



Book The Constitution of Liberty

Friedrich A. Hayek
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Recommendation

The timeless insights economist and political philosopher Friedrich A. Hayek wrote in 1960 still have currency. His reasoned advocacy of economic freedom and personal liberty applies to many modern debates. Hayek contrasts limited government's benefits with the costs of central economic planning. He shows how liberty takes sustenance from law, due process and constitutional government, and notes serious but subtle threats to individual freedom. Scholars turn to Hayek – and his work among the classics of modern economic thought – for a detailed philosophical foundation for limited government.

Take-Aways

- Limited government contributes to social progress by encouraging individual initiative.
- Property rights are closely linked to the broader political concept of personal liberty.
- Laws that comply with unwritten moral codes endure. Other laws may disappear.
- Majority rule is necessary but insufficient for the establishment of a free society.
- Constitutional government is America’s greatest gift to the cause of liberty.
- Socialism is a failed system of government, but it still shapes public policy.
- Redistributing income to alleviate poverty has negative unintended consequences, such as the creation of a “welfare state.”
- Rewards based on arbitrary merit are less productive than those that are based on market results.
- Governments prefer inflation to deflation, but unchecked inflation is a threat to freedom.
- Limiting the influence of government in education contributes to intellectual vitality.

Summary

Individual Initiative and the Accidents of Progress

Citizens are most productive when government is limited, because reduced state interference minimizes public intrusion into private lives. A “liberal” form of government is narrow in scope; it liberates people by giving them the ability to make many of the major decisions that shape their lives. Liberal government is structured to allow each individual an “assured private sphere” that is free of public control, encouraging everyone to pursue his or her most valuable contributions to society without any coercion by the state.

“We must recognize that we may be free and yet miserable. Liberty does not mean all good things or the absence of all evils.”

Recognition of property ownership rights was the initial step in delineating the private spheres of individuals. Such private circumstances beyond direct government control can encompass the ownership of real property, as well as such nonmaterial assets as contractual rights. Socialist forms of government deter individual enterprise

in order to attain centrally planned economic goals. But the fruits of socialism have proved elusive; knowledge advances by accident, not by central planning.

“The use of reason aims at control and predictability. But the process of the advance of reason rests on freedom and the unpredictability of human action.”

Human progress would be unimpressive without all the unforeseen discoveries, errors and adjustments that a free society encourages. Not all change is acceptable, however, and liberty and its abuse are inseparable. But pursuing the ideal of individual liberty is better than pretending that any government completely comprehends what every citizen needs to flourish. And do not confuse the word “liberty,” or general freedom, with the word “liberties,” or state-prescribed privileges, which limit individual choice.

“The promises which a free society has to offer can always be only chances and not certainties.”

Egalitarians want to distribute privileges by reducing the inequality among individual incomes, which is folly. Efforts to make the rewards of human progress fairer can make it slower, instead, by smothering the individual’s incentive to excel. The wealthy have set the pace for improvements in overall living standards, not just their own. The general public has better housing, health care, education and transportation because a fortunate minority has pressed for the best. In a similar fashion, technological change and other advances in wealthy nations help lift living standards in poor nations.

Laws, Morality and the Majority

Compared with centrally planned economies, decentralized decision making in a market-based economy with minimal governmental interference is a more efficient way to produce, price and deliver goods and services. Freedom without limits is chaos, of course, so laws are necessary to make the most of liberty. But not every law is worth keeping. Some laws are unnecessarily coercive. Citizens may violate unjust laws because the likely benefits outweigh the possible costs. Indeed, widespread noncompliance can lead to the amendment or repeal of certain laws, while others inspire obedience and remain intact. This feature of liberty is comparable to evolution’s natural selection process: Good laws are likely to last, while bad ones change or disappear.

“A free society probably demands more than any other that people be guided in their action by a sense of responsibility which extends beyond the duties exacted by the law.”

Laws that endure are those that comport with pre-existing morality. As a theory of liberty began taking shape during the 1700s in England and France, some philosophers distinguished the laws of legislatures from the older restraints of moral codes. Scottish philosopher David Hume, for example, advocated the so-called “British tradition” of liberty and its premise that morality is a source of reason, not something that reason produces. Hume wrote that “our morals are not a product but a presupposition of reason.” The philosophical subordination of reason to morality supported the idea that laws should be subject to judicial review.

“Responsibility, to be effective, must be individual responsibility.”

Majority rule is the foundation of democracy, which is the best method for accommodating change while preserving liberty. But majority rule is a means to an end; its mere existence is insufficient to sustain freedom. In a democracy, for example, termination of all private property ownership rights would make liberty shrivel, even if a legislative majority approved it.

“The classical argument for freedom in economic affairs rests on the tacit postulate that the rule of law should govern policy in this as in all other spheres.”

The risk of tyranny by the majority gave rise to the “separation of powers” in democracies, or the establishment of distinct government branches for executive decisions, legislative action and judicial assessment. Support for the separation of powers as an indispensable precaution against government corruption originated in England in the 1700s.

“Liberalism is a doctrine about what the law ought to be, democracy a doctrine about the manner of determining what will be the law.”

Another major development in the advance of liberty was widespread adoption of “the rule of law.” This ideal demands blind justice: the enactment and enforcement of abstract laws applicable to everyone. It rejects the inconsistent and arbitrary application of laws, and its roots may be deeper than those of democracy. Aristotle helped to set the semantic stage for modern political philosophers’ common use of the phrase “government by laws and not by men.”

Constitutional Government and Federalism

By the end of the 1700s, most of the momentum behind the march of liberty was coming from America, not from England. The United States’ most important invention during this era was a national constitution, a broadly written document that served as the ultimate standard of judicial review.

