

Hayek, Brookes, and the Fatal Conceit of Socialism

President's Message



In the past few months we have lost two of the great champions of a free society and the market-liberal vision. In December the brilliant economic and investigative journalist Warren Brookes passed away suddenly. In March the author of the classic book *The Road to Serfdom*, Nobel laureate in economics F. A. Hayek, died after an extended illness.

Both of those remarkable men had close ties to the Cato Institute. Hayek was the intellectual godfather of many of the policy staff here, and years ago he graciously accepted the honorary affiliation of Distinguished Senior Fellow. Brookes often wrote about Cato studies, had spoken at two of our Benefactor Summits, and was planning to write a book for us on environmental issues at the time of his death.

The magnitude of the loss we have suffered cannot be overstated, of course; indeed it is being underscored by the misguided policies being offered by all the major candidates for president in this election year. Each suffers from what Hayek termed the "fatal conceit"—the idea that smart planners in government can somehow coercively structure societal arrangements so as to optimize our well-being. The principles of strictly limited government and individual liberty have not been foremost on the minds of any of this year's crop of presidential aspirants.

The problem, as Brookes would have put it, is that the politicians have an essentially materialistic view of the world. At lunch just a week before his untimely demise, Warren said to me with his trademark twinkle in the eye and schoolboy enthusiasm, "You know, the bottom line is that statism is materialistic and liberty [or the market-liberal perspective] is fundamentally spiritual."

Brookes once authored a book, *The Economy in Mind*, the title of which was intended to drive home the non-materialistic nature of economic progress. "After all," he wrote a couple of years ago, "economic activity is about adding value. But in its essence, value is spiritual, the expression of qualities of thought: self-discipline, order, self-respect, honesty, integrity, respect for others. Societies with strong spiritual values tend to generate economic value and expand. Societies with too-materialistic values ultimately fall in disrepair and decay."

And Hayek wrote in *The Constitution of Liberty* that "the growth of knowledge is of such special importance because, while the material resources will always remain scarce . . . , the uses of new knowledge are unrestricted. . . . It is through this free gift of the knowledge acquired by the experiments of some members of society that general progress is made possible."

Hayek and Brookes knew that the statist, the socialist, the redistributionists never understand the subjective nature of economic progress. They think of wealth as material, when in fact it is intellectual. They view capital as a physical phenomenon rather than an intellectual one. In their view, for instance, the Third World lacks capital, so money must be physically ripped off from the developed world and delivered to the Third World if there is to be any hope.

But the Third World doesn't lack capital at all. It lacks something spiritual, in Warren's sense of the word. It lacks the *idea* of private property, the *idea* of the sanctity of contract, the *idea* of the right to make a profit. Instill those ideas and—presto!—the Third World is awash in capital.

The redistributionists see the material wealth of some and want to forcibly give it to others, not recognizing that in doing so they will eventually make everyone worse off, in particular the poor. The socialists see a capitalist television factory operate and attempt to copy it, not recognizing all the subtle incentives, contractual relations, and *non-materialistic* elements that are really what make it work. Then they wonder why their TV sets explode.

The irony, of which Hayek and Brookes were keenly aware, is that statism fails to deliver material progress precisely because materialism is what statism myopically focuses on. Liberty, on the other hand, does deliver material prosperity, precisely because it pays no attention to material things at all: it focuses on the idea of human freedom. In a free society resources are directed by the individual, subjective values of millions of people. In a statist society resources are directed by bureaucrats who invariably suffer the Hayekian "fatal conceit."

The idea of human freedom literally transcends what those with a governmental mentality perceive as inherent material limitations facing society. Twenty years ago the statist were predicting \$200 a barrel for oil, but the freedom of entrepreneurs to find ways to increase energy efficiency has meant that oil is cheaper today in real terms than ever before.

You may be aware of the bet that Julian Simon, a Cato adjunct scholar, made with the noted environmentalist Paul Ehrlich about whether a list of commodities would cost more or less in real terms over a five-year period. Ehrlich, who looks at the world through the statist paradigm, assumed he had a sure thing. How could scarce resources not go up in price over time? Simon, who understands the idea and dynamic of human freedom, won the bet.

It's easy to get discouraged as we listen to calls for industrial policies, protectionism, income redistribution, and various other reflections of the materialist/statist worldview coming from the major presidential candidates. We should take comfort in the fact that the ideas of F. A. Hayek and Warren Brookes will be around long after the sorry presidential campaign of 1992 is gone and forgotten.

Ed Crane

—Edward H. Crane