

THE MORAL ELEMENT

in *Free Enterprise*

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ECONOMIC ACTIVITY provides the material means for all our ends. At the same time, most of our individual efforts are directed to providing means for the ends of others in order that they, in turn, may provide us with the means for our ends. It is only because we are free in the choice of our means that we are also free in the choice of our ends.

Economic freedom is thus an indispensable condition of all other freedom, and free enterprise both a necessary condition and a consequence of personal freedom. In discussing *The Moral Element in Free Enterprise* I shall therefore not confine myself to the problems of economic life but consider the

general relations between freedom and morals.

By freedom in this connection I mean, in the great Anglo-Saxon tradition, independence of the arbitrary will of another. This is the classical conception of freedom under the law, a state of affairs in which a man may be coerced only where coercion is required by the general rules of law, equally applicable to all, and never by the discretionary decision of administrative authority.

The relationship between this freedom and moral values is mutual and complex. I shall therefore have to confine myself to bringing out the salient points in something like telegraphic style.

It is, on the one hand, an old discovery that morals and moral values will grow only in an environment of freedom, and that, in general, moral standards of people and classes are high only

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where they have long enjoyed freedom—and proportional to the amount of freedom they have possessed. It is also an old insight that a free society will work well only where free action is guided by strong moral beliefs, and, therefore, that we shall enjoy all the benefits of freedom only where freedom is already well established. To this I want to add that freedom, if it is to work well, requires not only strong moral standards but moral standards of a particular kind, and that it is possible in a free society for moral standards to grow up which, if they become general, will destroy freedom and with it the basis of all moral values.

Forgotten Truths

Before I turn to this point, which is not generally understood, I must briefly elaborate upon the two old truths which ought to be familiar but which are often forgotten. That freedom is the matrix required for the growth of moral values—indeed not merely one value among many but the source of all values—is almost self-evident. It is only where the individual has choice, and its inherent responsibility, that he has occasion to affirm existing values, to contribute to their further growth, and to earn moral merit. Obedience has moral value only where

it is a matter of choice and not of coercion. It is in the order in which we rank our different ends that our moral sense manifests itself; and in applying the general rules of morals to particular situations each individual is constantly called upon to interpret and apply the general principles and in doing so to create particular values.

I have no time here for showing how this has in fact brought it about that free societies not only have generally been law-abiding societies, but also in modern times have been the source of all the great humanitarian movements aiming at active help to the weak, the ill, and the oppressed. Unfree societies, on the other hand, have as regularly developed a disrespect for the law, a callous attitude to suffering, and even sympathy for the malefactor.

I must turn to the other side of the medal. It should also be obvious that the results of freedom must depend on the values which free individuals pursue. It would be impossible to assert that a free society will always and necessarily develop values of which we would approve, or even, as we shall see, that it will maintain values which are compatible with the preservation of freedom. All that we can say is that the values we hold are the product of freedom, that in

particular the Christian values had to assert themselves through men who successfully resisted coercion by government, and that it is to the desire to be able to follow one's own moral convictions that we owe the modern safeguards of individual freedom. Perhaps we can add to this that only societies which hold moral values essentially similar to our own have survived as free societies, while in others freedom has perished.

All this provides strong argument why it is most important that a free society be based on strong moral convictions and why if we want to preserve freedom *and* morals, we should do all in our power to spread the appropriate moral convictions. But what I am mainly concerned with is the error that men must first be good before they can be granted freedom.

It is true that a free society lacking a moral foundation would be a very unpleasant society in which to live. But it would even so be better than a society which is unfree and immoral; and it at least offers the hope of a gradual emergence of moral convictions which an unfree society prevents. On this point I am afraid I strongly disagree with John Stuart Mill, who maintained that until men have attained the capacity of being guided to their own improvement by conviction

or persuasion, "there is nothing for them but implicit obedience to an Akbar or Charlemagne, if they are so fortunate as to find one." Here I believe T. B. Macaulay expressed the much greater wisdom of an older tradition when he wrote that "many politicians of our time are in the habit of laying it down as a self-evident proposition that no people are to be free till they are fit to use their freedom. The maxim is worthy of the fool in the old story, who resolved not to go into the water till he had learned to swim. If men are to wait for liberty till they become wise and good, they may indeed wait forever."

Moral Considerations

But I must now turn from what is merely the reaffirmation of old wisdom to more critical issues. I have said that liberty, to work well, requires not merely the existence of strong moral convictions but also the acceptance of particular moral views. By this I do *not* mean that within limits utilitarian considerations will contribute to alter moral views on particular issues. Nor do I mean that, as Edwin Cannan expressed it, "of the two principles, Equity and Economy, Equity is ultimately the weaker... the judgment of mankind about what is equitable is liable to change, and . . . one of the forces

that causes it to change is mankind's discovery from time to time that what was supposed to be quite just and equitable in some particular matter has become, or perhaps always was, uneconomical."

