

THE ROADS TO SERFDOM

The welfare state leaves many people with little important to decide for themselves, argues **Theodore Dalrymple**

People in Britain who lived through World War II do not remember it with anything like the horror one might have expected. In fact, they often remember it as the best time of their lives. Even allowing for the tendency of time to burnish unpleasant memories with a patina of romance, this is extraordinary. The war, after all, was a time of material shortage, terror, and loss: what could possibly have been good about it?

The answer, of course, is that it provided a powerful existential meaning and purpose. The population suffered at the hands of an easily identifiable external enemy, whose evil intentions it became the overriding purpose of the whole nation to thwart. A unified and pre-eminent national goal provided respite from the peacetime cacophony of complaint, bickering, and social division. And privation for a purpose brings its own content.

The war having instantaneously created nostalgia for the sense of unity and transcendent purpose that prevailed in those years, the population

naturally enough asked why such a mood could not persist into the peace that followed. Why couldn't the dedication of millions, centrally coordinated by the government—a coordinated dedication that had produced unprecedented quantities of aircraft and munitions—be adapted to defeat what London School of Economics head Sir William Beveridge, in his wartime report on social services that was to usher in the full-scale welfare state in Britain, called the 'five giants on the road to reconstruction': Want, Disease, Ignorance, Squalor, and Idleness?

Intellectual orthodoxy

By the time Beveridge published his report in 1942, most of the intellectuals of the day assumed that the government, and only the government, could

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accomplish these desirable goals. Indeed, it all seemed so simple a matter that only the cupidity and stupidity of the rich could have prevented these ends from already having been achieved. The Beveridge Report states, for example, that want 'could have been abolished in Britain before the present war' and that 'the income available to the British people was ample for such a purpose.' It was just a matter of dividing the national income cake into more equal slices by means of redistributive taxation. If the political will was there, the way was there; there was no need to worry about effects on wealth creation or any other adverse effects.

For George Orwell, writing a year before the Beveridge Report, matters were equally straightforward. 'Socialism,' he wrote, 'is usually defined as "common ownership of the means of production." Crudely: the State, representing the

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whole nation, owns everything, and everyone is a state employee. . . Socialism . . . can solve the problems of production and consumption. . . The State simply calculates what goods will be needed and does its best to produce them. Production is only limited by the amount of labour and raw materials.'

A few equally simple measures would help bring about a better, more just and equitable society. Orwell recommended 'i) Nationalisation of land, mines, railways, banks and major industries'; 'ii) Limitation of incomes, on such a scale that the highest does not exceed the lowest by more than ten to one'; and 'iii) Reform of the educational system along democratic lines.' By this last, he meant the total prohibition of private education. He assumed that the culture, which he esteemed but which nevertheless was a product of the very system he so disliked, would take care of itself.

It would hardly be an exaggeration to say that, by the time Orwell wrote, his collectivist philosophy was an intellectual orthodoxy from which hardly anyone in Britain would dare dissent, at least very strongly. 'We are all socialists now,' declared

Bernard Shaw 40 years before Orwell put forward his modest proposals. And before him, Oscar Wilde, in 'The Soul of Man under Socialism', accepted as incontrovertible—as not even worth supporting with evidence or argument, so obviously true was it—that poverty was the inescapable consequence of private property, and that one man's wealth was another man's destitution. And before Wilde, John Ruskin had argued, in *Unto This Last*, that a market in labour was both unnecessary and productive of misery. After all, he said, many wages were set according to an abstract (which is to say a moral) conception of the value of the job; so why should not all wages be set in the same way? Would this not avoid the unjust, irrational, and frequently harsh variations to which a labour market exposed people?

Ruskin was right that there are indeed jobs whose wages are fixed by an approximate notion of moral appropriateness. The salary of the president of the United States is not set according to the vagaries of the labour market; nor would the number of candidates for the post change much if it were halved or doubled. But if every wage in the United States were fixed in the same way, wages would soon cease to mean very much. The economy would be demonetised, the impersonal medium of money being replaced in the allocation of goods and services by personal influence and political connection—precisely what happened in the Soviet Union. Every economic transaction would become an expression of political power.

