Once Again: Why Socialism Won't Work

Fifty years after Friedrich von Hayek warned of the failure of collectivism in "The Road to Serfdom," the University of Chicago is publishing a new edition of the economics classic. The economist Milton Friedman, who wrote the introduction to a 1971 German edition of the book, has updated his essay. Excerpts from the new introduction follow.

By Milton Friedman

This book has become a true classic: essential reading for everyone seriously interested in politics in the broadest and least partisan sense. In some ways, it is even more relevant to the United States today than it was when it created a sensation on its original publication in 1944.

Nearly a quarter of a century ago, I wrote an introduction to a new German edition of "The Road to Serfdom." That introduction is equally relevant to this 50th anniversary edition. I herewith quote it in full before adding a few comments.

Over the years, I have made it a practice to inquire of believers in individualism how they came to depart from the collectivist orthodoxy of our times. For years, the most frequent answer was a reference to [his] book. Hayek's remarkable and vigorous tract was a revelation particularly to the young men who had been in the armed forces during the war. Their recent experience had enhanced their appreciation of the value and meaning of individual freedom. In addition, they had observed a collectivist organization in action. For them, Hayek's predictions about the consequences of collectivism were not simply hypothetical possibilities.

Today, we hear little of "central planning," of "production for use," or the need for "conscious direction" of society's resources. Instead the talk is of the urban crisis — solvable, it is said, only by vastly expanded government programs; of the environmental crisis — produced, it is said, by rapacious businessmen who must be forced to discharge their social responsibility instead of "simply" operating their enterprises to make the most profit and requiring also, it is said, vastly expanded government programs; of the consumer crisis — false values stimulated by the selfsame rapacious businessmen seeking profits instead of exercising social responsibility and of course also requiring expanded government programs to protect the consumer, not least from himself; of the welfare or poverty crisis — here the jargon is still "poverty in the midst of plenty," though what is now described as poverty would have been regarded as plenty when that slogan was first widely used.

Now as then, the promotion of collectivism is combined with the profession of individualist values. Experience with big government has strengthened this discordant strand. There is wide protest against the "establishment," an incredible conformity in the protest against conformity; a widespread demand for freedom to "do one's own thing," for individual life styles, for participatory democracy.

As Hayek so persuasively demonstrates, these values require an individualistic society. They can be achieved only in a liberal order in which the government activity is limited primarily to establishing the framework within which individuals are free to pursue their own objectives. The free market is the only mechanism that has ever been discovered for achieving participatory democracy.

Unfortunately, the relation between the ends and the means remains widely misunderstood. Many of those who profess the most individualistic objectives support collectivist means without recognizing the contradiction.

It is tempting to believe that social evils arise from the activities of evil men and that if only good men (like ourselves, naturally) wielded power, all would be well. That view requires only emotion and self-praise — easy to come by and satisfying as well. To understand why it is that "good" men in positions of power will produce evil, while the ordinary man without power but able to engage in voluntary cooperation with his neighbors will produce good, requires analysis and thought, subordinating the emotions to the rational faculty.

Surely that is one answer to the perennial mystery of why collectivism, with its record of producing tyranny and misery, is so widely regarded as superior to individualism, with its demonstrated record of producing freedom and plenty. The argument for collectivism is simple if false; it is an immediate emotional argument. The argument for individualism is subtle and sophisticated; it is an indirect rational argument.

How stands the battle between collectivism and individualism in the West after the publication of Hayek's great tract? The answer is very different in the world of affairs and in the world of ideas.

In the world of affairs, those of us who were persuaded by Hayek's analysis saw few signs in 1945 of anything but a steady growth of the state at the expense of the individual, a steady replacement of private initiative and planning by state initiative and planning.

Yet in practice that movement did not go much farther. What produced this unexpected check to collectivism? First, particularly in Britain, the conflict between central planning and individual liberty that is Hayek's theme became patent. The tradition of liberty, the liberal values, were still sufficiently strong in Britain so that when the conflict occurred, central planning was sacrificed rather than individual liberty.

The second force checking collectivism was its inefficiency. Government proved unable to manage enterprises, to organize resources to achieve stated objectives at reasonable cost. It became mired in bureaucratic confusion and inefficiency.

Unfortunately, the check to collectivism did not check the growth of government; rather, it diverted its growth to a different channel. The emphasis shifted from governmentally administered production activities to indirect regulation of supposedly private enterprises and even more to governmental transfer programs, involving extracting taxes from some in order to make grants to others — all in the name of equality and the eradication of poverty but in practice producing an erratic and contradictory mélange of subsidies to special-interest groups. As a result, the fraction of the national income being spent by governments has continued to mount. In the world of ideas, the outcome has been even less satisfactory to a believer in individualism. In one respect, this is most surprising. Experience in the past quarter-century has strongly confirmed the validity of Hayek's central insight — that coordination of men's activities through central direction and through voluntary cooperation are roads going in very different directions: the first to serfdom, the second to freedom.

In 1994, there is wide agreement that socialism is a failure, capitalism a success. The fall of the Berlin Wall, the collapse of Communism behind the Iron Curtain and the changing character of China have reduced the defenders of a Marxian-type collectivism to a small, hardy band concentrated in Western universities. Yet this apparent conversion of the intellectual community to what might be called a Hayekian view is deceptive.

While the talk is about free markets and private property — and it is more respectable than it was a few decades ago to defend near-complete laissez-faire — the bulk of the intellectual community almost automatically favors any expansion of government power so long as it is advertised as a way to protect individuals from big bad corporations, relieve poverty, protect the environment or promote "equality." The discussion of a national program of health care provides a striking example. The intellectuals may have learned the words but they do not yet have the tune.