

Why We Shouldn't Confuse Philanthropy and Welfare

In chapter 14 of *The Road to Serfdom*, “Material Conditions and Ideal Ends,” Hayek focuses on the path forward now that the Second World War was coming to an end. Specifically, he explains that calling on the state to coercively act in the name of the “greater good” is not a moral act worthy of praise.

Employment

When the book was written in 1944, the country was anxious to see what America's post-war economy would look like. One of the primary concerns in this regard was the issue of employment. Two million soldiers were returning from war. They needed work. What would be the effect on wages and growth?

Hayek writes:

That no single purpose must be allowed in peace to have absolute preference over all others applies even to the one aim which everybody now agrees comes in the front rank: the conquest of unemployment.”

Keynesian economists claim that war is actually supremely beneficial to the national rate of employment. And on paper, this might appear to be true.

In times of war, and especially when a draft is instituted, employment does tend to rise. But this is due largely to the fact that when a draft forces many into military service, they are now considered “employed.” For many young adults who were otherwise unemployed prior to the war, being drafted bumped these men up to “employed” status.

Similarly, WWII saw an influx of working women. The Rosie the

Riveter era of women entering the workforce also had significant impacts on the rate of employment. There was also a higher demand for jobs in the sectors that were part of what Eisenhower called the Military Industrial Complex.

As Hayek says:

One of the dominant features of the immediate postwar situation will be that the special needs of war have drawn hundreds of thousands of men and women into specialized jobs where during the war they have been able to earn relatively high wages. There will, in many instances, be no possibility of employing the same numbers in these particular trades.

But now that the war was coming to an end employment was going to once again become an issue. The soldiers coming back from war who were not mentally or physically fatigued would be looking to re-enter the workforce immediately. With less of a demand for weaponry and other war-related products, the employer's demand for jobs would decrease at the same time the workforce market was increasing. Not only were veterans looking for work, but there were now also more women competing for some of these same jobs in the workforce.

This caused many to turn to the government to provide enough jobs to keep the employment rates high. Books like William Beveridge's *Full Employment in a Free Society* asserted that the free market was not capable of creating full employment and so it was the state's job to provide this to all individuals.

Hayek comments on this belief of "full employment" saying:

It is, in fact, in this field that the fascination of vague but popular phrases like "full employment" may well lead to extremely shortsighted measures, and where the categorical and irresponsible "it must be done at all cost" of the single-minded idealist is likely to do the greatest harm."

And while the answer for the country's unemployment woes was not to be found within state bureaucracies, the prospect of massive unemployment was still a major problem in the post-WWII era, as Hayek explains:

There will be an urgent need for the transfer of large numbers to other jobs, and many of them will find that the work they can then get is less favorably remunerated than was true of their war job. Even retraining, which certainly ought to be provided on a liberal scale, cannot entirely overcome this problem. There will still be many people who, if they are to be paid according to what their services will then be worth to society, would under any system have to be content with a lowering of their material position relative to that of others."

But, most people do not want to lower their material positions, even after surviving a war. And as we see happen today, when this material status is in any way threatened, labor unions and activists began calling for a raising of wages to help correct this great "injustice." But this can not be done with coercion threatening our liberties.

Hayek says:

If, then, the trade unions successfully resist any lowering of the wages of the particular groups in question, there will be only two alternatives open: either coercion will have to be used (i.e., certain individuals will have to be selected for compulsory transfer to other and relatively less well paid positions) or those who can no longer be employed at the relatively high wages they have earned during the war must be allowed to remain unemployed until they are willing to accept work at a relatively lower wage."

And, as many free market economists have tried to warn in our current day, there is the failure on the part of many of these

labor activists to recognize that by artificially raising wages, other inflationary measures must be taken as well.

Yet to raise all other wages and incomes to an extent sufficient to adjust the position of the group in question would involve an inflationary expansion on such a scale that the disturbances, hardships, and injustices caused would be much greater than those to be cured.

