

The Intellectual Context of F. A. Hayek's *The Road to Serfdom*

Peter Boettke

George Mason University

Rosolino Candela*

George Mason University

Abstract

Hayek's *The Road to Serfdom* is often read as a policy book and a political tract for its time. It is also often read as little more than a “slippery slope” argument, leading inevitably down a road from a free society to the gulag. In this paper, we counter the claim that *The Road to Serfdom* provides a slippery slope argument and explain that, while it was often read and used as a political tract for its time, Hayek's book is part of a broader project dealing with the institutional infrastructure within which economic activity takes place.

JEL Codes: B2, B3, B53, P51

Keywords: Hayek, *The Road to Serfdom*, political economy of socialism

I. Introduction

It has been over seventy years since F. A. Hayek published *The Road to Serfdom* (1944), and since that time, Hitler was defeated and World War II ended in victory for the Allies of the Western democratic states. The Cold War between the Western democratic states and the Soviet Union and its satellite countries ensued from roughly 1945 to 1991. The West's constitutional democracies were transformed into social democratic states as governments in these countries grew in size and expanded their scope from 1945 through 1980. In the intellectual realm, the ascendancy of Keynesian macroeconomic theory and the policy of demand management were matched by the development of microeconomic market failure theory and policies regulating commerce and industry. With the breakdown of the

* These remarks were prepared for the 84th Annual Meeting of the Southern Economic Association, November 22–24, 2014. We thank an anonymous referee for helpful comments and suggestions on a previous draft of this paper.

Keynesian consensus in the 1970s with stagflation, the deregulation of commerce and industry in the 1980s, and the collapse of communism in the 1990s, it seemed to many that Hayek's ideas put forth in *The Road to Serfdom* were at least superficially vindicated by history.

Hayek's most famous work is often read as a policy book and a political tract for its time. It is also often read as little more than a "slippery slope" argument, and thus one wrong step leads one down a road from a free society to the gulag. Alves and Meadowcroft have argued in a recent article that "Hayek's slippery slope argument set out in *The Road to Serfdom* is empirically false" (2014, p. 859). Their claim is based on illustrating a positive relationship between government spending as a percentage of GDP in the Western democracies and data from the Economic Freedom Network and Freedom House ratings on political freedom. While the authors are careful not to draw any causal link between government spending and economic and political freedom, their claim is that these figures are prima facie evidence that Hayek's argument failed to anticipate the reality of the post-WWII Western democracies.

In this paper, we will try to counter both claims by explaining that Hayek's book is part of a broader project on *The Abuse of Reason*, dealing with the institutional infrastructure within which economic activity takes place. His argument, rather than being a slippery slope, is an immanent critique of the socialist program as advocated by British socialists, who were his primary target in the 1940s.

Hayek would be joined in his effort to warn intellectuals about the growth of government interference in the market economy by Milton Friedman (popular) and James Buchanan (analytical) in the second half of the twentieth century. Buchanan's works, such as *The Calculus of Consent* (1962) and *The Limits of Liberty* (1975), sought to grapple with the analytical questions of how to structurally bind the government in a way that is consistent with the ordinary behavioral assumptions of economic analysis to minimize the predatory state and empower the protective and productive state. Buchanan's work had a wide academic influence, but limited popular appeal. Friedman's works, such as *Capitalism and Freedom* (1962) and *Free to Choose* (1980), had an amazing popular appeal and practical impact in the world of public affairs. All three—Hayek, Friedman, and Buchanan—would be recognized with the Nobel Prize for their contributions to economic science, and all three would also serve as president of the Mont Pelerin Society, reflecting their stature as

leading modern representatives of classical liberalism. But I think it is safe to say for our purposes that it was the work of Hayek and Friedman that had the more direct impact on the practical affairs of men.

