maxim that has ever been pronounced by a commercial mind”. It is here that the distinction between individual striving and collective granting, and the limits that underlie both, comes to a head.

[T]his old socialist welcomed the “German War” as the inevitable conflict between the commercial civilization of England and the heroic culture of Germany. His contempt for the “commercial” views of the English people, who had lost all warlike instincts, is unlimited (186).¹¹ Claims of the individual are always an outcome of the commercial spirit (186).

It is the commercial spirit that allows a move away from the heroic (zero-one, black-white, them-us) conception of security, and sees it as a commodity that can be appropriated and allocated, a private divisible rather than an public indivisible good,¹² something that can be acquired and doled out in parts. It is not that society can be made secure or left insecure, but that differing levels of security can be purchased for it.

But the polities which are now followed everywhere, which hand out the privilege of security, now to this group and now to that, are nevertheless rapidly creating conditions in which the striving for security tends to become stronger than the love of freedom. If you guarantee to some a fixed part of a variable cake, the share left to the rest is bound to fluctuate proportionally more than the size of the whole (141).

But perhaps I myself have been appropriating Hayek inappropriately, in giving meaning to the term that is more ours than his; in keeping with the tenor of the times, I may have read security in terms that are altogether too broad and encompassing. Hayek’s narrower concern is with “the security of minimum

¹¹ One may perhaps pause here and ask with Wittgenstein whether Sombart’s ‘contempt’ is to be read in a relative or absolute sense; see Footnote 9 above for the reference.

¹² For these technical terms in (neoclassical) economic theory, see the relevant entries in Eatwell et al. (1987); henceforth to be referred to simply as the *Palgrave*.

income and the security of the particular income a person is thought to deserve (133).” However, before I find my footing and move from recruitment back to retrieval,¹³ let me stay with what comes to mind when we hear the word “security”, at least here and now, and ask with Hayek whether security in this topical sense “can be provided for all outside of and supplementary to the market system [or] ... provided only by controlling or abolishing the market (133),” whether the law of large numbers, of the central limit theorem and of unintended consequences, the regularity that renders Lyapunov’s theorem a theorem, by itself guarantee security without the need for an explicit guarantor? Or are the risks so essentially correlated, the sets so unboundedly nonconvex, that an invocation to these conditional guideposts is in vain, and a provider, howsoever conceived and designed, is a necessity?¹⁴ And if so, how is his solution to be preserved and not undercut by ‘free-riding’, security being provided only to those who are willing to make the necessary sacrifices for it? and then, only in proportion to the payment. Hayek is not one to duck the problems.

[T]here is particularly the important question [T] whether those who thus rely on the community should indefinitely enjoy all the same liberties as the rest. There are also serious problems of international relations which arise if mere citizenship of a country confers the right to a standard of living higher than elsewhere and which ought not to be dismissed too lightly (133).

However, if the spontaneous order of the market is to be resorted to, if security is to be provided entirely through the domain of the economic, perhaps as Tiebout was to later conceive it,¹⁵ we need a robust and workable conception of the “economic”, an understanding of the meaning that Hayek gives to the terms *market and to competition*.¹⁶

3 On Impersonal Forces and Competition

Hayek’s fourteenth chapter or signpost on the road to serfdom has a passage on *ideal ends* that could be regarded as a synecdoche for the entire work.

¹³ For my struggle with this binary, see Khan (1993a); in particular, the concluding paragraph.

¹⁴ These two sentences are technical but not (therefore?) empty of conceptual meaning; see the relevant entries in the *Palgrave*. In a famous 1945 essay, Hayek refers to such laws, arguing that the “number of elements with which we have to deal is not large enough for such accidental forces to produce stability”; see Hayek (1948, p. 83).

¹⁵ On the Tiebout hypothesis, see the relevant entries in the *Palgrave* as well as Buchanan (1965), Hamilton (1975, 1976) and their references. For the recent surge of interest initiated by Buchanan’s 1965 paper, see Scotchmer (2005) and her references, particularly to writings of Birgit Grodal.

¹⁶ I resist the temptation to add the adjective “perfect” to “competition”, as in my *Palgrave* entry, in light of Hayek’s imperative that “we should worry much less about whether competition in a given case is perfect and worry much more about whether there is competition at all”; see Hayek (1948; p. 105). The same goes for the adjective “free” in relation to the noun “market”.