And while the state could use its power to waive its proverbial magic wand and do its best to force full employment, it does not usually turn out as many would hope:

There will always be a possible maximum of employment in the short run which can be achieved by giving all people employment where they happen to be and which can be achieved by monetary expansion. But not only can this maximum be maintained solely by progressive inflationary expansion and with the effect of holding up those redistributions of labor between industries made necessary by the changed circumstances, and which so long as workmen are free to choose their jobs will always come about only with some delays and thereby cause some unemployment: to aim always at the maximum of employment achievable by monetary means is a policy which is certain in the end to defeat its own purposes."

False Philanthropy

Those calling on the state to provide jobs and higher wages to all individuals have a tendency to believe that they are standing on the moral high ground. These people believe that forcing individuals to meet their "charitable" expectations is only right. Nothing could be further from the truth. Forcing "ideal" behavior through coercion does not make people moral. People will do almost anything when forced.

Touching on this, Hayek writes:

What our generation is in danger of forgetting is not only that morals are of necessity a phenomenon of individual conduct but also that they can exist only in the sphere in which the individual is free to decide for himself and is called upon voluntarily to sacrifice personal advantage to the observance of a moral rule."

An individual is not acting out of personal responsibility when he or she is forced to do something. Instead, whatever act is being forced is neutral, serving only the ends of the state and no moral ends that will serve to benefit the individual in any way. If someone held you at gunpoint and demanded that you give five dollars to a homeless individual, that would not make your "donation" moral, but it would make the gun holder's actions immoral.

Hayek says:

Outside the sphere of individual responsibility, there is neither goodness nor badness, neither opportunity for moral merit nor the chance of proving one's conviction by sacrificing one's desires to what one thinks right. Only where we ourselves are responsible for our own interests and are free to sacrifice them has our decision moral value.

When acting out of fear of state retribution, we are not acting of our own volition, we are simply doing what we have to do to stay out of a prison cell.

Hayek writes:

Responsibility, not to a superior, but to one's conscience, the awareness of a duty not exacted by compulsion, the necessity to decide which of the things one values are to be sacrificed to others, and to bear the consequences of one's own decision, are the very essence of any morals which

deserve the name.

And after explaining that coercion is not on par with authentic philanthropy, Hayek laments the direction society is headed. As has been the theme throughout the last few chapters of this book, Hayek worries that by abandoning the English concepts of liberalism, we are quickly approaching collectivism.

That in this sphere of individual conduct the effect of collectivism has been almost entirely destructive is both inevitable and undeniable. A movement whose main promise is the relief from responsibility cannot but be antimoral in its effect, however lofty the ideals to which it owes its birth.

One of the primary elements of classical liberalism is the focus on self-reliance and personal responsibility, without which, a free society cannot truly exist.

*It is true that the virtues which are less esteemed and practiced now—*independence, self-reliance, and the willingness to bear risks, the readiness to back one's own conviction against a majority, and the willingness to voluntary cooperation with one's neighbors*—are essentially those on which the working of an individualist society rests. Collectivism has nothing to put in their place, and in so far as it already has destroyed them it has left a void filled by nothing but the demand for obedience and the compulsion of the individual to do what is collectively decided to be good.*

Looking to the Future

Hayek always tries to end his chapters on somewhat of a hopeful note. But at the end of this chapter you can sense the sadness in his writing. Hayek, who as we have seen was a bit of an anglophile was sad to see the English liberal traditions fading from popular opinion.

Hayek has continuously written about his deep respect for the classical liberal tradition that derived from England. He truly believed that holding vigorously to these ideas was the right antidote to economic servitude.

If we are to succeed in the war of ideologies and to win over the decent elements in the enemy countries, we must, first of all, regain the belief in the traditional values for which we have stood in the past and must have the moral courage stoutly to defend the ideals which our enemies attack.

And closing the chapter with a rather frank statement that reflects the political rhetoric of the day, Hayek says:

Not by shamefaced apologies and by assurances that we are rapidly reforming, not by explaining that we are seeking some compromise between the traditional liberal values and the new totalitarian ideas, shall we win confidence and support. Not the latest improvements we may have effected in our social institutions, which count but little compared with the basic differences of two opposed ways of life, but our unwavering faith in those traditions which have made England and America countries of free and upright, tolerant and independent people is the thing that counts."

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