The three critical events to highlight this impact would be the shift of policy focus in China under Deng Xiaoping, in the United Kingdom under Margaret Thatcher, and in the United States under Ronald Reagan. The rhetoric of these policy shifts always outdistanced their reality—so in China, it may not matter what color the cat is as long as it catches the mouse, but it matters that the party maintains central control. Thatcher and Reagan may have respectively slowed government growth, but they didn't reverse it in either the United Kingdom or the United States, respectively. Still, the *relative* move toward policies of economic freedom in the 1980–2005 period as compared to the policies of economic regulation of 1945–1980 caused significant improvements in the economic well-being of billions of individuals across the globe, as documented in Andrei Shleifer's article "The Age of Milton Friedman" (2009). Moreover, Hayek's *The Road to Serfdom* has witnessed a renaissance in popularity, not only among transitional political reformers in post-Soviet Russia, such as Anatoly Chubais (Shapiro 2001, p. 18), but also among political commentators, such as Glenn Beck, Rush Limbaugh, and Mark Levin, reacting to the Obama administration's economic policies (see Farrant and McPhail 2010, 2012; Boettke and Snow 2012).

So the world has experienced much since the publication of *The Road to Serfdom* in 1944. It would be absurd to claim a direct causal link between its publication and improvements in living standards throughout the world (with the notable troubling exceptions of Africa and Latin America). It might even be absurd to claim a causal link between the publication and the practical affairs of public policy—as if policy is directly about ideas, rather than the interests that form and coalesce around certain public policies. But ideas *frame* the policy debate, and in so doing can indirectly impact human affairs.

Hayek's work—not only *The Road to Serfdom* but also *The Constitution of Liberty* (1960)—had such an indirect influence. But rather than allow these works to be relegated to coffee-table status—which we are not denying they achieved—we want to make sure we don't just think about how many copies were sold and which powerful politicians claim to have been influenced, so we will focus

here on discussing the intellectual context and substantive argument that Hayek puts forth in *The Road to Serfdom*. In section 2, we outline the Misesian roots of Hayek's argument within the context of the socialist calculation debate that ensued from the 1920s through the 1940s. Having placed Hayek's argument in the context of this debate, section 3 outlines Hayek's transition from a technical economist to an institutional economist. It was during the socialist calculation debate that Hayek, along with Mises, began "a process of improved self-understanding" (Kirzner 1988, p. 3), not only of the entrepreneurial market process, but more importantly of the institutional conditions within which the market process generates tendencies toward the mutual adjustment of decentralized decision-makers (Hayek 1937, p. 53). In section 4, we contend that rather than making a claim of "inevitability," Hayek's slippery slope argument was a claim about the instability between the organizational logic of planning, which is to centralize political and economic decision-making, and its effect on liberal institutions, which is to substitute the rule of law for the rule of men, the worst of whom are incentivized to exercise political power. Section 5 concludes.

II. The Misesian Roots of Hayek's Argument

The Road to Serfdom picks up where Hayek's edited volume *Collectivist Economic Planning* (1935) left off. By that we mean simply that Hayek operated under the impression that the works by the economists he reprinted in *Collective Economic Planning* had decisively demonstrated the failure of socialists to centrally plan the economy. In particular, Ludwig von Mises's work had demonstrated the theoretical *impossibility* of the socialist economic planner to engage in rational economic calculation. Without this ability to engage in rational economic calculation, the socialist planner will be unable to meet socialist objectives via socialist means. The project suffered from a devastating internal contradiction.

This was Hayek's theoretical touchstone, and it must never be forgotten in understanding the argument in *The Road to Serfdom*. Mises is right, but intellectuals and practical men of affairs are not listening. They are proceeding as if they have either answered Mises's objection or successfully sidestepped it. So what Hayek is demonstrating is what happens when folks pursue a policy path even though it has been demonstrated to be logically incoherent. The intellectual autopsy that he performs thus shows how this effort killed its advocates' aspirations.

