



SOCIAL JUSTICE
SOCIALISM
& DEMOCRACY

3 AUSTRALIAN LECTURES
BY F. A. HAYEK

CENTRE FOR INDEPENDENT STUDIES

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Social Justice, Socialism & Democracy

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Social Justice, Socialism & Democracy

Three Australian Lectures by

F.A. HAYEK.



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Preface

In his charming introduction to *Australia* (1930), Sir Keith Hancock tells how the newly-founded Federal Parliament was expected to make "those experiments which were to demonstrate to the world the possibility of social justice" His book also records that "Australians have always disliked scientific economics and (still more) scientific economists"

This seems to show that Australian economists have done their duty and performed the greatest service economists can render to the public. This is to question public beliefs which to them seem to be delusions, warning against measures and procedures which they have reason to think will fall short of what they are meant to achieve, and may often produce opposite results.

One hopes the visitor will receive the same measure of tolerance if he directs his critique to ideals which seem prevalent in their country. In fact, the topics chosen for these lectures, which may appear to be aimed at Australian problems, are entirely the result of my long concern with similar phenomena in other parts of the Free World. These lectures were prepared in almost complete ignorance of their direct applicability to the Australian scene, but as the best contribution I felt able to make to questions which might in the Antipodes be equally insistent.

After a most instructive and enjoyable visit to Australia, I leave these lectures behind for publication — with increased trust in the tolerance of Australians, and increased confidence that they will find them relevant. My profound gratitude is expressed to Mr. Roger Randerson, who effectively arranged and organised the visit; was guide philosopher and friend to Mrs. Hayek and myself; and finally crowned his efforts by editing these lectures and seeing them through the press.

Sydney, November 1976

F.A. Hayek



The Atavism of Social Justice*

I

To discover the meaning of what is called "social justice" has been one of my chief pre-occupations for more than 10 years. I have failed in this endeavour — or, rather, have reached the conclusion that, with reference to a society of free men, the phrase has no meaning whatever. The search for the reason why the word has nevertheless for something like a century dominated political discussion, and has everywhere been successfully used to advance claims of particular groups for a larger share in the good things of life, remains however a very interesting one. It is this question with which I shall here chiefly concern myself.

But I must at first briefly explain, as I attempt to demonstrate at length in Volume 2 of my *Law, Legislation and Liberty*, why I have come to regard "social justice" as nothing more than an empty formula, conventionally used to assert that a particular claim is justified without giving any reason. Indeed that volume, sub-titled *The Mirage of Social Justice* is mainly intended to convince intellectuals that the concept of "social justice", which they are so fond of using, is intellectually disreputable.

Some, of course, have already tumbled to this; but with the unfortunate result that, since "social" justice is the only kind of justice they have ever thought of, they have been led to the false conclusion that all uses of the term "justice" have no meaningful content. I have therefore been impelled to show in the same book that rules of just individual conduct are as indispensable to the preservation of a peaceful society

* The 9th R.C. Mills Memorial Lecture delivered at the University of Sydney, on October 6, 1976.

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of free men as endeavours to realise "social" justice are in compatible with it.

The term "social justice" is today generally used as a synonym of what used to be called "distributive justice". The latter term perhaps gives a somewhat better idea of what is intended to be meant by it, and at the same time shows why it can have no application to the results of a market order. There can be no distributive justice where no one distributes. Justice has meaning only as a rule of human conduct, and no conceivable rules for the conduct of individual persons supplying each other with goods and services in a market order would produce a distribution which could be meaningfully described as just or unjust. Individuals might conduct themselves as justly as possible, but as the results for separate persons would be neither intended nor foreseeable by others, the resulting state of affairs could neither be called just nor unjust.

The complete emptiness of the phrase "social justice" shows itself in the fact that no agreement exists about what social justice requires in particular instances; also that there is no known test by which to decide who is right if people differ; and that no preconceived scheme of distribution could be effectively devised in a society whose members are free, in the sense of being allowed to use their own knowledge for their own purposes. Indeed, individual moral responsibility for one's actions is incompatible with the realisation of any such desired overall pattern of distribution.

A little inquiry shows that, though a great many people are dissatisfied with the existing pattern of distribution, none of them has really any clear idea of what pattern he would regard as just. All that we find are intuitive assessments of individual cases as unjust. No one has yet found even a single general rule from which we could derive what is "socially just" in all particular instances that would fall under it — except the rule of "equal pay for equal work". Free competition, precluding all the regard for merit or need and the like, on which demands for social justice are based, tends to enforce the equal pay rule.

II

The reason why most people continue firmly to believe in "social justice", even after discovering they do not really know what the phrase means, is that they think there must be something in the phrase, if almost everyone else believes in it. The ground for this almost universal acceptance of a belief, the significance of which people do not understand, is that we have all inherited from an earlier different type of society, in which man existed very much longer than in the present one, some now deeply ingrained instincts which are inapplicable to our present civilisation. In fact, man emerged from primitive society when in certain conditions increasing numbers succeeded, by disregarding those very principles which had held the old groups together.

We must not forget that before the last 10,000 years, during which man has developed agriculture, towns and ultimately the "Great Society", he existed for at least a hundred times as long in small food-sharing hunting bands of 50 or so, with a strict order of dominance within the defended common territory of the band. The needs of this ancient primitive kind of society determined much of the moral feelings which still govern us, and which we approve in others. It was a grouping in which, at least for all males, the common pursuit of a perceived physical common object under the direction of the alpha male was as much a condition of its continued existence as the assignment of different shares in the prey to the different members according to their importance for the survival of the band. It is more than probable that many of the moral feelings then acquired have not merely been culturally transmitted by teaching or imitation, but have become innate or genetically determined.

But not all that is natural to us in this sense is therefore necessarily, in different circumstances, good or beneficial for the propagation of the species. In its primitive form the little band indeed did possess what is still attractive to so many people: a unitary purpose, or a common hierarchy of ends, and a deliberate sharing of means according to a common view of individual merits. These foundations of its coherence, however, also imposed limits on the possible development of

this form of society. The events to which the group could adapt itself, and the opportunities it could take advantage of, were only those of which its members were directly aware. Even worse, the individual member of the group could do little of which others did not approve.

It is a delusion to think of the individual in primitive society as free. There was no natural liberty for a social animal. Freedom is an artifact of civilisation. An individual person had in the group no recognised domain of independent action; even the head of the band could expect obedience, support and understanding of his signals only if they were for conventional activities. So long as each must serve that common order of rank for all needs, which present-day socialists dream of, there can be no free experimentation by the individual.

III

The great advance which made possible the development of civilisation and ultimately of the Open Society was the gradual substitution of abstract rules of conduct for specific obligatory ends — and with it the playing of a game for acting in concert by following common indicators, by which a spontaneous order was self-generated. The great gain attained by this was that it made possible a procedure through which all relevant information widely dispersed was continuously made available to ever-increasing numbers of men in the form of the symbols which we call market prices. But it also meant that the incidence of the results on different persons and groups no longer satisfied the age-old instincts.

It has been suggested more than once that the theory explaining the working of the market be called *catallactics* from the classical Greek word for bartering or exchanging — *katalattein*. I have fallen somewhat in love with this word since discovering that in ancient Greek, in addition to "exchanging", it also meant "to admit into the community" and "to change from enemy into friend". I have therefore proposed that we call the game of the market, by which we can induce the stranger to welcome and serve us, the "*game of catallaxy*".

The market process indeed corresponds fully to the definition of a game which we find in *The Oxford English Dictionary*. It is "a contest played according to rules and decided by superior skill, strength or good fortune". It is in this respect both a game of skill as well as a game of chance. Above all, *it is a game which serves to elicit from each player the highest worthwhile contribution to the common pool from which each will win an uncertain share.*

The game was probably started by men who had left the shelter and obligations of their own tribe to gain from serving the needs of others they did not know personally. When the early neolithic traders took boat-loads of flint axes from Britain across the Channel to barter them against amber and probably also, even then, jars of wine, their aim was no longer to serve the needs of known people, but to make the largest gain. Precisely because they were interested only in who would offer the best price for their products, they reached persons completely unknown to them, whose standard of life they thereby enhanced much more than they could have that of their neighbours by handing the axes to those who no doubt could also have made good use of them.

IV

As the abstract signal-price thus took the place of the needs of known fellows as the goal towards which men's efforts were directed, entirely new possibilities for the utilisation of resources opened up — but this also required entirely different moral attitudes to encourage their exploitation. The change occurred largely at the new urban centres of trade and handicrafts, which grew up at ports or at the cross-roads of trade routes, where men who had escaped from the discipline of tribal morals established commercial communities and gradually developed the new rules of the game of catallaxy.

The necessity to be brief forces me here somewhat to over-simplify and to employ familiar terms where they are not quite appropriate. When I pass from the morals of the hunting-band in which man spent most of his history, to the morals which made possible the market order of the open society, I am jumping over a long intermediate stage, much

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shorter than man's life in the small band, but still of much greater length than the urban and commercial society has enjoyed yet, and important because from it date those codifications of ethics which became embodied in the teaching of the mono-theistic religions.

It is the period of man's life in tribal society. In many ways it represents a transitional stage between the concrete order of the primitive face-to-face society, in which all the members knew each other and served common particular ends, and the open and abstract society, in which an order results from individuals observing the same abstract rules of the game, while using their own knowledge in the pursuit of their own ends.

While our emotions are still governed by the instincts appropriate to the success of the small hunting band, our verbal tradition is dominated by duties to the "neighbour", the fellow-member of the tribe, and still regarding the alien largely as beyond the pale of moral obligation.

In a society in which individual aims were necessarily different, based on specialised knowledge, and efforts came to be directed towards future exchange of products with yet unknown partners, common rules of conduct increasingly took the place of particular common ends as the foundations of social order and peace. The inter-action of individuals became a game, because what was required from each individual was observance of the rules, not concern for a particular result, other than to win support for himself and his family. The rules which gradually developed, because they made this game most effective, were essentially those of the law of property and contract. These rules in turn made possible the progressive division of labour, and that mutual adjustment of independent efforts, which a functioning division of labour demands.

V

The full significance of this division of labour is often not appreciated, because most people think of it — partly because of the classical illustration given by Adam Smith — as a designed intra-mural arrangement in which different in-

dividuals contribute the successive steps in a planned process for shaping certain products. In fact, however, *co-ordination by the market of the endeavours of different enterprises* in supplying the raw materials, tools and semi-finished products which the turning out of the final commodity requires, is probably much more important than the organised collaboration of numerous specialist workers.