This is also true and important, though it may not be a commendation to all people. I am concerned rather with some more general conceptions which seem to me an essential condition of a free society and without which it cannot survive. The two crucial ones seem to me the belief in individual responsibility and the approval as just of an arrangement by which material rewards are made to correspond to the value which a person's particular services have to his fellows; *not* to the esteem in which he is held as a whole person for his moral merit.

Responsible Individuals

I must be brief on the first point — which I find very difficult. Modern developments here are part of the story of the destruction of moral value by scientific error which has recently been my chief concern — and what a scholar happens to be working on at the moment tends to appear to him as the most important subject in the world. But I shall try to say what belongs here in a very few words.

Free societies have always been societies in which the belief in in-

dividual responsibility has been strong. They have allowed individuals to act on *their* knowledge and beliefs and have treated the results achieved as due to them. The aim was to make it worthwhile for people to act rationally and reasonably and to persuade them that what they would achieve depended chiefly on them. This last belief is undoubtedly not entirely correct, but it certainly had a wonderful effect in developing both initiative and circumspection.

By a curious confusion it has come to be thought that this belief in individual responsibility has been refuted by growing insight into the manner in which events generally, and human actions in particular, are determined by certain classes of causes. It is probably true that we have gained increasing understanding of the *kinds* of circumstances which affect human action — but no more. We can certainly not say that a particular conscious act of any man is the necessary result of particular circumstances that we can specify — leaving out his peculiar individuality built up by the whole of his history. Of our generic knowledge as to how human action can be influenced we make use in assessing praise and blame — which we do for the purpose of making people behave in a desirable fashion. It is on this limited determin-

ism — as much as our knowledge in fact justifies — that the belief in responsibility is based, while only a belief in some metaphysical self which stands outside the chain of cause and effect could justify the contention that it is useless to hold the individual responsible for his actions.

The Pressure of Opinion

Yet, crude as is the fallacy underlying the opposite and supposedly scientific view, it has had the most profound effect in destroying the chief device which society has developed to assure decent conduct — the pressure of opinion making people observe the rules of the game. And it has ended in that *Myth of Mental Illness* which a distinguished psychiatrist, Dr. T. S. Szasz, has recently justly castigated in a book so titled. We have probably not yet discovered the best way of teaching people to live according to rules which make life in society for them and their fellows not too unpleasant. But in our present state of knowledge I am sure that we shall never build up a successful free society without that pressure of praise and blame which treats the individual as responsible for his conduct and also makes him bear the consequences of even innocent error.

But if it is essential for a free

society that the esteem in which a person is held by his fellows depends on how far he lives up to the demand for moral law, it is also essential that material reward should *not* be determined by the opinion of his fellows of his moral merits but by the value which they attach to the particular services he renders them. This brings me to my second chief point: the conception of social justice which must prevail if a free society is to be preserved. This is the point on which the defenders of a free society and the advocates of a collectivist system are chiefly divided. And on this point, while the advocates of the socialist conception of distributive justice are usually very outspoken, the upholders of freedom are unnecessarily shy about stating bluntly the implications of their ideal.

Why Liberty?

The simple facts are these: We want the individual to have liberty because only if *he* can decide what to do can he also use all his unique combination of information, skills, and capacities which nobody else can fully appreciate. To enable the individual to fulfill his potential we must also allow him to act on his own estimates of the various chances and probabilities. Since we do not know what he knows, we cannot decide

whether his decisions were justified; nor can we know whether his success or failure was due to his efforts and foresight, or to good luck. In other words, we must look at results, not intentions or motives, and can allow him to act on his own knowledge only if we also allow him to keep what his fellows are willing to pay him for his services, irrespective of whether we think this reward appropriate to the moral merit he has earned or the esteem in which we hold him as a person.

Such remuneration, in accordance with the value of a man's services, inevitably is often very different from what we think of his moral merit. This, I believe, is the chief source of the dissatisfaction with a free enterprise system and of the clamor for "distributive justice." It is neither honest nor effective to deny that there is such a discrepancy between the moral merit and esteem which a person may earn by his actions and, on the other hand, the value of the services for which we pay him. We place ourselves in an entirely false position if we try to gloss over this fact or to disguise it. Nor have we any need to do so.

Material Rewards

It seems to me one of the great merits of a free society that ma-

terial reward is *not* dependent on whether the majority of our fellows like or esteem us personally. This means that, so long as we keep within the accepted rules, moral pressure can be brought on us only through the esteem of those whom we ourselves respect and not through the allocation of material reward by a social authority. It is of the essence of a free society that we should be materially rewarded not for doing what others order us to do, but for giving them what they want. Our conduct ought certainly to be guided by our desire for their esteem. But we are free because the success of our daily efforts does not depend on whether particular people like us, or our principles, or our religion, or our manners, and because *we* can decide whether the material reward others are prepared to pay for our services makes it worth while for us to render them.