The Road to Serfdom is the playing out of this scenario. As well, the British market socialist theorists who, in the decade after *Collectivist Economic Planning*, thought they had successfully designed schemes to counter Mises, also were committed to the proposition that their version of socialism would be completely compatible with the longer British traditions of individualism, democratic freedom, and the rule of law. So in his autopsy, Hayek was determined to show British intellectuals that this compatibility was also a figment of their imaginations in the same way that their schemes to address (or sidestep) the Misesian challenge were.

Mises's argument establishes that due to the inability to engage in rational economic calculation, the socialist ends of increased material progress cannot be achieved through socialist means. We should be careful here because (a) definitions matter, so a claim about means-ends relies on consistency in the terms' meaning; and (b) establishing that something is logically incoherent doesn't mean that individuals will not attempt to pursue this path anyway. So first, socialism at the time of Mises's writing had a specific meaning in the context of economic policy. It was to rationalize production to such an extent that mankind would experience a burst of productivity and propel it from the "kingdom of necessity" to the "kingdom of freedom." Rationalizing production would eliminate the waste of capitalism that results from the groping efforts of errant entrepreneurs in their quest for profits, even under favorable conditions, and are exacerbated in situations of monopoly power and macroeconomic volatility. By curbing capitalism's monopolistic tendencies and inherent instability, rationalizing production through socialist economic planning would result in a new level of material progress that would provide the basis for the end of class conflict, and would usher in a new era of peaceful and harmonious relations between all men. So that is the goal, but we still have to be clear on the means of socialist economic planning.

The means are the abolition of private property in the means of production, the establishment of collective ownership, the substitution of administered prices for the free fluctuation of prices dictated by the exchange relationships in the market, and the development of economic plans based on production for direct use rather than production for profit. Mises iterated his challenge by simply asking the following: Are the socialist means of collective ownership of the means of production, such as administered prices and production for direct use, capable of achieving the socialist ends

of rationalizing production, producing advanced material progress, and harmonizing the social relations between the classes?

His answer was no, and the reason was the inability of socialist planners to engage in rational economic calculation of the alternative use of scarce productive resources. Production under socialism would be rudderless and would, in fact, be little more than steps in the dark. Without private property, there are no market prices, and without market prices, there can be no rational calculation. It is that simple and that profound. Economic calculation is critical to the efficient operation of an economy because it is precisely that mechanism that enables economic actors to sort out from the plentiful array of technologically feasible projects those which are economically viable.

Following our line of argument, *The Road to Serfdom* that Hayek describes is the by-product of the truth of the Misesian argument biting against the socialist aspirations of practical political decisions in actual policy implementation. As Hayek argued in *The Counter-Revolution of Science* (1952, pp. 68–69):

The problems which they [social sciences] try to answer arise only insofar as the conscious actions of many men produce undesigned results, insofar as regularities are observed which are not the result of anybody's design. If social phenomena showed no order except insofar as they were consciously designed, there would be indeed be no room for theoretical sciences of society and there would be, as is often argued, only problems of psychology. It is only insofar as some sort of order arises as a result of individual action but without being designed by any individual that a problem is raised which demands a theoretical explanation.

The problems Hayek identifies are the unintended and undesirable (from the advocate's point of view) by-products of the policymaker's attempt to pursue socialist policies and confront the reality of the Misesian critique. As Hayek would put the point: "That democratic socialism, the great utopia of the last few generations, is not only unachievable, but that to strive for it produces something so utterly different that few of those who now wish it would be prepared to accept the consequences, any will not believe until the connection has been laid bare in all its aspects" (1944, p. 31).

III. Hayek's Journey from Technical Economist to Political Economist

Hayek began his career as a technical economist focused on the problem of imputation, intertemporal coordination, and industrial fluctuations. But as a consequence of his debate with other economists over socialism's viability, he was led increasingly to explore the market economy's institutional foundations and the underlying philosophical issues that clouded rather than clarified their understanding of those foundations. Hayek intended *The Road to Serfdom* to be part of a larger project that he never completed, dubbed *The Abuse of Reason*, out of which he also published *The Counter Revolution of Science* (1952). Moreover, the emphasis on the rule of law and spontaneous order that were prefigured in *The Road to Serfdom* would be stressed in Hayek's later works, such as *The Constitution of Liberty* (1960) and *Law, Legislation, and Liberty* (1973, 1976, 1979).

