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Cover: F. A. Hayek

PERSPECTIVE

The Collectivist Paradox


Among other grand achievements, F. A. Hayek had a remarkable career pointing out the flaws in collectivism. One of his keenest insights was that, paradoxically, any collectivist system necessarily depends on one individual (or small group) to make key social and economic decisions. In contrast, a system based on individualism takes advantage of the aggregate, or “collective,” information of the whole society; through his actions each participant contributes his own particular, if incomplete, knowledge—information that could never be tapped by the individual at the head of a collectivist state.

One outcome of these features is that when the dictator errs, the consequences are felt by everyone, yet when an individual errs in a decentralized market order, the consequences are local and small-scale, often offset by better decisions made elsewhere.

Here’s how Hayek put the matter in *The Road to Serfdom*, the 60th anniversary of which we celebrate this month: “It may be said that it is the paradox of all collectivist doctrines and its demand for ‘conscious’ control or ‘conscious’ planning that they necessarily lead to the demand that the mind of some individual should rule supreme—while only the individualist approach to social phenomena makes us recognize the superindividual forces which guide the growth of reason.”

Hayek thus offers a supplement to ethical individualism—call it social individualism. To the proposition that each individual has a right to conduct his life in any peaceful manner he wishes, Hayek adds that when all individuals have that freedom, each one gains access to an expanding store of information that is necessarily far richer than what could possibly be possessed by a dictator and his Ministry of Economic Planning.

The key to that otherwise padlocked store is property. It is property that spawns trade, which in turn generates market prices. Prices, themselves the product of “collective” knowledge, are capsules of information that



guide the actions of entrepreneurs and consumers and produce further knowledge. To be sure, prices contain erroneous information and are filtered through people's unpredictable expectations. Nevertheless, the result is an unequalled degree of social coordination and cooperation (the division of labor) that permits an unparalleled and widespread prosperity.

"Individualism is thus an attitude of humility before this social process and of tolerance to other opinions," Hayek added, "and is the exact opposite of that intellectual *hubris* which is at the root of the demand for comprehensive direction of the social process."

Hayek was writing about totalitarian systems, but his thesis applies to contemporary mixed economies as well. Government regulation of peaceful conduct necessarily is devised and enforced by a group of people substantially smaller than the entire society. Those decision-makers can't possibly know what the multitude of individuals acting in an infinite variety of special situations knows. Moreover, legislators and regulators face different incentives from normal market participants. For one thing, unlike entrepreneurs they have little at risk and are rarely accountable for their failures. Interventionists, then, are guilty of the same *hubris*—only to a lesser extent—that Hayek identified in totalitarianism.

* * *

What error most threatens individual liberty and civilization itself? F. A. Hayek identified it many years ago in a tribute he wrote to FEE founder Leonard Read.

Government today is pervasive, influenc-

ing all aspects of life. Let Murray Weidenbaum count the ways.

Do you know what blogging is? Among other things, it's a cheap way to spread the freedom philosophy. Tyler Cowen explains.

Countless Hollywood movies have been built around the violent conflicts between cattlemen and farmers in the Old West. Who are the good guys and the bad guys? Andrew Morriss sorts it all out.

What do an overprotective gardener and the welfare state have in common? Russell Madden knows.

Part of the effort to persuade people of the value of freedom lies in debunking loaded terms. Gene Callahan and Bob Murphy make a start.

The federal deficit is expected to exceed half a trillion dollars this fiscal year. That makes it a good time for a FEE Timely Classic by Hans Sennholz.

Here are our columnists' offerings: Richard Ebeling celebrates the anniversary of one of the great books on freedom. Lawrence Reed conducts a virtual tour of an important museum. Thomas Szasz asks if preventive detention to avert suicide can square with libertarian principles. Robert Higgs looks back at President Harry Truman's attempt to seize the steel industry. Walter Williams wonders how we got here. And Aeon Skoble, encountering the claim that compassion requires a minimum-wage law, says, "It Just Ain't So!"

In the book-review department, tomes on the ideology of three famous thinkers, the importance of commerce to freedom, the observations of a gutsy economist, and the benefits of free trade come under examination.

—Sheldon Richman