The refusal to yield to forces which we neither understand nor can recognize as the conscious decisions of an intelligent being is a product of an incomplete and therefore erroneous rationalism. It is incomplete because it fails to comprehend that the co-ordination of the multifarious individual efforts in a complex society must take account of facts no individual can completely survey. And it fails to see that unless this complex society is to be destroyed, the only alternative to submission to the impersonal and seemingly irrational forces of the market is submission to an equally uncontrollable and therefore arbitrary power of other men (224).

There is one equality and at least two deductions, two *therefore*, in this remarkable passage: a view of error as a consequence of incompleteness and a view of arbitrariness as a consequence of the lack of control. And weaved into these claims is *submission*, a crucial Hayekian term (as I am in the process of discovering), and the *refusal* and recalcitrance that is bound with it and to it, gives it shape and meaning. Indeed, Hayek uses submission as a lever to unlock and explain the *longue dur'ee*.¹⁷

It was men's submission to the impersonal forces of the market that in the past has made possible the growth of a civilization which without this could not have developed; it is thus by submitting that we are everyday helping to build something that is greater than any of us can fully comprehend.

The question of course is how does one submit to the impersonal forces of the market? Wherein lies the refusal to recognize the limits to one's individuality and independence? An answer to these questions is evident and available in Hayek's third pointer and signpost: the difference between *individualism and collectivism*¹⁸ and how this difference can be used to articulate the notion of "competition."

It is necessary in the first instance that the parties in the market should be free to sell and buy at any price at which they can find a partner to the transaction, and that anybody should be free to produce, sell and buy anything that may be produced or sold at all. And it is essential that the entry into the different trades should be open to all on equal terms and the law should not tolerate any attempts by individuals or groups to restrict this entry by open or concealed force (42).¹⁹

It is worthy of emphasis that this view of competition is being put forward by a theorist whose theory is undergirded by a humility that extols the incompleteness

¹⁷ Elsewhere in the book he contests Laski's view of "this mad competitive system which spells poverty for all peoples, and war as an outcome of that poverty" as a "curious reading of the last hundred and fifty years (219)."

¹⁸ For modern theorizing of this important and early interest of Hayek's, see Zizek (2004) and his references.

¹⁹ Also see Hayek's *desiderata* in his 1946 essay *The meaning of competition*; Hayek (1948, Chapter V, p. 95).

of any theory, to the fact that no phenomena can be “completely surveyed” or fully understood.²⁰ However, even in its openness and apparent imprecision, Hayek is ruling out a canonical construction such as that of Debreu (1959) in which (i) free entry and “new” commodities are forbidden by fiat, (ii) there is no room for divergencies between private and social costs, and (iii) parties, rather than searching out partners, all submit (passively, individually, even rather blindly in the considered case of a finite number) to the dictates of a ruling price system.²¹ The Hayekian view of competition is richer and more nuanced.²²

To 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. Nor is the preservation of competition incompatible with an extensive system of social services – so long as the organization of these services is not designed in such a way as to make competition ineffective over wide fields (43).

This is a difficult and elusive passage. Hayek views “competition as a principle of social organization (42)”, and allows its modification provided that its essential nature is kept unmodified: we can feed hormones to the chicken to the extent that the chicken remains a chicken, design measures to facilitate the operation of individual self-interest in such a way that these measures themselves do not fall prey to the exercise of selfinterest, and in this feeding and designing we are constantly learning more about the nature of that whose essentiality is being presupposed. But more is true.

The functioning of competition not only requires adequate organization of certain institutions like money, markets, and channels of information – some of which can never be adequately provided by private enterprise – but it depends, above all, on the existence of an appropriate legal system, a legal system designed both to preserve competition and to make it operate as beneficially as possible (43).

And in these distinctions between open and concealed force, effective and ineffective competition, commodities that can, or can never, be provided by the market, Hayek is in his most dialectical mood, subtle and elusive at the same time. He wants to enlarge the domain of competition by not allowing it into certain domains, to use the ladder precisely to show that the ladder was not necessary,

²⁰ Hayek writes “Individualism is thus an attitude of humility before this social process and of tolerance to other opinions and is the exact opposite of that intellectual *hubris* which is at the root of the demand for comprehensive direction of the social process (182).”