Putting *The Road to Serfdom* into the context of this larger project also provides further evidence against not only the inevitability thesis in Hayek's slippery slope argument, but also against the notion that Hayek was trying to generate point predictions about the future of the Western democracies. As Bruce Caldwell states:

Hayek denied this reading both in the book itself and in subsequent responses to his critics. That the book was originally intended as part of the Abuse of Reason project provides further evidence in Hayek's favor. One of the major themes of the "Scientism [and the Study of Society]" essay is that the historical search for general laws that would allow one to predict the future course of history is chimerical. Would it make sense for the author of such an essay to then turn around later in his work and attempt to predict the future course of history? (2004, p. 241, fn. 4)

While the empirical data that Alves and Meadowcroft provide are factually correct, they take Hayek's argument out of its proper theoretical context, in which Hayek was trying to explain why countries like Russia, Italy, and Germany had gone down the road to serfdom. It was not to establish any "scientistic" point predictions about a one-to-one relationship between government spending and freedom—both economic and political—as Alves and Meadowcroft would argue.

Economic analysis proceeds on the basis of the establishment of clearly defined and strictly enforced private property rights. This is the basis of exchange relationships (buying or abstaining from

buying) in the market that give us the price system, as well as the complex division of labor that emerges as prices guide production decisions. Since the institutional infrastructure was fixed and given, it was too easily glossed over by modern economists in their analysis of alternative economic systems. Hayek sought to correct for this oversight.

So as Hayek transitioned from being a technical economist in the 1920s and 1930s to being a political economist—dare we say, the social philosopher that he would be for the rest of his career—it is vital to remember the underlying economics in his argument. The basic economic calculus persists throughout his work, and the idea of the epistemic properties of alternative institutional arrangements remains his analytical focus. There is, in this rendering, a unity in Hayek's project, not a departure after his debate with Keynes or his debate with Lange-Lerner. But when Hayek decides to write *The Road to Serfdom*, he is ready to deploy his basic economic mode of analysis to address the institutional questions that real-world socialist economies would need to face and the situational logic that socialist decision makers must confront.

He would not only make the Misesian argument that socialist means are incoherent with respect to socialist ends, but he would also argue that the metamorphosis of the system that occurs in the attempt to pursue this impossible task results in a political and economic reality from which the socialist thinker would recoil. The logic of the situation and the logic of organization under socialist planning are such that democracy and the rule of law are unsustainable in substantive content, and the system, if pursued to its logical end, would result in the concentration of political power in the hands of the men least capable of constraining the abuse of power. The worst of us, it seems, will end up on top, a result confirmed by the coincidence of the twentieth century's three leading political mass murderers—Hitler, Stalin, and Mao—rising to the top of socialist systems and also reflected in the practice of more recent socialist leaders such as Pol Pot, Castro, and Chavez. Hayek's argument is not an argument of inevitability (more on that in the next section), but merely a simple application of the principle of comparative advantage to the realm of politics, particularly when politics is demanding such a comprehensive command-and-control stance to be taken by those in leadership.

Similarly, Hayek's analysis of socialism's compatibility with democratic freedoms and the rule of law relies on his analysis of the

situational logic. Socialism requires a level of political agreement to operationalize its policies that is far greater in detail than what liberalism requires. Liberalism only requires agreement on the general rules by which we interact with each other. “Don’t hurt people and don’t take their stuff” is rather straightforward. But questions of a more detailed nature are progressively more difficult to resolve in such a straightforward manner. As Hayek (1944, pp. 91–92) puts it:

The question raised by economic planning is, therefore, not merely whether we shall be able to satisfy what we regard as our more or less important needs in the way we prefer. It is whether it shall be we who decide what is more, and what is less, important for us, or whether this is to be decided by the planner. Economic planning would not affect merely those of our marginal needs that we have in mind when we speak contemptuously about the merely economic. It would, in effect, mean that we as individuals should no longer be allowed to decide what we regard as marginal.

