

Ideas have consequences

The state of opinion which governs a decision on political issues is always the result of a slow evolution, extending over long periods and proceeding at many different levels. New ideas start among a few and gradually spread until they become the possession of a majority who know little of their origin.

Friedrich Hayek (1960). *The Constitution of Liberty*.

In Ronald Hamowy (ed.), *The Constitution of Liberty*, XVII

(Liberty Fund Library, 2011): 177.

Karl Marx insisted that the ideas that you, I, and other people hold are shaped and powered by our station and function in the economy. Ideas themselves play no independent role in shaping the contours or in governing the destiny of an economy and society.

The great twentieth-century economist George Stigler (1911-1991) also believed that ideas have no consequences. In Stigler's view, every individual always seeks to maximize his or her own material well-being. Government officials, therefore, serve only those individuals and groups that best promote the well-being of government officials. According to Stigler, legislation and public policies are never the result of ideas or ideals. Instead, legislation and public policies are the result only of the interplay of narrow material interests—particularly the interests of groups that succeed in organizing themselves into effective political lobbies.

Marx, of course, was a man of the political left. Stigler was a man of the political right. Yet according to both Marx and Stigler, ideas are determined; ideas do not determine. Marx and Stigler each was driven by the idea that

nothing as intangible, as subjective, as unobservable, and as unquantifiable as mere ideas could play a significant role in driving a society.

Marx and Stigler are not alone. Many are the scholars—especially in economics—who dismiss any suggestion that ideas independently affect public policy. In these scholars' view, the only forces that determine the performance of economies and the details of public policies are calculations of material personal profit and loss.

There are important kernels of truth buried within the idea that ideas are insignificant in the formation of public policies. Society cannot be formed into whatever ideas we might dream up, yet too many people throughout time have rejected this reality in favour of their utopian dreams. History has no shortage of schemes to rid societies of self-interest and material concerns, leaving the likes of love, universal brotherhood, or the assumed benevolence of powerful leaders to govern our affairs. All of these plans and schemes have failed. So to avoid being dazzled by the false promise of romantic and utopian schemes, we must never lose sight of the unavoidability of resource scarcities and of the reality of human nature—including the impossibility for each of us to know and care deeply about the millions of strangers who are part of our society.

This level-headed acceptance of reality, however, does not require that we reject the understanding that ideas have real consequences. Human beings are social animals, and ones with a remarkably sophisticated capacity for communication. We choose to live in groups and we are constantly talking and writing. And what are talking and writing if not a sharing of ideas? All this groupishness and incessant sharing of ideas means that we are influenced not only by what people do and by the details of our physical surroundings, but also by what people think—that is, by *ideas*.

No stronger evidence of the power of ideas exists than the fact that totalitarian governments, without exception, go to extreme lengths to control the ideas that people encounter. If ideas have no consequences, dictators and tyrants would spend no energy and treasure on preventing people from publishing whatever they please and saying whatever they wish. Nor would governments waste money on spreading propaganda. Freedom of expression would be universal if ideas had no power to determine what governments do and are prevented from doing.

Democratic governments with constitutionally limited powers also act as if ideas have consequences. Every piece of legislation, without exception, is trumpeted as promoting the public interest. Even statutes and regulations clearly aimed at helping only special-interest groups are packaged and presented to the public as vital measures for improving the condition of the overall society.

Consider, for example, farm subsidies that are driven by the disproportionate political power of agricultural lobbies. No politician ever says, “I voted for these subsidies because farmers are politically powerful and the consumers and taxpayers who foot the bill are not.” If George Stigler were correct that government policies are driven *only* by special-interest groups—and therefore that the ideas that people have about the “rightness” or “wrongness” of policies are irrelevant—then governments wouldn’t bother to portray farm subsidies and the creation of other special-interest-group privileges as being in the public interest. The very dishonesty and duplicity that is so common in the pronouncements of all governments, today and in the past, testify to the power of ideas.

There can be no doubt that ideas have consequences.

Ideas about the appropriate role of government determine what government will attempt to do as well as what it must refrain from doing. And ideas about the appropriate role of government are in turn shaped by ideas about the way free markets work and about the justice or injustice of market processes and outcomes. No society, for example, will follow a policy of free trade if a dominant idea in that society is that trade with foreigners is evil or economically harmful. In contrast, no society will tolerate high tariffs and other protectionist measures if a dominant idea in that society is that restrictions on trade are ethically unacceptable and that free international trade is always economically beneficial.

Getting ideas “right”—and spreading those right ideas as widely as possible—is therefore of the highest importance. Widely held mistaken ideas about markets and government will inevitably produce economically damaging policies, while correct ideas about markets and government will foster economically beneficial policies.