It is in a great measure this inter-firm division of labour, or specialisation, on which the achievement of the competitive market depends, and which that market makes possible. Prices the producer finds on the market at once tell him what to produce and what means to use in producing it. From such market signals he knows that he can expect to sell at prices covering his outlays, and that he will not use up more resources than are necessary for the purpose. His selfish striving for gain makes him do, and enables him to do, precisely what he ought to do in order to improve the chances of any member of his society, taken at random, as much as possible — *but only if* the prices he can get are determined solely by market forces, and not by the coercive powers of government. Only prices determined on the free market will bring it about that demand equals supply. Not only this. Free market prices also ensure that all of a society's dispersed knowledge will be taken into account and used.

The game of the market led to the growth and prosperity of communities who played it, because it improved the chances for all. This was made possible because remuneration for the services of individual persons depended on objective facts, all of which no one could know, and not on someone's opinions about what they ought to have. But it also meant that, while skill and industry would improve each individual's chances, they could not guarantee him a specified income; and that the impersonal process which used all that dispersed knowledge set the signals of prices so as to tell people *what to do*, but without regard to needs or merits.

Yet the ordering and productivity-enhancing function of prices, and particularly the prices of services, depends on their informing people where they will find their most effective place in the overall pattern of activities — the place in which they are likely to make the greatest contribution to ag-

gregate output. If, therefore, we regard *that* rule of remuneration as just which contributes as much as possible to increasing the chances of any member of the community picked out at random, we ought to regard the remunerations determined by a free market as the just ones.

VI

However, they are inevitably very different from the relative remunerations which assisted the organisation of the different type of society in which our species lived so much longer, and which therefore still governs the feelings that guide us. This point has become exceedingly important since prices ceased to be accepted as due to unknown circumstances, and governments came to believe they could determine prices with beneficial effects.

When governments started to falsify the market-price signals, whose appropriateness they had no means of judging (governments as little as anyone else possessing all information precipitated in prices), in the hope of thereby giving benefits to groups claimed to be particularly deserving, things inevitably started to go wrong. Not only the efficient use of resources, but, what is worse, also the prospects of being able to buy or sell as expected — through demand equalling supply — were thereby greatly diminished.

It may be difficult to understand, but I believe there can be no doubt about it, that we are led to utilise more relevant information when our remuneration is made to depend indirectly on circumstances we do not know. It is thus that, in the language of modern cybernetics, the feed-back mechanism secures the maintenance of a self-generating order. It was this which already Adam Smith saw and described as the operation of the "invisible hand" — to be ridiculed for 200 years by uncomprehending scoffers. It is indeed *because* the game of catallaxy disregards human conceptions of what is due to each, and rewards according to success in playing the game under the same formal rules, that it produces a more efficient allocation of resources than any design could achieve.

I feel that in any game that is played because it improves

the prospects of all beyond those which we know how to provide by any other arrangements, the results must be accepted as fair, so long as all obey the same rules, and no one cheats. If they accept their winnings from the game, it is cheating for individuals or groups to invoke the powers of government to divert the flow of good things in their favour — whatever we may do outside this game of the market to provide a decent minimum for those for whom the game does not supply it.

It is not a valid objection to such a game, the outcome of which depends partly on skill and particular individual circumstances and partly on pure chance, that the initial prospects for different individuals, although they are all improved by playing that game, are very far from being the same.

The answer to such an objection is precisely that one of the purposes of the game is to make the full possible use of the inevitably different skills, knowledge and environment of different persons. Among the greatest assets which a society can use in this manner for increasing the pool from which individual earnings are drawn, are the different moral, intellectual and material gifts parents can pass on to their children — and often will acquire, create or preserve only in order to be able to pass them on to their children.

VII

The result of this game of catallaxy, therefore, will necessarily be that many have much more than their fellows think they deserve, and even more will have much less than their fellows think they ought to have. It is not surprising that many people should wish to correct this by some authoritarian act of re-distribution. The trouble is that the aggregate product which they think is available for distribution exists only *because* returns for the different efforts are held out by the market with little regard to deserts or needs, and are required to attract the owners of particular information, material means and personal skills to the points where at each moment they can make the greatest contribution. Those who prefer the quiet of an assured contractual income to the necessity of taking risks to exploit ever-changing opportunities feel at a disadvantage compared with possessors of

large incomes which result from continual re-disposition of resources.

High actual gains of the successful ones, whether this success is deserved or accidental, are an essential element for guiding resources to where they will make the largest contribution to the pool from which all draw their shares. We should not have as much to share if *that* income of an individual were not treated as *just*, the prospects of which induced him to make the largest contribution to the pool. Incredibly high incomes may thus sometimes be just. What is even more important, scope for achieving such incomes may be the necessary condition for the less enterprising, lucky, or clever to get the regular income on which they count.

The inequality that so many people resent, however, has not only been the underlying condition for producing the relatively high incomes which most people in the West now enjoy. Some people seem to believe that a lowering of this general level of incomes — or at least a slowing down of its rate of increase — would not be too high a price for what they feel would be a juster distribution.

There is an even greater obstacle to such ambitions today. As a result of playing the game of catallaxy, which pays so little attention to imagined "social" justice but does so much to increase output, the population of the world has been able to increase so much, without the real incomes of most of the people increasing very much. We can maintain it and the further increases in population which are irrevocably on the way, only if we make the fullest possible use of that game which elicits the highest contributions to productivity.

VIII

If people in general do not appreciate what they owe to catallaxy and how far they are even dependent on it for their very existence, and if they often bitterly resent what they regard as its injustice, this is so because they have never designed it, and therefore do not understand it. The game rests on a method of providing benefits for others in which the individual will accomplish most if, within the conven-

tional rules, he pursues solely his own interests — which need not be selfish in the ordinary sense of the word, but are in any case his own.

The moral attitude which this order demands not only of the entrepreneur but of all those, curiously called "self-employed", who have constantly to choose the directions of their efforts if they are to confer the greatest benefit on their fellows, is that they compete honestly according to the rules of the game, guided only by the abstract signals of prices and giving no preferences because of their sympathies or views on the merits or needs of those with whom they deal. It would mean not merely a personal loss, but a failure in their duty to the public, to employ a less efficient instead of a more efficient person, to spare an incompetent competitor, or to favour particular users of their products.

The gradually spreading new liberal morals, which the Open or Great Society demanded, required above all that the same rules of conduct should apply to one's relationship to all other members of society — except for natural ties to the members of one's family. This extension of old moral rules to wider circles most people, and particularly the intellectuals, welcome as moral progress. But they apparently did not realise, and violently resented when they discovered it, that the equality of rules applicable to one's relationship to all other men necessarily implied not only that new obligations were extended to people who formerly had no such claims, but also that old obligations which were recognised to some people, but could not be extended to all others, had to disappear.

It was this unavoidable attenuation of the content of our obligations, which necessarily accompanied their extension, that people with strongly ingrained moral emotions resented. Yet these are kinds of obligations which are essential to the cohesion of the small group, but which are irreconcilable with the order, the productivity, and the peace of a great society of free men. They are all those demands which under the name of "social justice" assert a moral claim on government that it gives us what it can take by force from those who in the game of catallaxy have been more successful than we have been. Such an artificial alteration of the relative attractiveness of

the different directions of productive efforts can only be counter-productive.

If expected remunerations no longer tell people where their endeavours will make the greatest contribution to the total product, an efficient use of resources becomes impossible. Where size of the social product, and no longer their contributions to it, gives individuals and groups a moral claim to a certain share of that product, the claims of those who really deserve to be described as "free riders" become an unbearable drag on the economic system.

IX

I am told there are still communities in Africa in which able young men, anxious to adopt modern commercial methods, find it impossible thereby to improve their position, because tribal customs demand that they share the products of their greater industry, skill or luck with all their kin. An increased income of such a man would merely mean that he had to share it with an ever-increasing number of claimants. He can, therefore, never rise substantially above the average level of his tribe.

Similarly, the chief adverse effect of so-called "social justice" measures in our society is that they prevent individuals from achieving what they could achieve — through the means for further investment being taken from them. It is also, the application of an incongruous principle to a civilisation whose productivity is high *because* incomes are very unequal, and thereby the use of scarce resources is directed and limited to where they bring the highest return. Thanks to this unequal distribution, the poor get in a competitive market economy more than they would get in a centrally-directed system.

All this is the outcome of the — as yet merely imperfect — victory of the obligatory abstract rule of individual conduct over the common particular end as the method of social co-ordination — the development which has made both the Open Society and individual freedom possible, but which the socialists now want to reverse. Socialists have the support of inherited instincts, while maintenance of the comparatively

recent wealth which creates the new ambitions requires an acquired discipline which the non-domesticated barbarians in our midst, who call themselves "alienated", refuse to accept although they still claim all its benefits.

X

Let me before I conclude briefly meet an objection that is bound to be raised because it rests on a very widespread misunderstanding. My argument that in an evolving process of cultural selection we have built better than we understood, and that what we call our intelligence has been shaped concurrently with our institutions by a process of trial and error, is certain to be met by an outcry of "social Darwinism". But such a cheap way of disposing of my argument by labelling it would rest on an error.

It is true that during the latter part of the last century some social scientists, under the influence of Darwin, placed an excessive stress on the importance of natural selection of the most able individuals in free competition. I do not wish to under-rate the importance of this, but it is not the main benefit we derive from competitive selection. This is the competitive selection of cultural institutions.

For the discovery of this we did not need Darwin, since the growing understanding of it in fields like law and language tended to help Darwin to his biological theories. The problem under consideration is not genetic evolution of innate qualities, but cultural evolution through learning, which indeed leads sometimes to conflicts with near-animal natural instincts.

Nevertheless, it is still true that civilisation grew — not by the prevailing of that which man thought would be most successful — but by the growth of that which turned out to be so; and which, precisely because he did not understand it, led man beyond what he could ever have conceived.

Socialism and Science*

I

Socialism is related to Science in various ways. Probably the least interesting relation today is that from which Marxism lays claim to the name of "scientific socialism"; and according to which by an inner necessity, and without men doing anything about it, capitalism develops into socialism. This may still impress some novices, but it is hardly any longer taken seriously by competent thinkers in either camp. Socialists certainly do not act as if they believed that the transition from capitalism to socialism will be brought about by an ineluctable law of social evolution. Few people now believe in the existence of any "historical laws"

Experience has certainly refuted the predictions Marx made concerning the particular developments of capitalism.