And in the next paragraph he continues:

The authority directing all economic activity would control not merely the part of our lives which is concerned with inferior things; it would control the allocation of the limited means for all our ends. And whoever controls all economic activity controls the means for all our ends and must therefore decide which are to be satisfied and what not. This is really the crux of the matter. Economic control is not merely control of a sector of human life which can be separated from the rest; it is the control of the means for all our ends. And whoever controls the means must also determine which ends are to be served, which values are to be rated higher and which lower—in short, what men should believe and strive for.

Earlier in *The Road to Serfdom*, Hayek had already made the argument that since any idea of coherent planning requires it to be comprehensive and based on agreement at each successive stage—an agreement that democracy cannot guarantee—the situational logic will agitate toward a move beyond the process of democratic deliberation, and instead, a concentration of power will be trusted to the responsible authorities, unfettered by democratic procedures (1944, p. 67).

The organizational logic of planning is to concentrate decision-making power; the situational logic of such an organization incentivizes those who have a comparative advantage in exercising

political power over others to rise to the top of the decision-making authority. “Just as the democratic statesman who sets out to plan economic life will soon be confronted with the alternative of either assuming dictatorial powers or abandoning his plans,” Hayek tells his reader, “so the totalitarian dictator would soon have to choose between disregard of ordinary morals or failure. It is for this reason that the unscrupulous and uninhibited are likely to be more successful in a society tending toward totalitarianism” (1944, p. 135).

IV. This Isn’t a Slippery Slope

The counterreaction to the Mises-Hayek critique by British socialists was to argue that socialist policy and economic and political freedom were compatible. E. F. Durbin in a review article on *The Road to Serfdom*, published in the *Economic Journal* (1945, p. 358), argued that Hayek was wrong because “we all wish to live in a community that is as rich as possible, in which consumers’ preferences determine the relative output of goods that can be consumed by individuals, and in which there is freedom of discussion and political association and responsible government.” Durbin also states, “Most of us are socialist in our economics because we are ‘liberal’ in our philosophy.” Even Hayek’s close friend and comrade in the debate with market socialists, Lionel Robbins, came to argue in *The Economic Problem in Peace and War* (1947, p. 28) that “an individualist who recognizes the importance of public goods, and a collective who recognizes the desirability of the maximum of individual freedom in consumption will find many points of agreement in common. The biggest dividing line of our day is, not between those who differ about organization as such, but between those who differ about the ends which organization has to serve.”

We contend that both Durbin and Robbins are led down this argumentative alley because they (a) misinterpret Hayek as having abandoned (correctly in their estimation) Mises’s “impossibility of rational economic calculation” thesis, and (b) read Hayek as making a slippery slope argument rather than what we will call the “instability” argument. In the argument we have been putting forth, we have an organizational logic and a situational logic going hand in hand to produce an instability in the policy space as a consequence of the incoherence of socialist policy means with socialist policy ends. As Hayek argues, the decision authority must choose to go further along the amassing of centralized power, or abandon the policy agenda being pursued (Boettke 2005, p. 1048).

There is no iron-clad inevitability in Hayek's argument, as presented in *The Road to Serfdom*. The argument, instead, is a warning of a tragic possibility that would be viewed as abhorrent from the point of view of those who believe they are "socialists in their economics because they are liberals in their philosophy." What Hayek was addressing to socialists of the time, particularly in England, was the lagging link between socialist ideas and how such socialist ideas would later demand institutional changes that are inconsistent with liberal principles, transforming democratic institutions into instruments of totalitarian rule:

I know that many of my English friends have sometimes been shocked by the semi-Fascist views they would occasionally hear expressed by German refugees, whose genuinely socialist convictions could not be doubted. But while these English observers put this down to their being Germans, the true explanation is that they were socialists whose experience had carried them several stages beyond that yet reached by socialists in this country. It is true, of course, that German socialists have found much support in their country from certain features of the Prussian tradition . . . But it would be a mistake to believe that the specific German rather than the socialist element produced totalitarianism. It was the prevalence of socialist views and not Prussianism that Germany had in common with Italy and Russia—and it was from the masses and not from the classes steeped in the Prussian tradition, and favoured by it, that National-Socialism arose (1944, p. 9).