²¹ It is out of the scope of this brief essay to contrast McKenzie’s (2002) conception of perfect competition with that of Debreu (1969), particularly as it differs on the importance of the differing assumptions regarding time and the aggregate technology available to a particular society at a ‘period’ in time.

²² I leave it to future work to investigate Hayek’s conception of competition in the comparative light of other views, particularly those of his precursors; see Morgan (1993) and her references.

to design a system so that spontaneous order is allowed its full play and spontaneity, and the design, if not discarded, redesigned and redirected into maintenance.

The successful use of competition as a principle of social organization precludes certain types of coercive interference with economic life but it admits of others ... (42).

Hayek tries to approach the notion through another route, by viewing what it is in terms of what it is not, of what ought to be in terms of what ought not to be. Towards this end, he follows others in appropriating the term planning and fixing its meaning.²³

The meaning of this term becomes somewhat more definite if we make it clear that we mean that sort of planning which is necessary to realize any given distributive ideals. But, as the idea of central economic planning owes its appeal largely to the very vagueness of its meaning, it is essential that we should agree to its precise sense before we discuss its consequences (39).

And this precise sense is captured in centralization, in the commonality of purpose, in a conception of a “rational utilization of our resources [that] requires *central* direction and organization of all our activities according to some consciously constructed “blueprint” (40-41).” Whereas Hayek sees a monopoly negatively, he does not see its absence as a prerequisite for competition, does not rule out the possibility of “railways, road and airtransport, or the supply of gas and electricity [being] inevitably monopolies”; the point is that they ought to “remain separate monopolies ... [and not] coordinated by a central control (216)”. And these views are attested by the familiar signature and the familiar invocation of incompleteness.

Very frequently even measures aimed against the monopolists in fact serve only to strengthen the power of monopoly (215). Private monopoly is scarcely ever complete and even more rarely of long duration or able to disregard potential competition (216).²⁴

And the chapter closes around the “very necessary planning which is required to make competition as effective and beneficial as possible (48)”; and around a basic non-convexity that privileges purification and pure strategies over mixed ones involving fuzzy randomization and grey diversification.

²³ At the outset, Hayek admits that an “economist, whose whole task is the study of how men actually do and how they might plan their affairs, is the last person who could object to planning in this general sense (40).” However he follows the practice of “socialists of all parties [who] have appropriated the word “planning for planning ... (41).” The contextually-rich discussion of Levy-Peart-Farrant (2004) can also be read as a focus on this fixture.

²⁴ Whether Hayek intends these claims to apply to the realms of ideas and power, as in the concluding sentence of Section 5 below, I leave to future work.

Both competition and central direction become poor and inefficient tools when they are incomplete ... planning and competition can be combined only by planning for competition but not by planning against competition. ... they are alternative principles used to solve the same problem, and a mixture of the two means that neither will really work, and the result will be worse than if either system had been consistently relied upon (48)".

And now that I have a better understanding of the Hayekian conception of competition,²⁵ I can sharpen the question of the previous section: can the market, by itself, finance and provide an 'optimum' amount of security and thereby sustain itself and the society it supports? But surely, this question must impinge on the legal, if not the ethical.

4 On Rules and the Rule of Law

Whereas the tension between control and discretion runs in the entire work,²⁶ it is in his sixth chapter and signpost on the road to serfdom that Hayek explicitly turns to the important but elusive distinction between formal and substantive rules, and to the *rule of law*.

The difference between the two kinds of rules is the same as that between laying down a Rule of the Road, as in a Highway Code, and ordering people where to go; or better still, between providing signposts and commanding people which road to take (82).

The thrust of the *instrumental/substantive* distinction lies in its subscription to anonymity, to its deliberate avoidance of the recognition of "types and particularities"; instrumental rules are to be "made in advance, in the shape of *formal rules* which do not aim at the wants and needs of particular people (81)," which do not "set up distinctions of merit between the needs of different people (82)." Hayek refers to "typical situations into which anyone may get and in which the existence of such rules will be useful for a great variety of individual purposes (83)," and his target is distributive justice.

[A]ny policy aiming at a substantive ideal of distributive justice must lead to the destruction of the Rule of Law. To produce the same result for different people, it is necessary to treat them differently. To give different people the same objective opportunities is not to give them the same subjective chance (87-88). Thus the Rule of Law could clearly not be preserved in a democracy that undertook to decide every conflict of interests not according to rules previously laid down but "on its merits" (92).