There is, secondly, the undeniable propensity of minds trained in the physical sciences, as well as of engineers, to prefer a deliberately-created orderly arrangement to the results of spontaneous growth — an influential and common attitude, which frequently attracts intellectuals to socialist schemes. This is a widespread and important phenomenon, which has had a profound effect on the development of political thought. However, I have already on several occasions discussed the significance of these attitudes, calling them "scientism" and "constructivism" respectively, so that it is unnecessary to revert to these questions.

II

What I want to examine today is rather the peculiar manner

* A lecture delivered to the Canberra branch of the Economic Society of Australia and New Zealand on October 19, 1976.

in which most socialists attempt to shield their doctrines against scientific criticism, by claiming that their differences from opponents are of a nature which precludes scientific refutation. Indeed, they frequently succeed in conveying the impression that any use of science to criticise socialist proposals is *ipso facto* proof of political prejudice, because the differences are wholly based on different value judgements, which the rules of scientific procedure prohibit, so that it is even indecent to introduce them into scientific discussions.

Two experiences have long made me impatient with these contentions. One is that not only I, but I believe the majority of my contemporary libertarian fellow-economists, were originally led to economics by the more or less strong socialist beliefs — or at least dissatisfaction with existing society — which we felt in our youth, before the study of economics turned us into radical anti-socialists. The other experience is that my concrete differences with socialist fellow-economists on particular issues of social policy turn inevitably, not on different value judgements, but on differences as to the effects particular measures will have.

It is true that in such discussions we frequently end up with differences about the probable magnitude of certain effects of the alternative policies. With regard to this, both parties must often honestly admit that they have no conclusive proof. Perhaps I also ought to admit that my conviction that ordinary common-sense clearly supports my position is often matched by an equally strong conviction of my opponents that ordinary common-sense supports theirs.

III

Yet, when we survey the history of the results of the application of scientific analysis to socialist proposals, it seems abundantly clear that it has been shown that the methods advocated by socialists can never achieve what they promise. Also that the different values they hope or claim to serve cannot by *any* possible procedure be all realised at the same time, because they are mutually contradictory.

I will begin by considering the second of these questions which, in the present state of the discussion, appears to be the

more interesting one — chiefly because it makes it necessary to clear up certain prevailing confusions concerning the inadmissibility of value judgements in scientific discussions. These are often used to represent scientific arguments against socialism as illegitimate or scientifically-suspect. Such an examination raises important and interesting questions as to the possibility of the scientific treatment of moral beliefs, which have been unduly neglected.

Economists, whose daily bread is the analysis of those conflicts of value which all economic activity has constantly to solve, have fought shy of frankly and systematically facing the task. It is as if they feared to soil their scientific purity by going beyond questions of cause and effect and *critically* evaluating the desirability of certain popular measures. They usually maintain that they can merely "postulate" values without examining their validity. (So long as measures for the benefit of some supposedly "under-privileged" group are tacitly assumed to be good, such limitations are, however, usually not mentioned.)

It is indeed necessary in this connection to be very careful, and even pedantic, with regard to the expressions one chooses, because there exists a real danger of inadvertently slipping value judgements in an illegitimate manner into a scientific discussion. Also because those defending their socialist ideals are now mostly trained to use "freedom from value judgements" as a sort of paradoxical defence mechanism for their creed, and are constantly on the alert to catch their critics out in any incautious formulations.

What play has not been made with occasional passages in the work of the greatest scientific critic of socialism, Ludwig von Mises, in which he described socialism as "impossible". Mises obviously meant that the proposed methods of socialism could not achieve what they were supposed to do. We can, of course, try any course of action, but what is questioned is whether such a course of action will produce the effects claimed to follow from it. This undoubtedly *is* a scientific question.

IV

So let me for a moment be pedantic and try to state precisely

the kinds of value judgements which are admissible in a scientific discussion, and the kinds that are not. Our starting-point must be the logical truism that from premises containing *only* statements about cause and effect, we can derive no conclusions about what *ought* to be. No consequences whatever for action follow from such a statement, so long as we do not know (or agree) which consequences are desirable and which are undesirable.

But once we include among our accepted premises *any* statement about the importance or harmfulness of different ends or consequences of action, all manner of different norms of action can be derived from it. Meaningful discussion about public affairs is clearly possible only with persons with whom we share at least some values. I doubt if we could even fully understand what someone says if we had no values whatever in common with him. This means, however, that in practically any discussion it will be in principle possible to show that some of the policies one person advocates are inconsistent or irreconcilable with some other beliefs he holds.

This brings me to a fundamental difference in the general attitude to moral problems, which seems to be characteristic of the now common political positions. The conservative is generally happy to cling to his belief in absolute values. While I envy him, I cannot share his beliefs. It is the fate of the economist continually to encounter true conflicts of value; indeed, to analyse the manner in which such conflicts can be resolved is his professional task.

The conflicts I have in mind here are not so much the obvious conflicts between the values held by different persons, or the gaps between their individual system of values, as the conflicts and gaps within the system of values of any one person. However much we dislike it, we are again and again forced to recognise that there are no truly absolute values whatever. Not even human life itself. This again and again we are prepared to sacrifice, and must sacrifice, for some other higher values, even if it be only one life to save a large number of other lives.

(I cannot here consider the interesting point that, although we may never feel entitled to sacrifice a particular known human life, we constantly take decisions which we

know will cause the death of some unknown person.)

But the libertarians or true liberals — not those pink socialists who, as Josef Schumpeter said, “as a supreme but unintended compliment . . . have thought it wise to appropriate this label” — do not fall into the opposite extreme of believing, like the socialists, that they can hedonistically construct some other new system of morals which they like, because they think that it will most increase human happiness, but who in fact merely hark back to the primitive instincts inherited from the tribal society. Though the liberal must claim the right critically to examine every single value or moral rule of his society, he knows that he can and must do this while accepting as given for that purpose most of the other moral values of his society, and examine the one about which he has doubts in terms of its compatibility with the rest of the dominant system of values.

Our moral task must indeed be a constant struggle to resolve moral conflicts, or to fill gaps in our moral code — a responsibility we can discharge only if we learn to understand that order of peace and mutually-adjusted efforts, which is the ultimate value that our moral conduct enhances. Our moral rules must be constantly tested against and if necessary adjusted to each other, in order to eliminate direct conflicts between the different rules, and also so as to make them serve the same functioning order of human actions.

V

Moral tasks are individual tasks, and moral advance by some groups results from their members adopting rules which are more conducive to the preservation and welfare of the group. Moral progress demands the possibility of individual experimentation. In particular, such progress requires that within a limited frame-work of compulsory abstract rules the individual is free to use his own knowledge for his own purposes. The growth of what we call civilisation is due to this principle of a person's responsibility for his own actions and their consequences, and the freedom to pursue his own ends without having to obey the leader of the band to which he belongs.

It is true that our moral beliefs are still somewhat schizophrenic, as I tried to show on an earlier occasion, divided between instincts inherited from the primitive band, and the rules of just conduct which have made the Open Society possible. The morality of individual responsibility of the able adult for the welfare of himself and his family is still the basis for most moral judgements of action. Thus it is the indispensable frame-work for the peaceful working of any complex society.

Call it science or not, no objective analysis of those basic beliefs on which our existing morals rest, and without the acceptance of which any communication on moral issues becomes impossible — namely, recognition of the responsibility of the individual and of the general grounds on which we esteem the actions of others — can leave any doubt that they are irreconcilable with the socialist demand for a forcible re-distribution of incomes by authority.

Such an assignment of a particular share according to the views of some authority as to the merits or needs of the different persons is immoral. Not simply because I say so, but because it is in conflict with certain basic moral values which those who advocate it also share. The mere fact that commonly accepted ethics has no generally recognised solutions to the conflicts of values which undeniably arise in this sphere is, of course, of the greatest significance for the political problems which arise here, and for the moral evaluation of the use of coercion in enforcing any particular solution.

VI

That collectivist economic planning, which used earlier to be thought to require the nationalisation of the means of "production distribution and exchange", leads inevitably to totalitarian tyranny has come to be fairly generally recognised in the West since I analysed the process in some detail in *The Road to Serfdom* more than forty years ago.

I do not know if it was partly for this reason, or because socialists increasingly recognised the incurable economic inefficiency of central planning (about which I shall have to say a few words later) or whether they simply discovered that re-

distribution through taxation and aimed financial benefits was an easier and quicker method of achieving their aims. In any event, socialist parties in the West have almost all for the time being abandoned the most obviously dangerous demands for a centrally planned economy.

Left-wing doctrinaires in some countries, and the communist parties, still press for it, and may of course sooner or later gain power. But the supposedly moderate leaders, who at present guide most of the socialist parties of the free world, claim — or have it claimed by the media on their behalf — that as good democrats they can be trusted to prevent any such developments.

But can they? I do not mean to question their good faith. Nevertheless, I greatly doubt their capacity to combine their aim of a thorough governmental re-distribution of wealth with the preservation, in the long run, of a modicum of personal freedom, even if they succeed in preserving the forms of democracy. It is true that the substitution of cold socialism has much slowed down the process which I had predicted hot socialism would bring about. But can it lastingly avoid the same effects? There are strong reasons for doubting that cold socialism can avoid them.

Governments, to be successful, would at the same time have to preserve functioning markets, on which depends the possibility of competition so determining prices of all products and factors of production in such a way as to serve as reliable guides to production, *and also somehow* so to influence at least the prices of labour (obviously including those of the farmer and other "self-employed") as to satisfy demands for just or equitable remuneration. To satisfy both of these requirements in full is entirely impossible.

Governments can aim at best at some kind of compromise, and refrain from many interventions in the market which would be necessary if they were even approximately to satisfy the most pressing demands. But Governments bowing to the inevitabilities of the market, after commencing to manipulate the results of the market to favour some groups, would clearly be embarking on a political impossibility. Once claims for interference with the market in favour of particular groups have come to be frequently recognised, a

democratic Government cannot refuse to comply with similar demands of any groups, on whose votes it depends.