Hayek's response

The growing spirit of collectivism in Britain during the war provoked an Austrian economist who had taken refuge there, F. A. von Hayek, to write a polemical counterblast to the trend: *The Road to Serfdom*, published in 1944. It went through six printings in its first year, but its effect on majority opinion was, for many years to come, negligible. Hayek believed that while intellectuals in modern liberal democracies—those to whom he somewhat contemptuously referred as the professional secondhand dealers in ideas—did not usually have direct access to power, the theories that they diffused among the population ultimately had a profound, even determining, influence upon their society. Intellectuals are of far greater importance than appears at first sight.

Hayek was therefore alarmed at the general acceptance of collectivist arguments—or worse still, assumptions—by British intellectuals of all classes. He had seen the process—or thought he had seen it—before, in the German-speaking world from which he came, and he feared that Britain would likewise slide down the totalitarian path. Moreover, at the time he wrote, the ‘success’ of the two major totalitarian powers in Europe, Nazi Germany and Soviet Russia, seemed to have justified the belief that a plan was necessary to coordinate human activity toward a consciously chosen goal. For George Orwell, the difference between the two tyrannies was one of ends, not of means: he held up Nazi Germany as an exemplar of economic efficiency resulting from central planning, but he deplored the ends that efficiency accomplished. While the idea behind Nazism was ‘human inequality, the superiority of Germans to all other races, the right of Germany to rule the world’, socialism (of which, of course, the Soviet Union was the only exemplar at the time) ‘aims, ultimately, at a world-state of free and equal human beings.’ Same means, different ends: but Orwell, at this point in his intellectual development, saw nothing intrinsically objectionable in the means themselves, or that they must inevitably lead to tyranny and oppression, independently of the ends for which they were deployed.

Against the collectivists, Hayek brought powerful—and to my mind obvious—arguments, that, however, were scarcely new or original. Nevertheless, it is often, perhaps usually, more important to remind people of old truths than to introduce them to new ones.

Hayek pointed out that the wartime unity of purpose was atypical; in more normal times, people had a far greater, indeed an infinite, variety of ends, and anyone with the power to adjudicate among them in the name of a conscious overall national plan, allowing a few but forbidding most, would exert vastly more power than the most bloated plutocrat of socialist propaganda had ever done in a free-market society.

Orwell’s assertion that the state would simply calculate what was needed airily overlooked the difficulties of the matter, as well as his proposal’s implications for freedom. The ‘directing brains’, as Orwell called them, would have to decide

how many hairpins, how many shoelaces, were ‘needed’ by the population under their purview. They would have to make untold millions of such decisions, likewise coordinating the production of all components of each product, on the basis of their own arbitrary notions of what their fellow citizens needed. Orwell’s goal, therefore, was a society in which the authorities strictly rationed everything; for him, and untold intellectuals like him, only rationing was rational. It takes little effort of the imagination to see what this control would mean for the exercise of liberty. Among other things, people would have to be assigned work regardless of their own preferences.

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must be susceptible to human control. While we take material advance for granted as soon as it occurs, we consider remaining social problems as unprecedented and anomalous, and we propose solutions that actually make more difficult further progress of the very kind that we have forgotten ever happened. While everyone saw the misery the Great Depression caused, for example, few realised that, even so, living standards actually continued to rise for the majority. If we live entirely in the moment, as if the world were created exactly as we now find it, we are almost bound to propose solutions that bring even worse problems in their wake.

In reaction to the unemployment rampant in what W. H. Auden called ‘the low dishonest decade’ before the war, the Beveridge Report suggested that it was government’s function to maximise security of income and employment. This proposition was bound to appeal strongly to people who remembered mass unemployment and collapsing wages; but

however high-minded and generous it might have sounded, it was wrong. Hayek pointed out that you can't give everyone a job irrespective of demand without sparking severe inflation. And you can no more protect one group of workers' wages against market fluctuations without penalising another group than you can discriminate positively in one group's favour without discriminating negatively against another. This is so, and it is beyond any individual human's control that it should be so. Therefore, no amount of planning would ever make Beveridge's goals possible, however desirable they might be in the abstract.