The boundary between particularity and universality is itself elusive (after all, no rule is designed to apply to only one particular mother-in-law), but it is important

²⁵ But obviously an incomplete one. I return to this subject in Khan (2004c).

²⁶ This tension in Hayek's thinking is critically brought out, for example, in the concluding section of Forsyth (1988).

that Hayek be understood at the precise level at which he makes his argument; his objection to “higher wages for nurses, ... more extensive services for the sick, more milk for children, or better wages for agricultural workers, or ... employment for the unemployed” is not based on the substance of these prescriptions, but on the law of unintended consequences: “in our endeavor consciously to shape our future in accordance with high ideals, we should in fact unwittingly produce the very opposite of what we have been striving for (7),” an effort to “make reason supreme .. ends by destroying reason (181).” The results of a policy cannot be completely surveyed or fully comprehended, and are thereby never fully free from error.

But there is a conundrum here. As I have read Hayek so far, there are inevitable trade-offs, necessary substitutions to be made on the margin between security and freedom, between submission and refusal, and now, between substance and instrumentality, and the obvious question is how these are to be made. Even though ‘the road to serfdom’ is not meant to be a scholarly work,²⁷ it inevitably leads to the (by now) clichéd question as to the rules for the making of the rules? to the charting of the precise boundary between the relative and the absolute, maintenance and design, formality and substance.

The Rule of Law was consciously evolved²⁸ only during the liberal age and is one of its greatest achievements, not only as a safeguard, but as a legal embodiment of freedom.²⁹ This rule has little to do with the question whether all actions of government are legal in the juridical sense. They may well be and not conform to the Rule of Law. The fact that someone has full legal authority to act in the way that he does gives no answer to the question whether the law gives him power to act arbitrarily or whether the law prescribes unequivocally how he is to act. ... By giving the government unlimited powers, the most arbitrary rule can be made legal; and in this way a democracy may set up the most complete despotism imaginable (90-91).

This is an important passage, and here Hayek may be more influenced by his cousin than he supposes. It is of course outside the scope of this brief comment to go into this influence in any detail, but I need at least to recall (in Kripke’s reading of Wittgenstein’s so-called “private language argument”) the

²⁷ The preface to Hayek (1948) warns “the reader that the present volume is not intended for popular consumption”, the author having “published not long ago a more popular book on problems related to some of those discussed here.”

²⁸ This emphasis on evolution, conscious or spontaneous, based on the individual or on the group, and its own evolution in Hayek’s subsequent thought is one of many strands that deserves more careful study; see, in particular, Chapter 4 on *Notes on the evolution of systems of rules of conduct* in Hayek (1967), and its reading by Vanberg (1986), Paul (1988), Gamble (1996), Aimar, Bensaïd and Cubeddo in Birner et al. (2002).

²⁹ Hayek inserts the qualification that “As a vague ideal it has, however, existed at least since Roman times, and during the last few centuries it has never been so seriously threatened as it is today.

terrifying moment when a teacher makes a judgement on whether the student is, or is not, to be admitted into the community and into what it deems to be its “forms of life.”³⁰

Now, what do I mean when I say that the teacher judges that, for certain cases, the pupil must give the right answer? I mean that the child has given the same answer that he himself would give. Any individual who claims to have mastered the concept of addition will be judged by the community to have done so if his particular responses agree with those of the community in enough cases... Those who deviate are corrected and told (usually as children) that they have not grasped the concept of addition. One who is an incorrigible deviant in enough respects simply cannot participate in the life of the community.³¹

The point is that arbitrariness and coercion are inevitable here. A rule is not self-sufficient, does not possess in itself the resources needed to guide its own application. A language, a money, a culture can hardly be seen as an outcome of purposeful cost-benefit analysis; they must, at some level, be blindly and passively accepted, must be, can only be, understood as being rooted in loyalty, faith and trust, and that only such an understanding can serve as the passport for membership in a functional and surviving community.³² Just putting up a signpost is not the end of the matter; it must draw on the way, tacit but fully imbibed, that the pointer is to be seen, on the precise meaning that is to be given to its slant, in the clarity that such a slant is not theorized but arbitrarily imposed, and in this very imposition, gives the theory all of the hues that will color it. But Hayek, and my reading him this way, is hardly original.