Though the process may be slow and gradual, a Government which begins to control prices to secure popular conceptions of justice is bound to be driven step by step towards the control of all prices; and, since this must destroy the functioning of the market, to a central direction of the economy. Even if governments try not to use such central planning as an instrument, if they persist in the endeavour to create a just distribution they will be driven to use central direction as the only instrument by which it is possible to determine the overall distribution of remunerations (without thereby making it just) — and thus be driven to establish an essentially totalitarian system.

VII

It took a long time to convince socialists that central planning is inefficient. Practical men were probably convinced not by argument, but only by the warning example of the Russian system. Contemporary theoreticians, however, retreated only slowly from the position laid down by the founders of Marxism, and generally maintained by their leading theoreticians until 50 years ago. Somehow, however, they nevertheless managed, as they gave up successive positions and attempted new solutions of the problem, to convey the impression that they had victoriously beaten off the onslaughts of hostile critics.

The founders of socialism, including Marx and Engels, did not even understand that any central direction of the machinery of production owned by society required, if resources were to be effectively used, calculations in terms of value. As Friedrich Engels put it, the social plan of production "will be settled very simply without the intervention of the famous value". Even when discussion of the problem was seriously started, immediately after World War I, it was caused by the social science expert among the Vienna school of logical positivists claiming that all calculations of the efficiency of social production could be carried out *in natura*, — that is, without relying on any variable rates of conversion

between the different physical units used. It was against this position that Ludwig von Mises and some of his contemporaries (including Max Weber) developed the first decisive critique of the socialist position.

The crucial point here which, it must be admitted, even the leading classical economists down to John Stuart Mill did not fully understand, is the universal significance of changing rates of substitution between different commodities.

This simple insight, which helped us at last to understand the role of the differences and variability of the prices of different commodities, began slowly to develop with the recognition — I will not say the discovery, since of course every simple peasant knew the facts if not their theoretical significance — of decreasing returns from successive applications of labour and capital to land.

It was found next to govern, under the name of decreasing marginal utility, the rates of marginal substitution between different consumers' goods. And it was finally discovered to be the universal relation prevailing between all useful resources, determining at once if they are economically the same or different, and if they are scarce or not.

Only when it was understood that changing supplies of the different factors of production (or means of satisfaction) determine their variable marginal rates of substitution, was the essentiality of known rates of equivalence (or rates of marginal substitution) for any efficient calculation fully understood.

Only when it was at last seen that through market prices this rate of equivalence in all their different uses, mostly known only to a few of the many persons who would like to use them, could be made equal to the rates at which any pair of commodities could be substituted in any of their countless uses, was the indispensable function of prices in a complex economy fully understood.

Variable "marginal rates of substitution" for different commodities, to which I have previously referred, naturally mean their temporary rates of equivalence determined by the situation at the moment, and at which these things must be substitutable at the margin in all their possible uses — if we are to get their full capacity out of them.

It was both — the understanding of the function of changing rates of equivalence between physically-defined objects as the basis of calculation, and the communication function of prices which combined into a single signal all the information on these circumstances dispersed among large numbers of people — which at last made it fully clear to every person who could follow the argument that rational calculation in a complex economy is possible only in terms of values or prices, and that these values will be adequate guides only if they are the joint effects, such as the values formed on the market, of all the knowledge of potential suppliers and consumers about their possible uses and availability.

The first reaction of the socialist theoreticians, once they could no longer refuse to admit this fact, was to suggest that their socialist planning boards should determine prices by the same system of simultaneous equations by which mathematical economists had attempted to explain market prices in equilibrium. They even tried to suggest that Wieser, Pareto, and Barone had long ago pointed out the possibility of this.

In fact, these three scholars had pointed out what a socialist planning board *would have to try to do* in order to equal the efficiency of the market — *not*, as the socialist theoreticians incorrectly suggested, how such an impossible result could be achieved. Pareto, in particular, had made it clear that the system of simultaneous equations, development of which made him famous, was intended to show only the general pattern (as we would express this now). In his opinion such equations could never be used to determine particular prices, because any central authority could never know all the circumstances of time and place which guide the actions of individual persons — such actions being the information fed into the communication-machine which we call the market.

So the first attempt by the socialists to answer the critique by Mises and others soon collapsed. The next step, by which particularly Oscar Lange, but also others, are supposed to have refuted Mises, consisted of various attempts more or less to reduce the role of central planning and to re-introduce some market features under the name of "socialist competition".

I will not dwell here on how great an intellectual reversal

this meant for all those who for so long had emphasised the great superiority of central direction over the so-called "chaos of competition".

This self-contradictory approach raised new problems of an altogether new kind. However, it could in no way overcome two crucial difficulties. First, the socialist authority could not, as long as all the industrial equipment and other capital belonged to "society" (that is, the government), let competition or the market decide how much capital each enterprise was to have, or what risks the manager would be allowed to run — both decisive points if a market is to operate properly.

Secondly, if the government were otherwise to let the market operate freely, it could do nothing to ensure that the remuneration the market gave to each participant would correspond to what the government regarded as socially just. Yet to achieve such a so-called "just" remuneration was, after all, the whole intended purpose of the socialist revolution!

VII

Answers to the three questions we have been discussing do not depend on particular value judgements, except the answer to the first question, in which certain values (such as personal liberty and responsibility) were taken for granted. It can be assumed that such values would be shared by all persons with whom one cared to discuss such problems.

The fundamental problem was always whether socialism could achieve what it promised. This is a purely scientific problem, even if the answer may in part depend on points on which we cannot strictly demonstrate the correctness of our answer.

Naturally, answers at which we have arrived on all three counts are purely negative. *On the moral side*, socialism cannot but destroy the basis of all morals, personal freedom and responsibility. *On the political side*, it leads sooner or later to totalitarian government. *On the material side* it will greatly impede the production of wealth, if it does not actually cause impoverishment.

All these objections to socialism were raised a long time

ago on purely intellectual grounds, which in the course of time have been elaborated and refined. Yet there have been no serious attempts to refute these objections to socialism rationally.

Indeed, the most surprising thing about the treatment of these problems by the majority of professional economists is how little they have made them the central point of their discussions. One would think that nothing could concern economists more than the relative efficiency and conduciveness to general welfare of alternative orders of economic affairs. Instead, they have fought shy of it, as if fearing to soil their hands by concerning themselves with "political" topics. They have left the discussion to specialists in "economic systems" who in their text-books provide stale accounts of discussions of long ago, carefully avoiding the taking of sides.

It is as if the circumstance that *that* issue had become the subject of political dispute were a sufficient reason for scientists to remain silent even when they knew they could definitely refute at least some of the arguments of one side. This kind of neutrality seems to me not to be discretion, but cowardice. Surely it is high time for us to cry from the house-tops that the intellectual foundations of socialism have all collapsed.

I have to admit that, after vainly waiting for upwards of 40 years to find a respectably intellectual defence against objections raised to socialist proposals, I am becoming a little impatient. Since I have always acknowledged that the socialist camp includes many people of good will, I have tried to deal with their doctrines gently. But the time is overdue to proclaim loudly that intellectually the foundations of socialism are as hollow as can be, and that opposition to socialism is based, not on different values or on prejudice, but on unrefuted logical argument.

This must be openly said, especially in view of the tactics so frequently employed by most advocates and defenders of socialism. Instead of reasoning logically to meet the substantial objections they have to answer, socialists impugn the motives and throw suspicion on the good faith of defenders of what they choose to call "capitalism". Such crude efforts to turn discussion from whether a belief is true to why it is

being held seems to me itself an outgrowth of the weakness of the intellectual position of the socialists.

Quite generally, the socialist counter-critique seems often to be more concerned to discredit the author than to refute his arguments. The favourite tactic of the counter-critiques is to warn the young against taking the author or this book seriously. This technique indeed has been developed to a certain mastership. What young man will bother with such a book as my *Constitution of Liberty*, which, he is told by a "progressive" British political science don, is one of those "dinosaurs that still occasionally stalk on the scene, apparently impervious to natural selection"?

The principle seems generally: if you can't refute the argument, defame the author. That the argument against them may be genuine, honest and perhaps true, these left-wing intellectuals do not seem prepared to consider even as a possibility, since it might mean that they themselves are entirely wrong.

Certainly, political differences are frequently based on differences of ultimate values, on which science has little or nothing to say. But the crucial differences which exist today at least between the socialist intellectuals (who, after all, invented socialism) and their opponents are not of this kind. They are intellectual differences which between people not irredeemably wed to a muddled dream can be sorted out and decided by logical reasoning.

I have never belonged to any political party. Long ago I shocked many of my friends by explaining why I cannot be a conservative. Insight into the nature of the economic problems of society turned me into a radical anti-socialist, I can honestly say. Moreover, it convinced me that as an economist I can do more for my fellow-men by explaining the reasons for opposing socialism than in any other manner. Anti-socialism means here opposition to *all* direct government interference with the market, no matter in whose interest such interference may be exercised.

It is not correct to describe this as a *laissez-faire* attitude — another of the smear-words so frequently substituted for argument — because a functioning market requires a framework of appropriate rules within which the market will

operate smoothly.

Strong reasons also exist for wishing government to render *outside the market* various services, which for one reason or another the market cannot supply. But the state certainly ought never to have the *monopoly* of any such service, especially not of postal services, broadcasting, or the issue of money.

Some signs are appearing of a return to sanity. But I do not really feel hopeful about prospects for the future. There is much talk about countries becoming "ungovernable", but little realisation that attempts to govern too much are at the root of the trouble, and even less awareness of how deeply the evil has already become entrenched in prevailing institutions.

For progress towards its aims, socialism needs government with unlimited powers, and has already got this. In such a system various groups must be given, not what a majority thinks they deserve, but what those groups themselves think they are entitled to. Granting these groups what they think they deserve therefore becomes the price that must be paid so that an alliance of some groups may appear as a governing majority.

Omnipotent democracy indeed leads of necessity to a kind of socialism, but to a socialism which nobody foresaw or probably wanted: a position in which the individual elected representative as well as the governing majority must work to redress every imagined grievance which it has power to redress, however little justified the claim may be. It is not the assessment of the merits of persons or groups by a majority, but their power to extort special benefits from the government, which now determines the distribution of incomes.

The paradox is that the all-powerful government which socialism needs, must, if it is to be democratic, aim at remedying all such dissatisfaction — and to remove all dissatisfaction means that it must reward groups at their own estimates of their deserts. But no viable society can reward everyone at his own valuation. A society in which a few can use power to extort what they feel they are entitled to may be highly unpleasant for the others, but would at least be viable.