But just because a goal is logically impossible to achieve does not mean that it must be without effect on human affairs. As the history of the 20th century demonstrates perhaps better than any other, impossible goals have had at least as great an effect on human existence as more limited and possible ones.

Moral and psychological effects

The most interesting aspect of Hayek's book, however, is not his refutation of collectivist ideas—which, necessary as it might have been at that moment, was not by any means original. Rather, it is his observations of the moral and psychological effects of the collectivist ideal that, 60 years later, capture the imagination—mine, at least.

Hayek thought he had observed an important change in the character of the British people, as a result both of their collectivist aspirations and of such collectivist measures as had already been legislated. He noted, for example, a shift in the locus of people's moral concern. Increasingly, it was the state of society or the world as a whole that engaged their moral passion, not their own conduct. 'It is, however, more than doubtful whether a fifty years' approach towards collectivism has raised our moral standards, or whether the change has not rather been in the opposite direction,' he wrote. 'Though we are in the habit of priding ourselves on our more sensitive social conscience, it is by no means clear that this is justified by the practice of our individual conduct.' In fact, 'It may even be . . . that the passion for collective action is a way in which we now without compunction collectively indulge in that selfishness which as individuals we had learnt a little to restrain.'

Thus, to take a trifling instance, it is the duty of the city council to keep the streets clean; therefore my own conduct in this regard is morally irrelevant—which no doubt explains why so many young Britons now leave a trail of litter behind them wherever they go. If the streets are filthy, it is the council's fault. Indeed, if anything is wrong—for example, my unhealthy diet—it is someone else's fault, and the job of the public power to correct. Hayek—with the perspective of a foreigner who had adopted England as his home—could perceive a further tendency that has become much more pronounced since then: 'There is one aspect of the change in moral values brought about by the advance of collectivism which at the present time provides special food for thought. It is that the virtues which are held less and less in esteem and which consequently become rarer are precisely those on which the British people justly prided themselves and in which they were generally agreed to excel. The virtues possessed by the British people in a higher degree than most other people . . . were independence and self-reliance, individual initiative and local responsibility . . . non-interference with one's neighbour and tolerance of the different and queer, respect for custom and tradition, and a healthy suspicion of power and authority.'

He might have added the sense of irony, and therefore of the inherent limitations of human existence, that was once so prevalent, and that once protected the British population from infatuation with utopian dreams and unrealistic expectations. And the virtues that Hayek saw in them—the virtues immortalised in the pages of Jane Austen and Charles Dickens—were precisely the virtues that my mother and her cousin also saw when they first arrived in Britain as refugees from Germany in 1938. Orwell saw (and valued) them, too, but unlike Hayek did not ask himself where they came from; he must have supposed that they were an indestructible national essence, distilled not from history but from geography.

A changed Britain

The British are sadly changed from Hayek's description of them. A sense of irony is the first victim of utopian dreams. The British tolerance of eccentricity has also evaporated; uniformity is

what they want now, and are prepared informally to impose. They tolerate no deviation in taste or appearance from themselves: and certainly in the lower reaches of society, people who are markedly different, either in appearance because of the vagaries of nature, or in behaviour because of an unusual taste they may have, especially for cultivation, meet with merciless ridicule, bullying, and even physical attack. It is as if people believed that uniformity of appearance, taste, and behaviour were a justification of their own lives, and any deviation an implied reproach or even a declaration of hostility. A young patient of mine, who disliked the noise, the vulgarity, and the undertone of violence of the nightclubs where her classmates spent their Friday and Saturday nights, was derided and mocked into conformity: it was too hard to hold out. The pressure to conform to the canons of popular taste—or rather lack of taste—has never been stronger. Those without interest in soccer hardly dare mention it in public, for fear of being considered enemies of the people. A dispiriting uniformity of character, deeply shallow, has settled over a land once richer in eccentrics than any other. No more Edward Lear for us: we prefer notoriety to oddity now.