I feel that the ‘poetic’ element ... gets lost in translation from one poetic convention to another. And most of it, I suggest, is not just irrelevant moral stuff, but is concerned with the *slant* that theory has on reality – with the completeness and incompleteness of the picture of the real world that the theory affords, with the perspective and ‘projection’ and dimensions it is employing, with what it throws into relief as causally important and what it relegates to the shade.³³

The question then is who is to decide who is or is not one of us, who is or is not playing the language game as it ought to be played, subscribes and furthers the culture in the way that it ought to be subscribed to and furthered, rules that the exigencies of the situation demand that the checks and balances of the past now need to be bracketed and the exceptional can no longer be

³⁰ I wish to emphasize that this is one particular reading of Wittgenstein; for another (to me, more compelling) reading, the reader can see the second lecture in Cavell (1990).

³¹ These passages are collected and copied from Kripke (1982) – the first two sentences from page 90, and the last two from pages 91-92.

³² See Khan (2002) for a more leisurely and sustained reflection on these “musts” and the issues they veil.

³³ This passage is from Dobb’s 1941 letter to Joan Robinson dated January 31, 1941; see Khan (2004b) for a precise reference and further discussion.

excepted. Put more succinctly, and more topically, who is the true patriot, and who is the authority that is going to identify her and hold her up as the exemplar of true patriotism, of how one is to add or to quadd? ³⁴

5 On Language and Education

Hayek apocalyptically titles his eleventh and thirteenth signposts on the road to serfdom *The End of Truth* and *The Totalitarians in our Midst*, and uses them to turn his full attention to the dangers of fashioning a common purpose, to optimization in the large, to global rather than local control of human conduct. The reader is offered another window into the difference between a commercial and a military form of organization through parameters that are by now familiar.

Every activity must derive its justification from a conscious social purpose. There must be no spontaneous, unguided activity because it might produce results which cannot be foreseen and for which the plan does not provide (178). Although those responsible for a decision may have been guided by no more than a prejudice, some guiding principle will have to be stated publicly if the community is not merely passively to submit but actively to support the measure (171).

An interesting binary is now introduced between *passive submission* and *active support*, and Hayek is not to be deterred that this may run counter to his earlier imperatives, that passive acceptance may not be effective precisely because it is passive, and in thereby cutting into its own efficacy, may not be acceptance at all. However the line between the active and the passive hinges on the distinction between training and education, propaganda and information, on both the limitations and potentialities of dispersed and diffused knowledge. ³⁵

Socialists ... traditionally hope to solve this problem by education. But what does education mean in this respect? Surely we have learned that knowledge cannot create new ethical values, that no amount of learning will lead people to hold the same views on the moral issues which a conscious ordering of all social relations raises (125).

The interaction of individuals, possessing different knowledge and different views, is what constitutes the life of thought. The growth of reason is a social process based on the existence of such differences. It is of its essence that its results cannot be predicted ... The idea that human mind ought consciously to control its own development confuses individual reason, which alone can consciously control anything, with the interpersonal process to which its growth is due (181).

In describing a process by which “people [are made] to serve the validity of the values they are to serve (172),” in using public slogans and soundbytes to whip

³⁴ For a meaning of these terms, see Kripke (1982).

³⁵ Even in a comment directed solely at Hayek (1944), it would be amiss not to draw the reader's attention to his two (by now, classical) essays of 1936 and 1945; see Chapters 2 and 4 in Hayek (1948).

the public into line, to do what Hayek (presumably) is loath to do, as exemplified by the way he presents 'the road to serfdom', he gives a fuller sketch of the nightmare that is inevitably to follow.

And the most efficient technique to this end is to use the old words and change their meaning. Few traits ... are ... 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 regimes are expressed (172-173). Gradually, as this process continues, the whole language becomes despoiled, and words become empty shells deprived of any definite meaning, as capable of denoting one thing as its opposite and used solely for the emotional associations which still adhere to them (174).

The relevant question of course pertains to the nature of the agency that is to bring this about and how it fares with the law of unintended consequences. Does language become all the more uncontrollable if earnest and sustained attempts are made to control her? does society (or equivalently, for the purposes of this essay, an economy, polity or community) become all the more unmanageable if attempts are made to manage it?³⁶ Or is there a threshold to the distribution of power and opportunity, of access, with problems arising only after that threshold is crossed? But let us read further and not interrupt one who is on a productive roll.