A society in which everyone is organised as a member of some group to force government to help him get what he

wants is self-destructive. There is no way of preventing some from feeling that they have been treated unjustly — that feeling is bound to be widespread in any social order — but arrangements which enable groups of disgruntled people to extort satisfaction of their claims — or in the recognition of an "entitlement", to use this new-fangled phrase — make any society unmanageable.

There is no limit to the people's wishes which an unlimited democratic government is obliged to try and satisfy. We have indeed the considered opinion of a leading British Labour politician that he regards it as his task to remedy all dissatisfaction! It would be unfair, however, to blame the politicians too much for being unable to say "no". Under prevailing arrangements perhaps an established leader could afford occasionally to do so, but the ordinary representative cannot say "no" to any large number of his constituents, however unjust their demands, and still hope to retain his seat.

In a society whose wealth rests on prompt adaptation to constantly changing circumstances, the individual person can be left free to choose the directions of his efforts only if rewards fluctuate with the value of the services he can contribute to the society's common pool of resources. If his income is politically determined, he loses not merely the incentive but also the possibility of deciding what he ought to do in the general interest. And if he cannot know himself what he must do to make his services valuable to his fellows, he must be commanded to do what is required.

To suffer disappointment, adversity and hardship is a discipline to which in any society most must submit, and it is a discipline to which it is desirable that all able persons ought to have to submit. What mitigates these hardships in a free society is that no arbitrary human will impose them, but that their incidence is determined by an impersonal process and unforeseeable chance.

I believe that, after a little socialism, people generally recognise that it is preferable for one's well-being and relative status to depend on the outcome of the game of the market rather than on the will of a superior, to whom one is assigned by authority. Present trends, however, make it seem likely

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that, before such an insight spreads widely enough, existing political institutions will break down under stresses which they cannot bear.

Unless people learn to accept that many of their grievances are unjustified, and give them no claims on others, and that in this world government cannot effectively assume responsibility for how well off particular groups of people are to be, it will be impossible to build a decent society. Indeed, the most idealistic among the socialists will be forced to destroy democracy to serve their idealistic socialist vision of the future.

What present trends point to is the emergence of ever larger numbers, for whose welfare and status government has assumed a responsibility it cannot discharge, and whose revolt when they are not paid enough, or asked to do more work than they like, will have to be subdued with the knout and the machine-gun. This, too, by the very people who genuinely intended to grant all their wishes.

Whither Democracy?*

The concept of democracy has one meaning — I believe the true and original meaning — for which I hold it a high value well worth fighting for. Democracy has not proved to be a certain protection against tyranny and oppression, as once it was hoped. Nevertheless, as a convention which enables any majority to rid itself of a government it does not like, democracy is of inestimable value.

For this reason I am more and more disquieted by the growing loss of faith in democracy among thinking people. This can no longer be overlooked. It is becoming serious just as — and perhaps partly because — the magical word democracy has become so all-powerful that all the inherited limitations on governmental power are breaking down before it. Sometimes it seems as if the sum of demands which are now everywhere advanced in the name of democracy have so alarmed even just and reasonable people that a serious reaction against democracy, as such, is a real danger.

Yet it is not the basic conception of democracy, but additional connotations which have in the course of time been added to the original meaning of a particular kind of decision-making procedure, which now endanger the belief in a democracy so enlarged in content. What is happening is indeed precisely that which some had apprehended concerning democracy in the nineteenth century. A wholesome method of arriving at widely-acceptable political decisions has become the pretext for enforcing substantially egalitarian aims.

* A lecture delivered to the Institute of Public Affairs, New South Wales at Sydney on October 8, 1976.

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The advent of democracy in the last century brought a decisive change in the range of governmental powers. For centuries efforts had been directed towards limiting the powers of government; and the gradual development of Constitutions served no other purpose than this. Suddenly it was believed that the control of government by elected representatives of the majority made any other checks on the powers of government unnecessary, so that all the various Constitutional safeguards which had been developed in the course of time could be dispensed with.

Thus arose unlimited democracy — and it is unlimited democracy, not just democracy, which is the problem of today. All democracy that we know today in the West is more or less unlimited democracy. It is important to remember that, if the peculiar institutions of the unlimited democracy we have today should ultimately prove a failure, this need not mean that democracy itself was a mistake, but only that we tried it in the wrong way. While personally I believe that democratic decision on all issues on which there is general agreement that some government action is necessary is an indispensable method of peaceful change, I also feel that a form of government in which any temporary majority can decide that any matter it likes should be regarded as "common affairs" subject to its control is an abomination.

II

The greatest and most important limitation upon the powers of democracy, which was swept away by the rise of an omnipotent representative assembly, was the principle of the "separation of powers". We shall see that the root of the trouble is that so-called "legislatures", which the early theorists of representative government (and particularly John Locke) conceived to be limited to making laws in a very specific narrow sense of that word, have become omnipotent governmental bodies. The old ideal of the "Rule of Law", or of "Government under the Law", has thereby been destroyed. The "sovereign" Parliament can do whatever the representatives of the majority find expedient to do in order to retain majority support.

But to call "law" everything that the elected representatives of the majority resolve, and to describe as "Government under the Law" all the directives issued by them — however much they discriminate in favour of, or to the detriment of, some groups of individuals — is a very bad joke. It is in truth lawless government. It is a mere play on words to maintain that, so long as a majority approves of acts of government, the rule of law is preserved. The rule of law was regarded as a safeguard of individual freedom, because it meant that coercion was permissible only to enforce obedience to general rules of individual conduct equally applicable to all, in an unknown number of future instances.

Arbitrary oppression — that is coercion undefined by any rule by the representatives of the majority — is no better than arbitrary action by any other ruler. Whether it requires that some hated person should be boiled and quartered, or that his property should be taken from him, comes in this respect to the same thing.

Although there is good reason for preferring limited democratic government to a non-democratic one, I must confess to preferring non-democratic government under the law to unlimited (and therefore essentially lawless) democratic government. Government under the law seems to me to be the higher value, which it was once hoped that democratic watch-dogs would preserve.

I believe indeed that the suggestion of a reform, to which my critique of the present institutions of democracy will lead, would result in a truer realisation of the common *opinion* of the majority of citizens than the present arrangements for the gratification of the *will* of the separate interest groups which add up to a majority.

It is not suggested that the democratic claim of the elected representatives of the people to have a decisive word in the direction of government is any less strong than their claim to determine what the law shall be. The great tragedy of the historical development is that these two distinct powers were placed in the hands of one and the same assembly, and that government consequently ceased to be subject to law. The triumphant claim of the British Parliament to have become sovereign, and so able to govern subject to no law,

may prove to have been the death-knell of both individual freedom and democracy.

III

This development may have been historically unavoidable. Certainly, it is not logically cogent. It is not difficult to imagine how development could have taken place along different lines. When the House of Commons gained exclusive power over the public purse, in effect it thereby gained exclusive control of government. If at this time the House of Lords had been in a position to concede this only on condition that the development of *the* law (that is, the private and criminal law which limits the powers of all government) should be exclusively *its* concern — a development not unnatural with the House of Lords being the highest court of law — such a division between a governmental and a legislative assembly might have been achieved and a restraint on government by law preserved. Politically, however, it was impossible to confer such legislative power on the appointed representatives of a privileged class.

Prevailing forms of democracy, in which the sovereign representative assembly at one and the same time makes law and directs government, owe their authority to a delusion. This is the pious belief that such a democratic government will carry out the will of the people. It may be true of democratically elected legislatures in the strict sense of makers of law, in the original sense of the term. That is, it may be true of elected assemblies whose power is limited to laying down universal rules of just conduct, designed to delimit against each other the private domains of control of individuals, and intended to apply to an unknown number of future instances.

About such rules governing individual conduct, which prevent conflicts most people may find themselves in at either end, a community is likely to form a predominant *opinion*, and agreement is likely to exist among the representatives of a majority. An assembly with such a definite limited task is therefore likely to reflect the *opinion* of the majority — and, being concerned only with general rules, has little occasion to reflect the *will* of particular interests on specific matters.

But the giving of *laws* in this classic sense of the word is the least part of the tasks of the assemblies which we still call "legislatures". Their main concern is government. For "lawyers' law", as an acute observer of the British Parliament wrote more than seventy years ago, "parliament has neither time nor taste". So much indeed are activities, character and procedures of representative assemblies everywhere determined by their governmental tasks that their name "legislature" no longer derives from their making laws. The relation has rather been reversed. We now call practically every resolution of these assemblies laws, solely because they derive from a legislature — however little they may have that character of a commitment to a general rule of just conduct, to the enforcement of which the coercive powers of government were supposed to be limited in a free society.

IV

But as every resolution of this sovereign governmental authority has "the force of law", its governmental actions are also not limited by law. Nor can they — and this is even more serious — still claim to be authorised by the opinion of a majority of the people. In fact, grounds for supporting members of an omnipotent majority are wholly different from those for supporting a majority on which the actions of a true legislature rest. Voting for a limited legislator is choosing between alternative ways of securing an overall order resulting from the decisions of free individuals. Voting for a member of a body with power to confer special benefits, without being itself bound by general rules, is something entirely different. In such a democratically elected assembly with unlimited power to confer special benefits, and impose special burdens on particular groups, a majority can be formed only by buying the support of numerous special interests, through granting them such benefits at the expense of a minority.

It is easy to threaten to withhold support, even of general laws one approves of, unless one's votes are paid for by special concessions to one's group. In an omnipotent assembly, decisions therefore rest on a sanctioned process of blackmail and

corruption. This has long been a recognised part of the system, from which even the best cannot escape.

Such decisions on favours for particular groups have little to do with any agreement by the majority about the substance of governmental action, since in most respects the members of the majority will know little more than that they have conferred on some agency ill-defined powers to achieve some ill-defined objective. With regard to most measures, the majority of voters will have no reason to be for or against them, except that they know that in return for supporting those who advocate them, they are promised the satisfaction of some wishes of their own. It is the result of this bargaining process which is dignified as the "will of the majority".

What we call "legislatures" are in fact bodies continually deciding on particular measures, and authorising coercion for their execution, on which no genuine agreement among a majority exists, but for which the support of a majority has been obtained by *deals*. In an omnipotent assembly which is concerned mainly with particulars and not with principles, majorities are therefore not based on agreement of opinions, but are formed by aggregations of special interests mutually assisting each other.