The British are no longer sturdily independent as individuals, either, and now feel no shame or even unease, as not long ago they would have felt, at accepting government handouts. Indeed, 40% of them now receive such handouts: for example, the parents of every child are entitled not merely to a tax reduction but to an actual payment in cash, no matter the state of their finances. As for those who, though able-bodied and perfectly able to work, are completely dependent on the state for their income, they unashamedly call the day when their welfare checks arrive ‘payday’. Between work and parasitism they see no difference. ‘I’m getting paid today,’ they say, having not only accepted but thoroughly internalised the doctrine propounded in the Beveridge Report, that it is the duty of the state to assure everyone of a decent minimum standard of life regardless of his conduct. The fact of having drawn 16 breaths a minute, 24 hours a day, is sufficient to entitle each of them to his minimum; and oddly enough, Hayek saw no danger in this and even endorsed the idea. He did not see that to guarantee a decent minimum standard of life would demoralise not only those who accepted it, but

those who worked in the more menial occupations, and whose wages would almost inevitably give them a standard of living scarcely higher than that of the decent minimum provided merely for drawing breath.

In any case, Hayek did not quite understand the source of the collectivist rot in Britain. It is true, of course, that an individualist society needs a free, or at least a free-ish, market; but a necessary condition is not a sufficient one. It is not surprising, though, that he should have emphasised the danger of a centrally planned economy when so prominent a figure as Orwell—who was a genuine friend of personal liberty, who valued the peculiarities of English life, and who wrote movingly about such national eccentricities as a taste for racy seaside postcards and

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a love of public school stories—should so little have understood the preconditions of English personal liberty that he wrote, only three years before Hayek’s book was published: ‘The liberty of the individual is still believed in, almost as in the 19th century. But this has nothing to do with economic liberty, the right to exploit others for profit.’

It is depressing to see a man like Orwell equating profit with exploitation. And it is certainly true that Britain after the war took no heed of Hayek and for a time seemed bent on state control of what were then called ‘the commanding heights of the economy’. Not only did the Labour government nationalise healthcare, but also coal mining, electricity and gas supply, the railways and public transportation (including the airlines), telecommunications, and even most of the car industry. Yet at no time could it remotely be said that Britain was slipping down the totalitarian path.

The danger of the welfare state

The real danger was far more insidious, and Hayek incompletely understood it. The destruction of the British character did not come from Nazi- or

Soviet-style nationalisation or centralised planning, as Hayek believed it would. For collectivism proved to be not nearly as incompatible with, or diametrically opposed to, a free, or free-ish, market as he had supposed.

In fact, Hilaire Belloc, in his book *The Servile State*, predicted just such a form of collectivism as early as 1912. Like most intellectuals of the age, Belloc was a critic of capitalism, because he held it responsible for the poverty and misery he saw in the London slums. His view was static, not dynamic: he did not see that the striving there could—and would—lift people out of their poverty, and he therefore argued that the liberal, laissez-faire state—‘mere capitalist anarchy’, he called it—could not, and should not, continue. He foresaw three possible outcomes.

His preferred resolution was more or less the same as Carlyle’s half a century earlier: a return to the allegedly stable and happy medieval world of reciprocal rights and duties. There would be guilds of craftsmen and merchants in the towns, supplying mainly handmade goods to one another and to peasant farmers, who in turn would supply them with food. Everyone would own at least some property, thereby having a measure of independence, but no one would be either plutocrat or pauper. However desirable this resolution, though, even Belloc knew it was fantasy.

The second possible resolution was the socialist one: total expropriation of the means of production, followed by state ownership, allegedly administered in the interests of everyone. Belloc had little to say on whether he thought this would work, since in his opinion it was unlikely to happen: the current owners of the means of production were still far too strong.