It is not difficult to deprive the great majority of independent thought. But the minority who will retain an inclination to criticize must also be silenced (174). Public criticism or even expressions of doubt must be suppressed because they tend to weaken public support (175).

It is important to understand here, or so it seems to me, that forceful external coercion is not necessarily involved, the engines for compliance and conformity are already internally and individually lodged, and fuelled by individual perceptions of what counts for and constitutes success, and in a rational seeking of the path of least resistance that is to attain it. All that is needed for the ruling authority, be it a market or a bureaucracy or some hybrid, is the security that comes from individual striving governed only by self-interest, an interest curtailed and controlled by the rules and the choice variables that the authority, in representing the community over which it exercises its authority, has itself put into place.³⁷ It is in my self-interest to conform, to loudly declare my patriotism in the tones and colors that help to further its ends along. With this sense of purpose, ambiguity and ambivalence can be rooted out, and insofar human conduct can be captured and quantified through an optimization problem, it furnishes all the fetters that an authority can ask for and needs for the pursuit of

³⁶ I bracket the role that the 'road to serfdom' itself plays in this connection, my own (this) reading of the 'road', and Merton's (1936, 1949) self-fulfilling, or self-(un)fulfilling, prophecies.

³⁷ On how a modern theorist can see the indispensability of self-interest for successful theorizing, see Khan's (2004b) discussion of Hahn's panagoric to self-interest.

its (self ?) interest. And efficiency in the choice of technique translates into efficiency in the choice of curriculum.³⁸

[P]erhaps no other country provides a better illustration of the effects on a nation of a general and thorough shift of the greater part of its educational system from the “humanities” to the “realities” than Germany between 1840 and 1940 (209). I believe that it was the author of *Liviatan* who first suggested that the teaching of classics should be suppressed, because it instilled a dangerous spirit of liberty! (209).

And in describing the world as it is, and in thereby giving a face to who “we” are, and therefore to who “we” aspire to be, good theorizing is separated from bad, error corrected and truth sifted from falsehood.

Facts and theories must thus become no less the object of an official doctrine than views about values. And the whole apparatus for spreading knowledge – the schools and the press, radio and motion picture – will be used exclusively to spread those views which, whether true or false, will strengthen the belief in the rightness of the decisions taken by the authority; and all information that might cause doubt or hesitation will be withheld. The probable effect on the people’s loyalty to the system becomes the only criterion for deciding whether a particular piece of information is to be published or suppressed. (175-176).

This is Hayek at his reflexive best. It is not the particular authority, but the fear and the impediments to advancement that it instills and institutes, the monopolistic, concealed but arbitrary, powers that it exercises, that are being raised as cautionary flags. Hayek’s achievement in the ‘road to serfdom’ – the timelessness of his message, if one prefers – is to shift attention from the label that is given to an economic system, and to turn it to what it labels, to the distribution of power, of the way in which decisions of the margin, at the margin, are made in any society, be it ‘developed’ or ‘less-developed’. The questions then with which I should like to conclude this section are these: Is there room in our conception of a process that renders everything commensurable, reduces all to the common denominator of the dollar, for a counter-process that preserves the noncommensurable and the uniquely individual, fosters heterogeneity as part of the quest for homogeneity, gives security and encouragement to idiosyncrasy precisely when it is seeking a consensus? Are there forces endogenous to the market that prevent a monopoly in the market of ideas, keep a level playing field in a world with natural (?) tendencies towards disturbance of levels, and ensure that no particular point of view hegemonically restricts (better still, silences) other points of view?

³⁸ See Khan (1992, 1993b) for an emphasis on curriculum as opposed to that on “rates of return”.

6 Concluding comments

In conclusion, my four different registers merge into one on the importance of judgement and balance as to the “precise standard that should be assured”; labels by themselves do not suffice and bald polarities have to be interrogated for the trade-offs they conceal – between security and freedom, submission and supplementation, rules and discretion, training and education – all imbricated by the limitations of the language we are given to work with. On this count, I am at one with the authors whose work stimulated this comment; rather than opening additional windows, I have been looking through ones they have already provided.³⁹ All interrogate the binaries that proxy similarity and difference and that have attained a canonical conventionality in recent discussions of Hayek’s book:⁴⁰ left and right socialists, planning (command or indicative) versus competition, democrats versus national, social or closet social democrats, and many others.⁴¹ If there is timelessness in Hayek’s message, it is not so much for the verdict that it passes on one or the other, but because of its emphasis of an open-endedness and inevitable incompleteness of an investigation of the terrain they circumscribe.