The apparently paradoxical fact is that a nominally all-powerful assembly — whose authority is not limited to, or does not rest on its committing itself to, general rules — is necessarily exceedingly weak, and utterly dependent on the support of those splinter groups that are bound to hold out for gifts, which are at the government's command. The picture of the majority of such an assembly united by common moral convictions evaluating the merits of the claims of particular groups is of course a fantasy. It is a majority only because it has pledged itself — not to a principle, but to satisfying particular claims. The sovereign assembly is anything but sovereign in the use of its unlimited powers. It is rather quaint that the fact that "all modern democracies" have found this or that necessary is sometimes cited as proof of the desirability or equity of some measure. Most members of the majority often knew that a measure was stupid and unfair, but they had to consent to it, in order to remain members of a majority.

V

An unlimited legislature which is not prevented by convention or constitutional provisions from decreeing aimed and discriminatory measures of coercion, such as tariffs or taxes or subsidies for the benefit of particular groups, cannot avoid acting in such an unprincipled manner. Although attempts are inevitably made to disguise this purchase of support as beneficial assistance to the deserving, the moral pretence can hardly be taken seriously. Agreement of a majority on how to distribute the spoils it can extort from a dissenting minority can hardly claim any moral sanction for its proceedings — even if it invokes the figment of "social justice" to defend it. What happens is that *political necessity created by the existing institutional set-up produces non-viable or even destructive moral beliefs.*

Agreement by the majority on sharing the booty gained by overwhelming a minority of fellow-citizens, or deciding how much is to be taken from them, is not democracy. At least, it is not that ideal of democracy which has any moral justification. Democracy itself is not egalitarianism. But unlimited democracy is bound to become egalitarian.

With regard to the fundamental immorality of all egalitarianism, I will here point only to the fact that all our morals rest on the different esteem in which we hold people according to the manner in which they conduct themselves. While equality before the law — the treatment of all by government according to the same rules — appears to me to be an essential condition of individual freedom, that different treatment which is necessary in order to put people who are individually very different into the same material position, seems to me not only incompatible with personal freedom, but highly immoral. But this is the kind of immorality towards which unlimited democracy is moving.

To repeat, it is not democracy but unlimited democracy which I regard as no better than any other unlimited government. The fatal error which gave the elected representative assembly unlimited powers is the superstition that a supreme authority must in its very nature be unlimited, because any limitation would pre-suppose another will above it, in which

case it would not be a supreme power. But this is a misunderstanding deriving from the totalitarian-positivist conceptions of Francis Bacon and Thomas Hobbes, or the constructivism of Cartesian Rationalism. Fortunately, in the Anglo-Saxon world this was, at least for a long time, held back by the deeper understanding of Sir Edward Coke, Mathew Hale, John Locke and the Old Whigs.

In this respect the ancients were indeed often wiser than modern constructivistic thinking. A highest power need not be an unlimited power, but may owe its authority to its commitment to general rules approved by public opinion. The judging of early times was not selected so that whatever he said was to be right, but because, and so long as, what he pronounced was generally felt to be right. He was not the source but merely the interpreter of a law that rested on a diffused opinion, but which could lead to action only if articulated by the approved authority. And if the supreme authority alone could order action, it extended only so far as it had the support of the general assent to the principles on which it acted. The only and highest authority entitled to take decisions on common action might well be a limited authority — limited to decisions by which it committed itself to a general rule of which public opinion approved.

The secret of decent government is precisely that the supreme power must be limited power — a power that can lay down rules limiting all other power — and which thus can restrain, but not command the private citizen. All other authority rests thus on its commitment to rules which its subjects recognise: what makes a community is the common recognition of the same rules.

Thus the elected supreme body need not have any other power than that of making laws in the classical sense of general rules guiding individual conduct. Nor need there be any power of coercing private citizens other than that of enforcing obedience to the rules of conduct thus laid down. Other branches of government, including an elected governmental assembly, should be bound and limited by the laws of the assembly confined to true legislation. These are the requirements that would secure genuine government under the law.

VI

Solution of the problem, as I have already suggested, seems to be to divide the truly legislative from the governmental tasks between distinct legislative and governmental assemblies. Naturally, little would be gained by merely having two such assemblies of essentially the present character, and merely charged with different tasks. Not only would two assemblies of essentially the same composition inevitably act in collusion, and thereby produce much the same kind of results as the existing assemblies. The character, procedures and composition of these have also been determined so completely by their predominant governmental tasks as to make them little suited for legislation proper.

Nothing is more illuminating in this respect than that the 18th century theorists of representative government almost unanimously condemned an organisation of what they conceived as the legislature on party lines. They usually spoke of "factions". But their predominant concern with governmental matters made their organisation on party lines universally necessary. A government, to perform its tasks successfully, needs the support of an organised majority committed to a programme of action. And to give the people an option, there must be a similarly organised opposition capable of forming an alternative government.

For their strictly governmental functions, existing "legislatures" appear to have become fairly well adapted and might well be allowed to continue in their present form, if their power over the private citizen were limited by a law laid down by another democratic assembly, which the former could not alter. It would, in effect, administer the material and personal resources placed at the disposal of government to enable it to render various services to the citizens at large. It might also determine the aggregate amount of revenue to be raised from the citizens each year to finance those services.

But the determination of the share each citizen would be compelled to contribute to this total would have to be made by a true law; that is, the sort of obligatory and uniform rule of individual conduct which only the legislative assembly could lay down. It is difficult to conceive of a more salutary

control of expenditure than such a system, in which every member of the governmental assembly would know that to every expenditure he supported he and his constituents would have to contribute at a rate he could not alter!

The critical issue then becomes the composition of the legislative assembly. How can we at the same time make it truly representative of general opinion about what is right, and yet make it immune from any pressure of special interests? The legislative assembly constitutionally would be limited to passing general laws, so that any specific or discriminating order it issued would be invalid. It would owe its authority to its commitment to general rules. The Constitution would define the properties such a rule must possess to be valid law, such as applicability to an unknown number of future instances, uniformity, generality, and so on. A Constitutional court would gradually have to elaborate that definition, as well as deciding any conflict of competence between the two assemblies.

But this limitation to passing genuine laws would hardly suffice to prevent collusion of the legislative with a similarly composed governmental assembly, for which it would be likely to provide the laws which that assembly needed for its particular purposes, with results little different from those of the present system.

What we want in the legislative assembly is clearly a body representing general opinion, and not particular interests; and it should therefore be composed of individuals who, once entrusted with this task, are independent from the support of any particular group. It should also consist of men and women who could take a long-term view, and would not be swayed by the temporary passions and fashions of a fickle multitude, which they had to please.

VII

This would seem to require, in the first instance, independence from parties, and this could be secured by the second, independently necessary condition — namely, not being influenced by desire for re-election. I contemplate for this purpose a body of men and women who, after having gained

reputation and trust in the ordinary pursuits of life, would be elected for a single long period of something like fifteen years. To ensure they had gained sufficient experience and respect, and that they did not have to be concerned about securing a livelihood for the period after the end of their tenure, I would fix the age of election comparatively high, say at 45 years. In addition, they should be assured of holding for ten years after expiry of their mandate at 60 some dignified posts as lay-judges or the like. Average age of a member of such an assembly would, at less than 53 years, still be lower than that of most comparable assemblies today.

The assembly would of course not be elected as a whole on one date, but every year those who had served their 15 years' period would be replaced by 45 year olds. I would favour these annual elections of one-fifteenth of the membership being made by their contemporaries. Every citizen would vote only once in his life, in his forty-fifth year, for one of his contemporaries to become a legislator. This seems to me desirable: not only because of old experience in military and similar organisations that contemporaries are usually the best judges of a man's character and abilities, but also because it would probably become the occasion of the growth of such institutions as local age clubs, which would make elections on the basis of personal knowledge possible.

Since there would be no parties, there would of course be no nonsense about proportional representation. Contemporaries of a region would confer the distinction as a sort of prize for the most admired member of the class. There are many other fascinating questions which an arrangement of this sort raises, such as whether for this purpose some sort of indirect election might not be preferable (with the local clubs vying for the honour of one of their delegates being elected representative), but which it would not be appropriate to consider in an exposition of the general principle.

VIII

I do not think experienced politicians will find my description of the procedure in our present legislatures very wrong, though they will probably regard as inevitable and beneficial

what to me seems avoidable and harmful. But they ought not to be offended by hearing it described as institutionalised blackmail and corruption, because it is we who maintain institutions which make it necessary for them thus to act, if they are to be able to do any good.

To a certain extent the bargaining I have described is probably in fact inevitable in democratic *government*.

What I object to is that prevailing institutions carry this into that supreme body which ought to make the rules of the game and to restrain government. The misfortune is not that those kinds of thing happen — in local administration they can probably not be avoided — but that they happen in the supreme body that has to make our laws, which are supposed to protect us against oppression and arbitrariness.

Since an authority confined to legislation in the true sense of the word could not confer particular benefits or impose particular burdens on special groups or individuals, it would also not be exposed to the pressure of particular interests. True laws are general in the sense that they will apply to unknown persons in an unknown number of future instances. Even a law discriminating in favour of certain open groups, which might still be Constitutional because in general form, would not long achieve its end because the intention would be frustrated by the increase or decrease of the numbers in the groups affected. Such a true legislature could therefore not be swayed by the organised extortion and blackmail which has led to the formation of that meta-government of organised interests among whom economic policy is today largely determined.

One further important and very desirable effect of separating the legislative from the governmental power would be that it would eliminate the chief cause of accelerating centralisation and concentration of power. This is today the result of the fact that, as a consequence of the fusion of the legislative and the governmental powers in the same assembly, it possesses powers which in a free society no authority should possess. Naturally, more and more governmental tasks are pushed up to that body which can meet particular demands by making special laws for the purpose. If the powers of the central government were no greater than

those of local or regional governments, only those matters where a uniform national regulation would seem advantageous to all would be handled by the central government, and much that is now so handled would be devolved to lower units.

Once it is generally recognised that government under the law, and unlimited powers of the representatives of the majority, are irreconcilable — and all government is equally placed under the law — little more than external relations need be entrusted to central *government* — as distinct from legislation.

Then regional and local governments, limited by the same uniform laws with regard to the manner in which they could make their individual inhabitants contribute to their revenue, would develop into business-like corporations. They would compete with each other for citizens, who could "vote with their feet" for that corporation which offered them the highest benefits compared with the price charged.