We seldom know whether a brilliant idea which a man suddenly conceives, and which may greatly benefit his fellows, is the result of years of effort and preparatory investment, or whether it is a sudden inspiration induced by an accidental combination of knowledge and circumstance. But we do know that, where in a given instance it has been the former, it would not have been worth while to take the

risk if the discoverer were not allowed to reap the benefit. And since we do not know how to distinguish one case from the other, we must also allow a man to get the gain when his good fortune is a matter of luck.

The Moral Merit of a Person

I do not wish to deny, I rather wish to emphasize, that in our society personal esteem and material success are much too closely bound together. We ought to be much more aware that if we regard a man as entitled to a high material reward that in itself does not necessarily entitle him to high esteem. And, though we are often confused on this point, it does not mean that this confusion is a necessary result of the free enterprise system — or that in general the free enterprise system is more materialistic than other social orders. Indeed, and this brings me to the last point I want to make, it seems to me in many respects considerably less so.

In fact free enterprise has developed the only kind of society which, while it provides us with ample material means, if that is what we mainly want, still leaves the individual free to choose between material and nonmaterial reward. The confusion of which I have been speaking — between

the value which a man's services have to his fellows and the esteem he deserves for his moral merit — *may* well make a free enterprise society materialistic. But the way to prevent this is certainly not to place the control of all material means under a single direction, to make the distribution of material goods the chief concern of all common effort, and thus to get politics and economics inextricably mixed.

Many Bases for Judging

It is at least possible for a free enterprise society to be in this respect a pluralistic society which knows no single order of rank but has many different principles on which esteem is based; where worldly success is neither the only evidence nor regarded as certain proof of individual merit. It may well be true that periods of a very rapid increase of wealth, in which many enjoy the benefits of wealth for the first time, tend to produce for a time a predominant concern with material improvement. Until the recent European upsurge many members of the more comfortable classes there used to decry as materialistic the economically more active periods to which they owed the material comfort which had made it easy for them to devote themselves to other things.

Cultural Progress Follows

Periods of great cultural and artistic creativity have generally followed, rather than coincided with, the periods of the most rapid increase in wealth. To my mind this shows *not* that a free society must be dominated by material concerns but rather that with freedom it is the moral atmosphere in the widest sense, the values which people hold, which will determine the chief direction of their activities. Individuals as well as communities, when they feel that other things have become more important than material advance, can turn to them. It is certainly not by the endeavor to make material reward correspond to all merit, but only by frankly recognizing that there are other and often more important goals than material success, that we can guard ourselves against becoming too materialistic.

Surely it is unjust to blame a system as more materialistic because it leaves it to the individual to decide whether he prefers material gain to other kinds of excellence, instead of having this decided for him. There is indeed little merit in being idealistic if the provision of the material means required for these idealistic aims is left to somebody else. It is only where a person can him-

self choose to make a material sacrifice for a nonmaterial end that he deserves credit. The desire to be relieved of the choice, and of any need for personal sacrifice, certainly does not seem to me particularly idealistic.

I must say that I find the atmosphere of the advanced Welfare State in every sense more materialistic than that of a free enterprise society. If the latter gives individuals much more scope to serve their fellows by the pursuit of purely materialistic aims, it also gives them the opportunity to pursue any other aim they regard as more important. One must remember, however, that the pure idealism of an aim is questionable whenever the material means necessary for its fulfillment have been created by others.

Means and Ends

In conclusion I want for a moment to return to the point from which I started. When we defend the free enterprise system we must always remember that it deals only with means. What we make of our freedom is up to us. We must not confuse efficiency in providing means with the purposes which they serve. A society which has no other standard than efficiency will indeed waste that efficiency. If men are to be free to use their talents to provide us

with the means we want, we must remunerate them in accordance with the value these means have to us. Nevertheless, we ought to esteem them only in accordance with the use they make of the means at *their* disposal.

Let us encourage usefulness to one's fellows by all means, but let us not confuse it with the im-

portance of the ends which men ultimately serve. It is the glory of the free enterprise system that it makes it at least possible that each individual, while serving his fellows, can do so for his own ends. But the system is itself only a means, and its infinite possibilities must be used in the service of ends which exist apart. ♦

Taxpayers' Money

HOWARD PRESTON

OF ALL THE LOST CAUSES I think none is recalled more often than the unsuccessful attempt to do away with the expression "at government expense" or "paid for by federal funds" and similar phrases.

Scarcely a day passes but what the newspapers report on some project which the "government will pay for." Quite often a poli-

tician will explain gleefully to his constituents how he has saved them money. The new bridge or highway or municipal building or what have you will not, says the politician, cost his beloved taxpayers anything but a simple fee.

"The big expense," he tells the audience, "will be taken care of by federal funds."

Now, except for their own contribution through personal tax, politicians don't spend their own money. When the President or the

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