

## OBSERVATIONS ON PROFESSOR HAYEK'S PLAN

LUDWIG VON MISES\*

In the last sixty or eighty years in every country eminent citizens have become alarmed about the rising tide of totalitarianism. They wanted to preserve freedom and Western civilization and to organize an ideological and political movement to stop the progress on the road to serfdom.

All these endeavors failed utterly; the parties and groups dedicated to their realization very soon disappeared from the public scene. Even their names fell into oblivion.

The cause of this lamentable failure was that the founders of these movements could not emancipate themselves from the sway of the very ideas of the foes of liberty. They did not realize that freedom is inextricably linked with the market economy. They endorsed by and large the critical part of the socialist program. They were committed to a middle-of-the-road solution, to interventionism.

What these frightened intellectuals did not comprehend was that all those measures of government interference with business which they advocated are abortive. They necessarily bring about a state of affairs which, *from the point of view of their own advocates*, is more undesirable than the

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Editor's note: This memorandum was written at the request of Henry Hazlitt to provide Mises's comments on and concerns about F.A. Hayek's initial proposals for what became the Mont Pèlerin Society. See Jörg Guido Hülsmann, *Mises: The Last Knight of Liberalism* (Auburn, Ala.: Ludwig von Mises Institute, 2007), pp. 865 *et seq.*, discussing the context of this memo; see also the mention of this memo in "History and Principles of the Property and Freedom Society," [www.propertyandfreedom.org/principles.html](http://www.propertyandfreedom.org/principles.html).

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conditions of the unhampered market economy which they were designed to alter. If the governments and the peoples neither want to acquiesce in this unsatisfactory result nor to abandon any further interference with the market and to return to full economic freedom, they must add to their first measures more and more regimentation until finally the Nazi *Zwangswirtschaft* with all its implications emerges. All those evils which the interventionists charge to the market economy are the products of allegedly beneficial interference. Credit expansion results in an artificial boom and then in a crash. Minimum wage rates, whether enforced by government decree or by labor union pressure and compulsion, result in mass unemployment prolonged year after year. The pernicious effects of protectionism and inflation are obvious.

He who wants to preserve freedom must not parrot-like repeat the catch-words of the totalitarians. He must not talk about the compatibility of economic regimentation and freedom for the individual. He must not protest that he abhors *laissez faire*.

*Laissez faire* does not mean: let the evils last. It means: let the consumers, i.e., the people, decide—by their buying and by their abstention from buying—what should be produced and by whom. The alternative to *laissez faire* is to entrust these decisions to a paternal government. There is no middle way. Either the consumers are supreme or the government.

It is vain to speak of government interference to make people free and to reestablish competition. What makes for freedom—political, intellectual and religious as well as economic—is not government interference, but the market economy. No government interference is needed to prevent the emergence of monopoly prices. Not the unhampered market, but the governments foster monopolization. The much talked about decline of competition is a product of protectionism, of intergovernmental commodity trade agreements and of many other similar measures. Remember the New Deal's N.R.A. Remember the story of the German cartels as narrated in my book *Omnipotent Government* (pp. 66–78, 158–159, 245–251).

Those who want to preserve freedom must ask for free trade, both domestic and foreign, for the gold standard, and for the reestablishment of the governments' exclusive right to resort to violent coercion and suppression (this involves the abolition of the labor union privilege to "punish" strikebreakers).

Of course all these things are very unpopular. But if they were popular, there would not be any need for a new party. The practical politician must take into account the voters' reaction to his program if he wants to succeed in

the short run. He must compromise. But the intellectual pioneer of a better world is not restricted by the concerns of *Realpolitik*. His program must be sound. It is only a sound program that triumphs in the long run.

The weak point in Professor Hayek's plan is that it relies upon the cooperation of many men who are known for their endorsement of interventionism. It is necessary to clarify this point *before* the meeting starts. As I understand the plan, it is not the task of this meeting to discuss anew whether or not a government decree or a union dictate has the power to raise the standard of living of the masses. If somebody wants to discuss these problems, there is no need for him to make a pilgrimage to the Mount Pèlerin. He can find in his neighborhood ample opportunity to do so.

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Ludwig von Mises