In this manner we may still be able both to preserve democracy and at the same time stop the drift towards what has been called "totalitarian democracy", which to many people already appears irresistible.

The proposal may seem utopian and thus impracticable. However, all that is needed at first is for it to be adopted by a single country. Since such a country, through increased effectiveness of its government and economy, would gain a marked lead over them, other democratic governments would soon imitate it. The proposal offers a great opportunity for any country to adopt, where (perhaps for other reasons) revision of its Constitution is generally accepted as necessary.

Hayek— Scholar, Teacher, Liberal

Roger Randerson*

FRIEDRICH AUGUST von HAYEK (better known as F.A. Hayek or Professor Hayek) is Emeritus Professor of each of the Universities of Chicago (Ill.) USA and Freiburg i. Brg. West Germany. Born in Vienna on May 8, 1899 into a family of scientists and professors on both sides for two generations, his life spans the twentieth century. Although Austrian by birth, he has been since 1937 — that is, for most of his adult life — a British naturalised citizen.

Such are the range and depth of his integrated learning, however, that he calls to mind a combination of several great figures of the past as a universal man; and such is his familiarity with, and influence in, so many countries that he qualifies as a true citizen of the world. 'Few scholars can claim to have had so wide a variety of pupils and disciples in so many intellectual and social climates.'

Academic qualifications include three prized doctorates: Dr *jur* (equivalent to Doctor of Laws) 1921 and *Dr rer pol* (equivalent to Doctor of Social Science) 1923, both earned at Vienna; and DSc (Econ) 1944, earned at London. Fellow of the British Academy (FBA), other accolades apart from the Emeritus professorships include: honorary Senator of the University of Vienna; honorary Doctor of the University of Salzburg; and honorary Doctor of Rikkyo University, Tokyo.

* H.R. (Roger) Randerson is an Australian economist and lawyer, publisher of the weekly economic service *Forecast*. Mr Randerson has been a friend of Professor Hayek's since 1937 when both were members of the Economic Club in London; Professor Hayek as President and Mr Randerson as joint Secretary. Mr Randerson has had, and continues to have a distinguished career as an economist in Australia. He is also a member of the Advisory Council of the CIS.

Foundation of Economic Science are no less important.

Returning to Hayek, in the technical field of economic theory, Professor Fritz Machlup gave the Royal Swedish Academy of Sciences his opinion that *The Pure Theory of Capital* is his 'most fundamental and pathbreaking contribution'; and believed that contributions to 'the theory of economic planning' were his second greatest achievement.

Hayek has elaborated and illumined the workings of a self-generating and self-correcting economic order (sustained by respect for 'values' whether understood or not) in which the maximum knowledge of time and place operates, as people are *free* to 'use their own knowledge for their own purposes'. Such an economic order, he explains, guides producers by the knowledge precipitated in market-price signals, so that it readily adjusts to ever-changing unforeseen circumstances, and pours out optimal combinations of goods and services, with steady employment of labour and other resources.

This theoretical structure has been carried far beyond Adam Smith's early insights. In the opinion of such an expert as Lord Robbins it is one of Professor Hayek's most enduring contributions to Economic Science.

Professor Hayek became famous with his all-too-prophetic *Road to Serfdom* which appeared in 1944, the same year as Mises' *Omnipotent Government*. In Australia a crude wartime 'austerity' edition was published in the same year. In 1976, however, before the 'Committee For Hayek Visit' got to work, the ABC scoured the bookshops of Sydney without finding a copy. A similar experience in Melbourne was reported.

Hayek may be regarded as the world's most active champion of Liberalism — in the correct Old Whig, or modern evolutionary sense. Collectivists have stolen the word 'liberal' as 'an unintended compliment'; and he has had to swim against tides of ignorance and misrepresentation. This has never diverted him from his steady course.

'The chief task of the economist or political philosopher', he recently wrote, 'should be to operate on public opinion to make politically possible what today may be politically impossible . . .'

Strengthening of principles, to prevail over expediency by making their functions better understood, is evident in all fields of his endeavour. This applies to his crusades against Keynesian inflation, with proposals for money to be freed from political manipulation and 'denationalised'.

Also it applies to his critique of 'positivist' totalitarian legal theory, with historical and theoretical analyses designed to re-instate or strengthen the 'Rule of Law'.

Finally, it applies to his critique of 'unlimited' democracy, with proposals for Constitutional reform. Hayek advocates a democratic true 'Legislature' (responsible solely for making rules of just conduct equally applicable to all) independent of the differently constituted democratic Chamber responsible for day-to-day government, which is subject to pressures from coalitions of minority interests and so cannot reflect true majority public opinion.

'Sober rational persuasion' has always been Hayek's characteristic technique. One feature is the utmost courtesy towards those who differ from him, and accurate rendition of their theories or views. To a person in Australia who rudely pestered him in public, he replied: 'I don't want to trade discourtesies with you'. Another feature of his methods is generous acknowledgement of all sources which have contributed, even if only slightly, to the development of his own ideas.

Few can emulate such impeccable standards of scholarship and debate.

Roads to *Freedom* was chosen, having regard to his famous *Road to Serfdom*, as the title of a volume of papers by friends in honour of his 70th birthday. 'We have chosen the plural 'Roads'', wrote the editor Professor Streissler, 'to denote that, while Serfdom is by its compulsive nature conformist, Liberals must always allow a plurality of approaches; and that such a plurality is demonstrated in an exemplary fashion in Hayek's own work.'

Some of his strength seems to lie in 'quietness and confidence' that, after a long period of attempted suppression, history can yet repeat itself in the restoration of a True Liberalism that is even stronger than before the decline.

Summing up the life of Friedrich August von Hayek,

Social Justice, Socialism and Democracy

other words of the learned editor of *Roads to Freedom*, are truer today than when written 10 years ago. His life has been "so full of content that it could easily have filled the lives of many men". Hayek, it is added, "has, in fact, been many men at once to many different people".

Australians, it is hoped, will recognise that this small volume is dedicated to one of the greatest Scholars, Teachers and Leaders of all time, who has devoted most of his long life to fighting for the freedom, economic welfare, social stability and peace of mankind — fighting, in short, for civilisation.

. . . . and His Writings

These three lectures, as the Preface states, were not directed at problems peculiar to Australia as distinct from the rest of the world. But they were carefully prepared for delivery to local audiences. How meticulously they were prepared is suggested by two manuscripts he left behind. They are in his own hand - printed block capitals. Professor Hayek explained that this (obviously exacting) procedure enables him to clarify his presentation, and to judge the length of his speeches almost to the minute. Similarly, he is endlessly engaged in refining, polishing and co-ordinating all his writings, as if to show that gimmicks and brain-waves have no place in learning that is to endure.

Their presentation co-incides with the arrival in Australia of the third and final volume of *Law Legislation and Liberty* up-dating *The Constitution of Liberty*, which are two of his masterpieces. Yet he is still busy, at present writing another book about Money. Thus it is fitting and gratifying to be able to repeat what the late Sir Arnold Plant wrote nine years ago: There are no 'signs at present of any slowing-down or weakening in the intellectual quality and range of output from this youthful mind'.

Milton Friedman (a fellow Nobel Laureate) testifies to the 'tremendous influence' of Hayek's writings. 'His work', he writes, 'is incorporated in the body of technical economic theory; has had a major influence on economic history, political philosophy and political science; has affected students of the law, of scientific methodology, and even psychology. But . . . all of these are secondary to Hayek's influence in strengthening the moral and intellectual support for a free society'.

In listing Hayek's 18 Books in order of appearance, it

Social Justice, Socialism and Democracy

has to be noted that the total, with 20 or more foreign language editions (in 11 or more different languages), is nearer to 40.

1. *Geldtheorie und Konjunkturtheorie* (Vienna and Leipzig 1928) English translation as *Monetary Theory and the Trade Cycle* 1933
2. *Prices and Production* (London 1931, revised and enlarged 1935)
3. *Monetary Nationalism and International Stability* (Geneva 1937)
4. *Profits, Interest and Investment* (London 1939)
5. *The Pure Theory of Capital* (London 1941)
6. *The Road to Serfdom* (London and Chicago 1944)
7. *Individualism and Economic Order* (London and Chicago 1948)
8. *John Stuart Mill and Harriet Taylor* (London and Chicago 1951)
9. *The Counter-Revolution of Science* (Glencoe Ill, USA 1952)
10. *The Sensory Order* (London and Chicago 1952)
11. *The Political Ideal of the Rule of Law* (Cairo 1955)
12. *The Constitution of Liberty* (London and Chicago 1960)
13. *Studies in Philosophy, Politics and Economics* (London and Chicago 1967)
14. *Freiburger Studien: Gesammelte Aufsätze* (Tubingen 1969)
Law, Legislation and Liberty:
15. *Vol. 1 'Rules and Order'* (Chicago & London 1973)
16. *Vol. 2 'The Mirage of Social Justice'* (Chicago & London 1976)

17. Vol. 3 'The Political Order of a Free Society' (Chicago & London 1979)
18. *New Studies in Philosophy, Politics, Economics and the History of Ideas* (London 1978)

About 14 booklets or pamphlets by Hayek have been published. These include the following issued by The Institute of Economic Affairs (IEA) London: *The Confusion of Language in Political Thought* . . . (1968); *Economic Freedom and Representative Government* (1973); *Full Employment at Any Price?* (1975); *Choice in Currency: A Way To Stop Inflation* (1976); *Denationalisation of Money* (1976 — and second [extended] edition of D. of M. — *The Argument Refined* 1978).

Ten books have been Edited, Introduced or Contributed To by Hayek. Those of most general continuing interest are: *Collectivist Economic Planning* (London 1935) and *Capitalism and the Historians* (London and Chicago 1954).

In addition, Professor Machlup had by 1975 recorded 131 contributions by Hayek to Learned Journals or Collections of Essays — a total which by now will have been exceeded.

An essay by Hayek 'The Outlook for the 1970s: Open or Repressed Inflation', is included, with extracts from his writings over 40 years critical of 'Keynesianism' edited and introduced by Sudha R. Shenoy, in *A Tiger by the Tail — The Keynesian Legacy of Inflation* (IEA first edition 1972, second enlarged edition 1978).