The connections that Hayek said must be laid bare are done so by this link between organizational logic and situational logic against the backdrop of Mises's impossibility thesis. Hayek's "economic calculus" does not rely on maximizing agents with full and complete information operating in a frictionless environment. Such omniscient automatons are not what Hayek or Mises are working with in developing the economic way of thinking. But the stumbling and bumbling actors that populate Hayek's analytical framework are also not forever clueless; they are capable, but fallible human actors engaged in economic activity within specified organizational and institutional contexts.¹

¹ See Hayek, *Individualism and Economic Order* (1948, pp. 11–13), for a discussion of what we now might term his open-ended model of human choosing, and how this model feeds into his appreciation of the institutions of secure property rights, the

The market socialist writers of the 1930s and 1940s were ignoring the vital theoretical point about context mattering. They were instead myopically pursuing economic reasoning as if institutions did not matter, and as if instead resource decisions were purely technical. They were misled in this endeavor by a preoccupation with an equilibrium state of affairs where, by definition, all the work that institutions have to do in shaping and guiding economic decisions is, in fact, done. But absent those very institutions that were now being ignored, the economic forces that would be *at work* would be different. This is where Hayek's organizational logic and situational logic reenter the analysis. Institutions structure the incentives one faces in making decisions and dictate the flow and quality of information available to guide those decisions. In a world of scarcity, trade-offs abound, and decision makers must have a means to negotiate those trade-offs. If it isn't the institutions of property, prices, and profit and loss that are aids to the human mind, something else must structure incentives and guide decisions (see Boettke and Candela 2015). Absent the institutional infrastructure of a liberal economy, you cannot get the results generated by that infrastructure. Liberalism may indeed be a philosophy, but it has an institutional embodiment, and that institutional embodiment has an imprint.

In short, you cannot be a socialist in economics and realize the philosophical goals of individual autonomy, productive specialization, and peaceful social cooperation. As Hayek made his institutional turn, starting with his 1937 paper "Economics and Knowledge" but gaining in momentum through the 1940s and 1950s, the argumentative focal point moved decidedly off the individual actors' behavioral assumptions and to the alternative institutional contexts within which they acted. The same players under different rules produce different games.

So rather than postulating a slippery slope determinacy, it is better to read Hayek as making a radical argument for a form of pattern prediction indeterminacy, not unlike the sort of theorizing in the social sciences later promoted by Russell Hardin (2005) and Vernon Smith (2003) in arguing for "ecological rationality" in contrast to "constructivist rationality." Depending on the institutional context, the situational logic will produce systemic tendencies in this

transference of those property rights through consent, and the keeping of promises via contract for the operation of a free economy that is able to harness productive specialization and produce peaceful cooperation.

or that direction. If the political decision maker, when confronted with the failure of their socialist plans, chooses to abandon those plans and instead institute more liberal economic policies, then the organizational logic and situational logic will work in one way. But if not, and instead our socialist planner pushes for further command and control measures, then the organizational logic and the situational logic will go in a different direction.

This pattern-predictive indeterminacy style of reasoning that Hayek's work reflects should also put to rest the mythology that the failure of Britain to devolve into Stalin's gulag, or for Sweden to avoid that fate, somehow demonstrates the weak predictive power of Hayek's argument in *The Road to Serfdom*. First, Hayek didn't make a deterministic slippery slope argument. He made an indeterminate instability argument—a choice must be made, and if the wrong choice is made, the organizational logic and the situational logic will produce another decision node in which frustration of failed plans forces a choice upon those in authority. Second, while the organizational logic and situational logic produce strong tendencies within the alternative institutional contexts, the fact that Hayek wrote *The Road to Serfdom* and that it has had such widespread success (even among its critics) meant that his ideas were part of the endogenous public choosing influences (Witt 1992). That Hayek's warning might have successfully done its job in stopping the realization of his worse prediction in Britain and the United States cannot be dismissed so easily.