However, there is one issue that none of my authors touch, and I should like to conclude with it. This concerns insurance and reparation. The fact that difficult judgements made in a context of incomplete information lead, are bound to lead, to errors, to some false hypotheses being inevitably accepted and true ones inevitably rejected, some surgical strikes grievously damaging collateral, is not at issue (except perhaps to the collateral being damaged); the question is rather the mechanisms to cope with and compensate for these errors after they are made, and the very effect that the presence or the absence of these mechanisms has on the propensities of the risk-taking agents to take risks, of the powerful to exercise their power, and the consequent probabilities of the errors that their actions then entail. In the defense of one’s way of life, perceived or real, relative or absolute, are these mechanisms to evolve spontaneously or are they to be put in to place consciously, by planning *ex ante* or *ex post*? How are we to ask for an evaluation (valorization, condemnation or perhaps neither, but simply enlightened understanding) of the market not on the count of its efficiency but for

³⁹ Thus Rosser (p. 12) explicitly considers the trade-off between security and freedom; Levy-Peart-Farrant can be read as emphasizing non-convexities, and pure outcomes, in the space of economic systems; and McPhail (p. 23) argues that in so far as Belloc is a precursor of Hayek, his “argument is a criticism of capitalism and not socialism”.

⁴⁰ Indeed, to the point that this particular book has been laid aside as being too much a product of its time in considered treatments of Hayek’s work. Thus, already in the third paragraph of his introduction, Rosser sees it “very much a book of its immediate time, World War II, often to an almost absurd degree.”

⁴¹ See, for example, the very opening sentence of McPhail’s article, or the section headings in Rosser, or a discussion of the Durbin-Hayek overlap in Levy-Peart-Farrant.

its ability to respond to these Type I and Type II errors, and thereby on its own robustness as a system over time. This guarding of the guardian, market or the marketeer, seems to me to be a question that comes out of Hayek's project, and one that even after sixty years has yet to be given the serious attention that it deserves.⁴²

Acknowledgements: My engagement with the ideas explored here began as a Discussant at the session on Hayek at the *Eastern Economic Association* Meetings held in Washington D.C., February 20-22, 2004. This version was presented at the 5th Summer Institute for the Study of History of Economics at *George Mason University*, July 26-29, 2004, and benefitted particularly from the Buchanan-Samuels conversation which led the session on "politics as exchange". I am grateful to Jim Buchanan, Andrew Farrant, David Levy, Sandra Peart, Warren Samuels, Eric Schliesser and Warren Young for their (different) invitations, and for stimulating conversation.

References

Birner, J., Garrouste, P. and Aimar, T., 2002. *F. A. Hayek as a Political Economist*. Routledge, London.

Buchanan, J. A., 1965. An economic theory of clubs. *Economica* 32, 1-14.

Cavell, S., 1990. *Conditions Handsome and Unhandsome*. University of Chicago Press, Chicago.

Debreu, G., 1959. *Theory of Value*. John Wiley, New York.

Eatwell, J., Milgate, M., Newman, P. K., (Eds.), 1987. *The New Palgrave*. Macmillan and Co. Ltd., London.

Forsyth, M., 1988. Hayek's bizarre liberalism: a critique. *Political Studies* 36, 235-250.

Gamble, A., 1996. *Hayek: The Iron Cage of Liberty*. Polity Press, London.

Hayek, F. A., 1944 [1994]. *The Road to Serfdom*. Chicago University Press, Chicago.

⁴² I see Rosser's discussion of quantitative indices of 'economic freedoms', the *World Data Base of Happiness*, for example, as one possible response to Paul Samuelson's (1964) call for "serious empirical study, not strong *a priori* utterances or casual traveller's anecdotes". This paragraph draws on many enlightening discussions with Veena Das.

Hayek, F. A., 1948. *Individualism and Economic Order*. University of Chicago Press, Chicago.