But how are ideas produced, spread, and nurtured? How are today’s dominant ideas altered or replaced with other ideas? Families, churches, clubs, popular media, and (of course) schools all play a role. So, too, do public

intellectuals—that is, newspaper and magazine columnists, bloggers, television and radio pundits, and book authors. Public intellectuals speak not only, or not even mainly, to other intellectuals; they speak chiefly to the general public. Being skilled specialists in communicating serious ideas to broad audiences, public intellectuals are the central participants in the process of distilling academic ideas into the language and forms that make those ideas accessible to the general public. Public intellectuals, as such, do not do original research or create new ideas. Instead, they report research findings and transmit academic ideas to people outside of the universities and think tanks.

Widely held ideas, then, about the operation of markets and about the promise or perils of government intervention have two main “producers”: the scholars, researchers, and academics who generate these ideas, and the public intellectuals who transmit these ideas to wide audiences. If the general public in modern society is to hold improved ideas about markets and politics, both academics and public intellectuals must contribute to this betterment.

With the possible exception of history, no intellectual discipline plays as large a role in affecting the public’s ideas about markets and politics than does economics. John Maynard Keynes astutely observed in 1936 that “[t]he ideas of economists and political philosophers, both when they are right and when they are wrong are more powerful than is commonly understood. Indeed, the world is ruled by little else. Practical men, who believe themselves to be quite exempt from any intellectual influences, are usually slaves of some defunct economist.”

Original research and theorizing today, of course, affects almost nothing *today*. The ideas of professional economists must first be distilled and spread by public intellectuals, and this process takes time. A prime example is Adam Smith’s scholarly case for free trade. When Smith first published his case for free trade in his monumental 1776 book, *An Inquiry into the Nature and Causes of the Wealth of Nations*, protectionist policies were well entrenched in Great Britain. These policies were so well entrenched that Smith thought it ludicrous to suppose that they would ever be discarded in favour of a policy of unilateral free trade. Yet on this matter Smith was wrong. Britain adopted a policy of free trade 70 years after Smith’s ideas were first published.

Britain’s adoption of free trade (which began in earnest with Parliament’s repeal of the “corn laws”—tariffs on grains—in 1846) owes much to Smith’s own scholarly case for free trade. The logic and eloquence of Smith’s argument



*Hmmm ... I never thought of it that way!
Perhaps I've been wrong.*

inspired other scholars to do further research into trade. This research largely confirmed and strengthened Smith's conclusions. Just as importantly, it also inspired orators, pamphleteers, and other public intellectuals of the era to take up the cause of free trade. These public intellectuals explained to the public the benefits of free trade and the dangers of protectionism. By the mid-nineteenth century, public opinion in Britain had swung to free trade, along with other related free-market ideas. Not until the early twentieth century would Britain abandon free trade—an abandonment that itself was the product of intellectual developments some years earlier and that had been conveyed to wide audiences by public intellectuals.

Britain's experience with free trade and protectionism shows that if scholars get the ideas right, there's a very good chance that those right ideas will eventually influence public policies for the better. But the flipside is also true: if scholars get the ideas wrong, then public policy will eventually reflect those wrong ideas.

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No economist in the twentieth century has done as much to get the ideas right as did F.A. Hayek. From his pioneering research into booms and busts, through his explorations into the role of prices and the essence of market competition, to his profound analyses of the rule of law and of the importance of principles both for guiding human actions and for constraining even the best-intentioned government policies, Hayek breathed much-needed new vigour into the case for a society of free and responsible individuals. Hayek's ideas not only continue to inspire original research by economists and other social scientists, but have become part of the discourse of many public intellectuals.

Hayek's ideas have already paid dividends. Margaret Thatcher, as Prime Minister of Great Britain, singled out Hayek for influencing her ideas about moving Britain away from collectivism. In the United States, Hayek's work was a key source of inspiration and guidance for the greater reliance in that country, during the last quarter of the twentieth century, on free markets.

As Hayek himself understood, however, the case for freedom and free markets must continually be rejuvenated and made again and again and again. The project is never completed, as more recent political developments in Britain and the United States attest. Opposing ideas—those of collectivism of one form or another—are always being generated, refined, and spread. Failure by classical liberals and other defenders of a society based on free markets and strictly limited government to counter these collectivist ideas will guarantee the victory of collectivism.

Being among the deepest and most profound ideas ever developed in the social sciences, Hayek's ideas can continually nourish the intellectual and moral case for freedom for many generations to come. It is my hope that this little book will play some modest role in introducing people to Hayek's ideas and in rousing them to build upon those ideas in order to help strengthen the sinews of a free civilization so that that civilization will not only endure, but grow to encompass the globe.