Economic patterns are not invariant to institutional context. That “sophisticated” social science ever thought they were is a sign of the intellectual bedlam that can result when philosophical currents and methodological fashion are allowed to cloud basic economic theory grounded in the strictures of critical reasoning.

V. Conclusion

As we reflect on the seven decades since Hayek published *The Road to Serfdom*, we should be amazed at the intellectual and practical progress that has been made. The Western democracies have gone through a period of relative opening up of markets compared to the overregulation of those economies during the 1950–1980 period. The “great social experiment” with communism came to an end as these unfortunate countries suffered under the yoke of economic deprivation and political tyranny. The relative freedom experienced by the economies of Eastern and Central Europe and the former

Soviet Union, as well as those of East Asia, India, and China, has led to rapid improvements in the material conditions of mankind across the globe.

But we cannot simply be satisfied with the triumph of the ideas one finds in Hayek (and also in Friedman and Buchanan). The reality of the democratic West is that the fiscal situation has largely been undisciplined after the ascent of Keynesian policies, which has produced an era of economic illusion to be reckoned with (Buchanan and Wagner 1977; Wagner 2012; Tanzi 2011). These policies have led to a global financial crisis that once again has been blamed on a nonexistent *laissez-faire* economy. Hayek's discussions of democracy and decision, of security and freedom, of economic freedom and political freedom are as relevant to our discussions today as they were at the time he sat down to write *The Road to Serfdom*. It wasn't Hitler and Stalin who concerned Hayek; it was the totalitarians in our midst that animated his effort. We face that same problem today, and we must be ever vigilant. As economists and political economists, we must be capable of competently deploying the technical economic principles that are necessary to analyze how alternative institutional arrangements impact the system's ability to realize the gains from productive specialization and peaceful social cooperation among free individuals. But to put it frankly, we must also be willing to expose and critically explore the fundamental philosophical issues that are too often smuggled in whenever we discuss the appropriate scope of governmental activities.

The good news is that after the global financial crisis, the old-time Keynesian narrative about the instability of capitalism has not gone unchallenged and thus has not been able to wrest hold of the intellectual zeitgeist the way it did after the Great Depression. But the bad news is that in the policy space, the old-time Keynesian remedies still are reflected in the tacit presuppositions of political economy throughout the Western world. Our work remains cut out for us. We have indeed made a mess of things in the twentieth century, and we are doing our best to make matters worse in the twenty-first century by blowing the opportunity to learn from the lessons of the twentieth about the failed alliance of scientism and statism. But perhaps the challenge we face today is the same one that Hayek identified in the concluding words of *The Road to Serfdom*:

If they [the nineteenth century liberals] had not yet fully learned what was necessary to create the world they wanted, the experience we have since gained ought to have equipped

us better for the task. If in the first attempt to create a world of free men we have failed, we must try again. The guiding principle that a policy of freedom for the individual is the only truly progressive policy remains as true today as it was in the nineteenth century (1944, p. 240).