A Tiger by the Tail also includes an early draft of 'Competition as a Discovery Procedure', which in its perfected form appears in *New Studies* . . . (1978).



Australian 1976 Lecture Tour

Professor Hayek came with his wife to Australia on October 3 and left on November 6, 1976 after a crowded lecture tour. His itinerary covered the long Eastern sea-board, to take in a function during the Cairns centennial celebrations, visits to the Barrier Reef and rural properties on the Atherton Tableland and Darling Downs and appearances and meetings in the capital cities of Canberra, Sydney, Melbourne and Brisbane. Upwards of 60 appointments, seminar and lecturing engagements were kept or fulfilled — for anyone a large and intensive commitment.

An opportunity for many Australians to see and hear Hayek was given by his appearance as Guest of Honour on Robert Moore's 'Monday Conference' program televised by the ABC network in all States on October 11.

Whither Democracy? (included in this booklet) was the subject of his address on October 8 to a large and representative mid-day gathering under the auspices of the Institute of Public Affairs NSW, presided over by Sir David Griffin CBE.

At a similar large and representative afternoon gathering in Melbourne on October 20 as part of the annual meeting of the Institute of Public Affairs, Victoria, (presided over by Mr. W.D. Brookes CBE, DSO), Professor Hayek spoke *ex tempore* on another of his central themes 'The Errors of Constructivism' — and received a spontaneous, standing ovation.

Yet another of his central themes that 'economic and political freedom are inseparable' was the subject of an *ex tempore* evening address to a third large and representative gathering in Brisbane on October 13, under the auspices of the Foundation for Economic Education (Aust) — Mr. John Brown, president of Queensland Confederation of Industry, presiding.

Socialism and Science (included in this booklet) was a fourth public address delivered at the Australian National University in the evening of October 19, under the auspices of the Canberra branch of the Economic Society of Australia and New Zealand, Dr. Chris Higgins of Treasury presiding.

Finally in this area of public gatherings, Professor Hayek delivered a luncheon address ex tempore to a mid-day gathering on October 27 of the Victorian branch of the Economic Society, Professor Roy Webb presiding.

Particularly for the academic world whose members he generally refers to without discrimination as 'my colleagues', he delivered *The Atavism of Social Justice* (included in this booklet) as the R. C. Mills 9th Memorial Lecture, after being the guest at an official dinner at The University of Sydney on October 6 — each presided over by the Chancellor, Sir Hermann Black.

At Queensland University, Brisbane, on October 14, he was given an official luncheon by then Vice-Chancellor Sir Zelman Cowen (now His Excellency the Governor-General), After this, there was a combined seminar of Queensland and Griffith Universities to discuss 'The Use of Knowledge in Society', Professor Lamberton in the chair.

At the University of New South Wales on November 2 a combined seminar for the three Sydney universities (Professor Neville in the chair), discussed his *Choice in Currency* and the first edition of *Denationalisation of Money*. After this he was the guest at an official luncheon presided over by the Vice-Chancellor, Dr. Rupert M. Myers CBE.

'Full Employment At Any Price?' was the subject of a lively seminar attended by representatives of similar Colleges at the Kuring-gai College of Advanced Education, Sydney, on November 3, arranged by Mr. T.H. Kewley. This and the succeeding repast were presided over by the Principal, Mr. George Muir.

'Liberalism' was the theme of an after-lunch talk on October 21 at La Trobe University, arranged by Professor Whitehead to whom the planning of Melbourne University functions had been committed.

Instructive new insights into 'Competition As A Discovery Procedure' were contained in an address for all the

City's universities at Melbourne University on October 25, presided over by Dr. Nieuwenhuysen.

For the business world, Professor Hayek attended functions and participated in discussions at the head offices of The Commercial Banking Coy. of Sydney Ltd., Bonds Coats Patons Ltd. and ICIANZ Ltd. He was entertained and spoke at luncheons arranged by Enterprise Australia and Fortune (Aust.) Pty. Ltd. The NSW Confederation of Industry provided luncheon and held a seminar, presided over by its Director Mr. Noel Mason, Professor Warren Hogan assisting. 'Inflation — causes, consequences and cure' was the subject discussed.

Prime Minister Fraser, separately Deputy Prime Minister Anothony, and Queensland Premier Bjelke-Petersen graciously received and had discussions with him. He was entertained privately be Chief Justice of the High Court, Rt. Hon. Sir Garfield Barwick, GCMG. Among other notables with whom he had discussions were Sir Leslie Melville KBE and Sir Raphael Cilento.

In the official world, he met Governor Mr. Harry Knight CBE and participated in discussions with senior executives of the Reserve Bank; and he met then Secretary Sir Frederick Wheeler CBE and participated in discussions with Treasury officers. He spent some time with present Secretary of the Treasury Mr. John O. Stone, on a Melbourne excursion.

It is impossible to record all the dinners, theatre parties, excursions and other occasions for meeting academics and prominent business people, but mention must be made of the dinner-party given by His Excellency the Austrian Ambassador in Canberra, at which Professor Arndt and Mr. Alan Reid were present; and a memorable Hawkesbury cruise in 'Sunrise G' skippered by the owner Mr. George Graham with Mr. G.B. Lean and Professors Simkin and Hogan aboard.

Since Professor Hayek refused when invited to ask for any fee, a native opal on a chain was presented by Mr. Kitchener Bridges to Mrs. Hayek in the board-room after they had met the Committee of Sydney Stock Exchange, and a short visit to New Zealand was arranged on the way to fulfilling engagements in his familiar Japanese 'constituency'.

Many public-spirited citizens, institutions and organisations contributed in cash and kind (numbering no fewer than sixty-two in sums ranging from \$50 to \$2,000) towards the visit, but no list is given because some wish to be nameless. Their generosity, however, is gratefully acknowledged.

The Hayek visit was a co-operative private enterprise. Indeed, it had to be, because approaches at high levels for concessions from government owned or controlled internal and external airlines were refused.

In view of a few complaints that the visit occurred — in some quarters presumably the unwitting victims of Marxist poly-logism (including suspicions of 'a bankers' plot') — a personal explanation may be in order.

Professor Hayek wrote to the undersigned at Christmas 1975 to say that, although he had said 'no' to someone at a Lausanne conference in September, he had been invited to Japan for November, 1976 and before this could fit in a short visit to Australia and New Zealand, which would be even more acceptable if his wife could view the Eclipse of the Sun on Saturday afternoon October 23, 1976. (The latter was naturally in due course arranged).

It is presumed that Mark Tier made the original overture about a visit, because I had suggested this to him before he went to the Lausanne conference. His absence in America precluded participation in the venture.

The invitation was formally extended after Mr. Ron Kitching undertook to underwrite the costs jointly with me, and in the course of correspondence the time allotted to Australia was considerably extended on my undertaking that Professor Hayek would not be over-taxed. Efforts to honour the latter undertaking were not always easy or understood, having to exclude some persons and bodies who desired to meet or hear him.

'Committee For Hayek Visit' which gave me invaluable assistance as chairman, consisted of Messrs:

M. R. Alexander	Ron Kitching
Ian M. Brodie (Treasurer)	K.D. Landell-Jones
David Haigh	Sir Richard Randall
John S. Harricks	William Vout
C. D. Kemp CBE	

Organisation and fund-raising were largely delegated into the capable hands of Mr. 'Ref' Kemp (then Director of the Institute of Public Affairs) in Victoria, of Mr. Viv Forbes in Brisbane and of Mr. R. H. Norman OBE in Cairns.

Acknowledgement is made to Dr. Duncan Yuille's *Libertarian Review*, for importing and supplying Hayek's works for distribution; and Hillsdale College (Mich) U.S.A. is thanked for its gift of copies of *Essays On Hayek* for similar distribution.

Although it is rather early to feel confident, many of us hope and believe that Hayek's visit may eventually prove to have been a turning-point. First, there are already signs of improvement in local thinking, teaching, writing and understanding of economic and other social affairs. Certainly, the question 'Who is Hayek?' is less frequently asked.

Secondly, in the fullness of time as this is reflected in better-informed public opinion, it may even be hoped that local politicians and bureaucrats will be moved less by expediency directed to short-run particular ends, in vainly seeking to satisfy coalitions or minority pressure-groups — to the long-run detriment of the majority and our posterity.

If politicians and bureaucrats turn away from this, they will limit their use of coercion to enforcing just general rules of conduct equally applicable to all. They will apply scientifically established economic principles; eschew inflation, and 'free the monetary system from internal and external political manipulation. They will let marvellously undesigned market-price signals bring every atom of dispersed knowledge to bear in dealing with changing unforeseen circumstances, and guiding production to optimal combinations, with resulting 'high and stable' employment. Thus acting to create favourable economic conditions, as Hayek would say like gardeners who tend their flower-beds, our governments will allow Australia to grow soundly and strongly — and all will again be well.

H.R. (Roger) Randerson
Chairman
COMMITTEE FOR HAYEK VISIT.

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SOCIAL JUSTICE, SOCIALISM & DEMOCRACY

THREE AUSTRALIAN LECTURES
BY F. A. HAYEK

“ The term “social justice” is today generally used as a synonym of what used to be called “distributive justice”. The latter term perhaps gives a somewhat better idea of what is intended to be meant by it, and at the same time shows why it can have no application to the results of a market order. There can be no distributive justice where no one distributes. Justice has meaning only as a rule of human conduct, and no conceivable rules for the conduct of individual persons supplying each other with goods and services in a market order would produce a distribution which could be meaningfully described as just or unjust. ”

“ Socialism is related to Science in various ways. Probably the least interesting relation today is that from which Marxism lays claim to the name of “scientific socialism”; and according to which by an inner necessity, and without men doing anything about it, capitalism develops into socialism. This may still impress some novices, but it is hardly any longer taken seriously by competent thinkers in either camp. Socialists certainly do not act as if they believed that the transition from capitalism to socialism will be brought about by an ineluctable law of social evolution. Few people now believe in the existence of any “historical laws” ”

“ The advent of democracy in the last century brought a decisive change in the range of governmental powers. For centuries efforts had been directed towards limiting the powers of government; and the gradual development of Constitutions served no other purpose than this. Suddenly it was believed that the control of government by elected representatives of the majority made any other checks on the powers of government unnecessary, so that all the various Constitutional safeguards which had been developed in the course of time could be dispensed with. Thus arose unlimited democracy — and it is unlimited democracy, not just democracy, which is the problem of today. ”

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