

Friedrich von Hayek and *The Road to Serfdom*: 1944-2004

Report of a discussion meeting held 21-22 June 2004

Centre for History and Economics, King's College, Cambridge

The Centre convened a small meeting to consider *The Road to Serfdom* (RtS) in its historical context after sixty years. Participants included historians of Britain (Peter Clarke) and of continental Europe (Harold James, Martin Ruehl, Adam Tooze), and of the longer and wider history of ideas (Daniel Rodgers, Emma Rothschild, Gareth Stedman Jones), together with economists (Pranab Bardhan, Meghnad Desai, Susan Howson, Amartya Sen, Vernon Smith), political theorists (Ross Harrison, Melissa Lane, Richard Tuck), and journalists (Sylvia Nasar) (though it is as difficult to assign many of these people to a single such category as it would be to do so with Hayek himself). We were further fortunate to have with us Bruce Caldwell, editor of the Collected Works of Friedrich von Hayek and editor also of the RtS volume in that series, which will be informed by the discussion at the meeting; Dorothy Hahn, who was Hayek's student and then his research assistant during the period that he was writing the book; and Lawrence Hayek, the son of the author, who brought a fascinating inherited collection of manuscript material, proofs, and translations of RtS and who attended the meeting together with his wife Esca who had also known his father. It was especially good to be able to hold the meeting in Cambridge, where the LSE was based at Peterhouse from 1939, and more particularly at King's College, where Keynes had arranged for Hayek to have rooms from 1940.

RtS emerged from the discussion as a complex and multilayered work, surprisingly difficult to parse as an historical text despite Hayek's later testimony that its genesis was in an essay he wrote against Beveridge in 1938. That essay and the later book were a warning message from the world which Hayek had left – the world of planned economics carried out by socialist (Vienna in the 1920s) and fascist governments alike – to the world of Keynes, Beveridge, and the wartime debate over whether planning and in particular, a policy of a full employment, should be continued into peacetime. References to both worlds, and to the broader phenomena of psychoanalysis and political propaganda seen on both sides of the Atlantic in this period, permeate the work. A further world in which the text must be situated was that of economic theory and thinking in the 1920s, 1930s and 1940s, including the socialist calculation debate but also the development of Frank Knight's ideas about uncertainty and risk, and his perceptions of economic and political developments. The controversy between Hayek and Keynes over the trade cycle in the 1930s did not prevent Keynes from warmly welcoming RtS in a private letter to Hayek, and the Cambridge and also LSE reviews of it were largely positive. RtS reveals the common commitment to the values of European liberalism which Keynes and Hayek shared, as they shared fire duty on the roof of King's College Chapel while the book was being written.

RtS was predicated on the claim that the planning of the 1920s and 1930s in continental Europe (including capital controls) had engendered political arbitrariness, the undermining of parliament, and the accumulation of dictatorial powers even where these consequences had not been intended. Hayek stood by this claim from experience even in the face of the fact that British wartime planning had not (as of 1943-44) had such dire political consequences. He distinguished between wartime and peacetime planning on the basis of an ethical problem -- arguing that planning requires a comprehensive ethical consensus which does not exist in a liberal society, which parliamentary institutions cannot produce when confronted with genuinely competing interests, and so which requires quango-like boards

and eventually the supersession of parliamentary control altogether. Participants in the meeting debated the extent to which this ethical problem was separable from the epistemological problem of essentially dispersed knowledge which was first identified in 'Economics and Knowledge' (1937), and whether the British war experience should have given Hayek more pause than it did in formulating the thesis of RtS. Likewise debated was the vexed question of the nature of the historical causation alleged by RtS – how necessitarian was Hayek's formulation? A 'Jonah' narrative, replied one participant – if you do not repent and change your ways, you will necessarily be destroyed. Also salient was the question of how wide a public Hayek intended RtS to address. Although he protested aspects of the controversial and best-selling American reception by saying that it was written for a small elite group, not a mass audience, it appears that the small group he had in mind were not only technical economists but also and perhaps primarily the opinion-formers (journalists, politicians) whom he believed to be crucial in effecting historical and intellectual change.

The significance of RtS as a turning point in Hayek's work, in which he began to put his great insight about the distribution of information in the market in the framework of history, psychology, and political philosophy – the programme which would occupy him for the rest of his life – was underscored. Nevertheless, despite the fact that he did not go on to do further significant work in economic theory proper after RtS, and despite the fact that citations of him in the principal economics journals have fallen from their peak in the first half of the 1930s, the economists present underscored his importance in (variously) recognizing the significance of capital theory and the trade cycle; in justifying the market based on the value of freedom rather than equilibrium or welfare outcomes; and in making room for the space of freedom within economic and political thought with a consistency and profundity unrivalled since J.S. Mill.

One of the most fascinating aspects of the meeting was a remarkable collection of editions and Hayek drafts of the RtS, brought to Cambridge by Dr Laurence Hayek. The College Library and Archive Centre also put on an excellent display of works by Friedrich von Hayek and other economists. Dr Laurence Hayek was in the group of people who enjoyed the view over Cambridge from the College Chapel roof at the end of the meeting (see photos below). We were greatly saddened to hear that Larry Hayek died from a massive heart attack on July 15, which we believe was his 70th birthday and 43rd wedding anniversary, and our condolences go out to his wife Esca and the family.

Melissa Lane