“Democracy is the only method of peaceful change that man has yet discovered.”

The US Constitution’s primary purpose was to limit government power; its practical effect was to create a legal hierarchy with constitutional law that supersedes legislation and executive orders. A constitution guards against political expediency by encouraging elected representatives and government agents to ensure that all laws comply with long-held principles. In adopting a constitution, citizens protect themselves from legislation based on short-term political whims.

“Though a redistribution of incomes was never the avowed initial purpose of the apparatus of social security, it has now become the actual and admitted aim everywhere.”

America also furthered liberty when its original 13 states agreed to share their power with a newly created federal government, which was formed to provide military security and other types of commonly needed public services. Federalism exemplifies limited government. Its two tiers share power and “through mutual jealousy, prevent one another from exceeding their authority.”

The Appropriate Scope of Government

In a free society, government must have the monopoly on coercion to maintain social stability and economic freedom. Government has a duty to reduce the private sphere, or range of choices, available to law breakers. Laws against various types of fraudulent and violent acts do more common good than harm as long as the laws apply equally to everyone. But beyond the work of coercion, government monopolies in other fields may be harmful if they reduce economic choice. Public efforts to control market mechanisms demand close scrutiny. For example, government controls on prices and production in the agricultural and housing industries tend to erode economic freedom.

“The welfare state has for many become the substitute for old-fashioned socialism.”

Whether future governments move toward more central planning or more economic autonomy is uncertain. An international political trend toward the socialist model spread from the mid-19th century to the mid-20th century. Many supporters of socialism believed that all political systems were evolving toward this form of governance. By the late 1950s, however, the marriage of socialist theory and central economic planning had failed in much of Europe.

Income Redistribution

Yet socialist solutions to problems of governance still abound, even in democracies, though proponents are apt to use different terminology to describe their ideas. Public policies have created a “welfare state,” which “has become the substitute for old-fashioned socialism.” In paying Social Security recipients or permitting progressive rates of taxation, for example, the US government effectively redistributes income. Social Security is a payment-transfer system to reallocate income to the entire elderly population, including many who already have a private source of retirement income.

“Progressive taxation is the chief means of redistributing income, and, without it, the scope of such a policy would be very limited.”

Progressive taxation is less equitable than proportional taxation. Graduated rates of taxation put a disproportionately large burden on rich people. Charging higher tax rates on upper incomes is an idea that Karl Marx and Friedrich Engels espoused in 1848; these two men wanted to use progressive taxation as a proletariat tool for seizing capital from the bourgeois.

“The control of government over education has in large measure been used to equalize the prospects of all.”

Establishing different tax rates for different levels of income is unavoidably arbitrary. No logical proposal for graduated tax rates exists, so “all arguments in support of progression can be used to justify any degree of progression.”

Progressive taxation also violates the principle of equal pay for equal work. Inequity grows as inflation increases, because revenues from a progressive income tax rise faster than incomes. Hence, governments prefer to allow prices to inflate rather than deflate, since deflation tends to reduce economic activity and employment.

Inflation and Wage Controls

British economist John Maynard Keynes gained wide public acceptance for his advocacy of “full employment,” that is, the lowest possible rate of unemployment. His method of achieving this goal involved monetary policy. Keynes believed that excessively high wages routinely led to periods of high unemployment. His solution to this problem was to reduce real, or inflation-adjusted, wages by devaluing currency, a monetary action that produces inflation.

“Nowhere is freedom more important than where our ignorance is greatest – at the boundaries of knowledge, in other words, where nobody can predict what lies a step ahead.”

Inflation is not necessarily permanent or inevitable; from 1749 to 1939, the general level of prices in the US was flat compared with the rise since then. Inflation and deflation both have self-correcting mechanisms that require no state intervention. But governments work hard to avoid deflation because of the fiscal blessings of inflation. This tendency is an ongoing threat to liberty, however, and “we shall not stop the drift toward more and more state control unless we stop the inflationary trend.”

Wage-driven increases in inflation often precede recessions. But no form of wage controls will work in the long term. Economic freedom requires that employers set wages based on market conditions, not according to regulatory directives centered on arbitrary measures of merit. Labor unions “have become uniquely privileged institutions” that compel association, prohibit nonmembers from certain jobs, and skew the proper functions and rewards of a free workplace.

Liberty and Education

Children are too young to gain much from the liberty that adults enjoy. Compulsory education, therefore, is a justifiable, socially useful form of government coercion. The obvious social benefits include a trained labor force and a literate electorate. But reliance on government as the main source of education for the masses can have undesirable results. Allowing a public-sector monopoly to control educational content and instruction is less effective than having multiple, additional sources of education in the private sector. An ample number of options are especially critical in education because “the task is to prepare young people for an ever changing world.”

Some schools also pursue conflicting missions. They award scholarships and other educational opportunities not only to excellent students but also to average ones who lack both privilege and potential. A rich mix of public and private schools provides academic diversity and promotes “the advance of knowledge.” Whether in private or public schools, giving tenure to faculty members can nurture independent thinking and discovery. Maintaining freedom in the field of education is vital to social progress.

Totalitarianism is most heinous when it prescribes solutions and precludes the search for better ideas. Liberty is most valuable when it allows exploration of the unknown in an unpredictable quest for learning.

About the Author

Friedrich A. Hayek, an Austrian-born economist and political philosopher, advocated market-based capitalism and limited government. He was co-winner of the Nobel Prize for Economics in 1974 and recipient of the Presidential Medal of Freedom in 1991.