Hayek, F. A., 1952. *The Sensory Order: An Enquiry into the Foundations of Theoretical Psychology*. Routledge and Kegan Paul Limited, London.

Hayek, F. A., 1977. Remembering my cousin Wittgenstein (1889-1951). *Encounter* 36, 20-22.

Hamilton, B. W., 1975. Zoning and property taxation in a system of local governments. *Urban Studies* 12, 205-211.

Hamilton, B. W., 1976. Capitalization of intrajurisdictional differences in local tax prices. *American Economic Review* 66, 743-753.

Keynes, J.M., 1963 [1932]. *Essays in Persuasion*. W. W. Norton and Co., New York.

Khan, M. Ali (1992). Comments on Professor Summers, *Pakistan Development Review* 31, 394-400.

Khan, M. Ali, 1993a. On economics and language. *Journal of Economic Studies* 20, 51-69.

Khan, M. Ali, 1993b. On education as a commodity. *The Pakistan Development Review* 32, 541-579. Also the discussion by Ron Jones in the same issue, pp. 580-582.

Khan, M. Ali, 2002. Trust as a commodity and on the grammar of trust," *Journal of Banking and Finance* 26, 1719-1766. An erratum (publisher's mistakes) in (2003) 27, 773.

Khan, M. Ali, 2003. On the ethics of (economic) theorizing. Presented at an *American Statistical Association* panel on ethics at the *JSM Meetings* held on August 3-7, 2003 in San Francisco, California.

Khan, M. Ali, 2004a. Composite photography and statistical prejudice: Levy-Pearl and Marshall on the theorist and the theorized. *European Journal of Political Economy* 20, 23-30.

Khan, M. Ali, 2004b. Self-Interest, self-deception and the ethics of commerce. *Journal of Business Ethics* 20, 23-30.

Khan, M. Ali, 2004c. Sustainability, structural change and the ethics of globalization, mimeo. Kripke, S., 1982. Wittgenstein on Rules and Private Language. Harvard University Press, Cambridge.

Levy, D., Peart, S., Farrant, A., 2004. The spatial politics of Hayek's *Road to Serfdom*. Paper presented at the Eastern Economic Association, February 21.

Leys, R., 1991. Types of one: Adolf Meyer's life chart and the representation of individuality. *Representations* 34, 1-28.

Merton, R. K., 1936. The unanticipated consequences of purposive social action. *American Sociological Review* 1, 894-904.

Merton, R. K., 1949. *Social Theory and Social Structure*. Free Press, New York.

McGuinness, B., von Wright, G. H., 1995. *Cambridge Letters*. Blackwell, London.

McKenzie, L. W., 2002. *Classical General Equilibrium Theory*. MIT Press, Cambridge.

McPhail, E., 2004. Does the road to serfdom lead to the servile state: an assessment. Paper presented at the Eastern Economic Association, February 21.

Morgan, M., 1993. Competing notions of "competition" in late nineteenth-century American economics. *History of Political Economy* 25, 563-604.

Paul, E. F., 1988. Liberalism, unintended orders and evolutionism. *Political Studies* 36, 251-272.

Scotchmer, S., 2005. Consumption externalities, rental markets and purchase clubs. *Economic Theory* 25, 235-253.

Stigler, G. J., 1957. Perfect competition, historically contemplated. *Journal of Political Economy* 65, 1-17.

Rosser Jr., J. B., 2004. The road to serfdom and the world economy: sixty years later. Paper presented at the Eastern Economic Association, February 21.

Samuelson, P. A., 1965. Personal freedoms and economic freedoms in the mixed economy. In *The business establishment*, E. F. Cheit (Ed.), John Wiley, New York

Tiebout, C., 1956. A pure theory of local expenditures. *Journal of Political Economy* 64, 416-424.

Ullman-Margalit, E., 1978. Invisible hand explanations. *Synthese* 39, 263-291.

Vanberg, V., 1986. Spontaneous market order and social rules. *Economics and Philosophy* 2, 75-100.

Wittgenstein, L., 1993. *Philosophical Occasions 1912-1951*, Klagge, J. and Nordmann, A. (Eds.), Hackett Publishing Company, Indianapolis.

Žižek, S., 2004. From purification to subtraction: Badiou and the real. In *Think again*, P. Hallward (Ed.), Continuum, London.