That left the third, and most likely, resolution. The effect of collectivist thought on a capitalist society would not be socialism, but something quite distinct, whose outlines he believed he discerned in the newly established compulsory unemployment insurance. The means of production would remain in private hands, but the state would offer workers certain benefits, in return for their quiescence and agreement not to agitate for total expropriation as demanded in socialist propaganda.

Unlike Orwell or Beveridge, however, he realised that such benefits would exact a further price: ‘A

man has been compelled by law to put aside sums from his wages as insurance against unemployment. But he is no longer the judge of how such sums shall be used. They are not in his possession; they are not even in the hands of some society which he can really control. They are in the hands of a Government official. “Here is work offered to you at twenty-five shillings a week. If you do not take it you shall certainly not have a right to the money you have been compelled to put aside. If you will take it the sum shall stand to your credit, and when next in my judgment your unemployment is not due to your recalcitrance and refusal to labour, I will permit you to have some of your money; not otherwise.”

What applied to unemployment insurance would apply to all other spheres into which government intruded, Belloc intuited; and all of the benefits government conferred, paid for by the compulsory contributions of the taxpayer, in effect would take choice and decision making out of the hands of the individual, placing them in those of the official. Although the benefits offered by the government were as yet few when Belloc wrote, he foresaw a state in which the ‘whole of labour is mapped out and controlled.’ In his view, ‘The future of industrial society, and in particular of English society . . . is a future in which subsistence and security shall be guaranteed for the Proletariat, but shall be guaranteed . . . by the establishment of that Proletariat in a status really, though not nominally, servile.’ The people lose ‘that tradition of . . . freedom, and are most powerfully inclined to [the] acceptance of [their servile status] by the positive benefits it confers.’

And this is precisely what has happened to the large proportion of the British population that has been made dependent on the welfare state.

The state action that was supposed to lead to the elimination of Beveridge’s five giants of Want, Disease, Ignorance, Squalor, and Idleness has left many people in contemporary Britain with very little of importance to decide for themselves, even in their own private spheres. They are educated by the state (at least nominally), as are their children in turn; the state provides for them in old age and has made saving unnecessary or, in some cases, actually uneconomic; they are treated and cured by the state when they are ill; they are housed by

the state, if they cannot otherwise afford decent housing. Their choices concern only sex and shopping.

No wonder that the British have changed in character, their sturdy independence replaced with passivity, querulousness, or even, at the lower reaches of society, a sullen resentment that not enough has been or is being done for them. For those at the bottom, such money as they receive is, in effect, pocket money, like the money children get from their parents, reserved for the satisfaction of whims. As a result, they are infantilised. If they behave irresponsibly—for example, by abandoning their own children wherever they father them—it is because both the rewards for behaving responsibly and the penalties for behaving irresponsibly have vanished. Such people come to live in a limbo, in which there is nothing much to hope or strive for and nothing much to fear or lose. Private property and consumerism coexist with collectivism, and freedom for many people now means little more than choice among goods. The free market, as Hayek did not foresee, has flourished alongside the collectivism that was—and, after years of propaganda, still is—justified by the need to eliminate the five giants. For most of the British population today, the notion that people could

solve many of the problems of society without governmental *Gleichschaltung*, the Nazi term for overall coordination, is completely alien.

Of course, the majority of Britons are still not direct dependents of the state. ‘Only’ about a third of them are: the 25% of the working population who are public employees (the government has increased them by nearly 1 million since 1997, no doubt in order to boost its election chances); and the 8% of the adult population either unemployed or registered as disabled, and thus utterly dependent on government handouts. But the state looms large in all our lives, not only in its intrusions, but in our thoughts: for so thoroughly have we drunk at the wells of collectivism that we see the state always as the solution to any problem, never as an obstacle to be overcome. One can gauge how completely collectivism has entered our soul—so that we are now a people of the government, for the government, by the government—by a strange but characteristic British locution. When, on the rare occasions that our Chancellor of the Exchequer reduces a tax, he is said to have ‘given money away’. In other words, all money is his, and whatever we have in our pockets is what he, by grace and favour, has allowed us.

Our Father, which art in Downing Street. . . .

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By Richard A. Epstein

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