References

- Alves, André Azevedo, and John Meadowcroft. 2014. "Hayek's Slippery Slope, the Stability of the Mixed Economy and the Dynamics of Rent Seeking." *Political Studies*, 62 (4): 843–61.
- Boettke, Peter J. 2005. "On Reading Hayek: Choice, Consequences and *The Road to Serfdom*." *European Journal of Political Economy* 21: 1042–53.
- Boettke, Peter J., and Rosolino A. Candela. 2015. "What Is Old Should Be New Again: Methodological Individualism, Institutional Analysis and Spontaneous Order." *Sociologia*, 2: 5–14.
- Boettke, Peter J., and Nicholas A. Snow. 2012. "The Servants of Obama's Machinery: F. A. Hayek's *The Road to Serfdom* Revisited? – A Reply." *Eastern Economic Journal*, 38(4): 428–33.
- Buchanan, James M. 1975. *The Limits of Liberty: Between Anarchy and Leviathan*. Chicago: University of Chicago Press.
- Buchanan, James M., and Gordon Tullock. 1962. *The Calculus of Consent: Logical Foundations of Constitutional Democracy*. Ann Arbor: University of Michigan Press.
- Buchanan, James M., and Richard E. Wagner. 1977. *Democracy in Deficit: The Political Legacy of Lord Keynes*. New York: Academic Press.
- Caldwell, Bruce. 2004. *Hayek's Challenge: An Intellectual Biography of F. A. Hayek*. Chicago: University of Chicago Press.
- Durbin, E. F. 1945. "Professor Hayek on Economic Planning and Political Liberty." *Economic Journal*, 55(220): 357–70.
- Farrant, Andrew, and Edward McPhail. 2010. "Does F. A. Hayek's *Road to Serfdom* Deserve to Make a Comeback?" *Challenge*, 53(4): 96–120.
- Farrant, Andrew, and Edward McPhail. 2012. "The Servants of Obama's Machinery: F. A. Hayek's *The Road to Serfdom* Revisited?" *Eastern Economic Journal*, 38(4): 423–27.
- Friedman, Milton. 1962. *Capitalism and Freedom*. Chicago: University of Chicago Press.
- Friedman, Milton, and Rose Friedman. 1980. *Free to Choose: A Personal Statement*. New York: Harcourt.
- Hardin, Russell. 2005. *Indeterminacy and Society*. Princeton, NJ: Princeton University Press.
- Hayek, F. A., ed. 1935. *Collectivist Economic Planning*. London: Routledge and Kegan Paul.
- Hayek, F. A. 1937. "Economics and Knowledge." *Economica*, 4(13): 33–54.
- Hayek, F. A. 1944. *The Road to Serfdom*. Chicago: University of Chicago Press.
- Hayek, F. A. 1948. *Individualism and Economic Order*. Chicago: University of Chicago Press.
- Hayek, F. A. 1952. *The Counter-Revolution of Science*. Glencoe: Free Press.
- Hayek, F. A. 1960. *The Constitution of Liberty*. Chicago: University of Chicago Press.

- Hayek, F. A. 1973. *Law, Legislation, and Liberty, Vol. 1: Rules and Order*. Chicago: University of Chicago Press.
- Hayek, F. A. 1976. *Law, Legislation, and Liberty, Vol. 2: The Mirage of Social Justice*. Chicago: University of Chicago Press.
- Hayek, F. A. 1979. *Law, Legislation, and Liberty, Vol. 3: The Political Order of a Free People*. Chicago: University of Chicago Press.
- Kirzner, Israel M. 1988. “The Economic Calculation Debate: Lessons for Austrians.” *Review of Austrian Economics*, 2(1): 1–18.
- Robbins, Lionel. 1947. *The Economic Problem in Peace and War*. London: Macmillan.
- Shapiro, David L. 2001. “Hayek’s Slippery Slope: Is There a Third Way?” *Journal of Private Enterprise*, 16(2): 16–29.
- Shliefer, Andrei. 2009. “The Age of Milton Friedman.” *Journal of Economic Literature*, 47(1): 123–35.
- Smith, Vernon. 2003. “Constructivist and Ecological Rationality in Economics.” *American Economic Review*, 93(3): 465–508.
- Tanzi, Vito. 2011. *Government versus Markets: The Changing Economic Role of the State*. New York: Cambridge University Press.
- Wagner, Richard E. 2012. *Deficits, Debt, and Democracy: Wrestling with Tragedy on the Fiscal Commons*. Northampton, MA: Edward Elgar.
- Witt, Ulrich. 1992. “The Endogenous Public Choice Theorist.” *Public Choice*, 73(1): 117–29.