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John Stuart Mill and Harriet Taylor

The Counter-Revolution of Science

The Sensory Order

F. A. HAYEK

*The
Constitution of
Liberty*

*Our inquiry is not after that which is perfect, well knowing
that no such thing is found among men; but we seek that
human Constitution which is attended with the least, or
the most pardonable inconveniences.*

ALGERNON SIDNEY



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*To the
unknown civilization
that is growing
in America*

Employment and Independence

*Not for to hide it in a hedge,
Not for a train attendant,
But for the glorious privilege
Of being independent.*

ROBERT BURNS

1. The ideals and principles restated in the preceding chapters were developed in a society which in important respects differed from ours. It was a society in which a relatively larger part of the people, and most of those who counted in forming opinion, were independent in the activities that gave them their livelihood.¹ How far, then, are those principles which operated in such a society still valid now, when most of us work as employed members of large organizations, using resources we do not own and acting largely on the instructions given by others? In particular, if the independents now constitute a so much smaller and less influential portion of society, have their contributions for this reason become less important, or are they still essential to the well-being of any free society?

Before we turn to the main issue, we must free ourselves from a myth concerning the growth of the employed class which, though believed in its crudest form only by Marxists, has gained wide enough acceptance to confuse opinion. This is the myth that the appearance of a propertyless proletariat is the result of a process of expropriation, in the course of which the masses were deprived of those possessions that formerly enabled them to earn their living independently. The facts tell a very different story. Until the rise of modern capitalism, the possibility for most people of establishing a family and of rearing children depended on the inheritance of

a home and land and the necessary tools of production. What later enabled those who did not inherit land and tools from their parents to survive and multiply was the fact that it became practicable and profitable for the wealthy to use their capital in such a way as to give employment to large numbers. If "capitalism has created the proletariat," it has done so, then, by enabling large numbers to survive and procreate. In the Western world today, the effect of this process is, of course, no longer the increase in a proletariat in the old sense but the growth of a majority of employed who in many respects are alien and often inimical to much that constitutes the driving force of a free society.

The increase in population during the last two hundred years has been made up mostly of employed workers, urban and industrial. Though the technological change that has favored large-scale enterprise and helped to create the new large class of clerical workers has undoubtedly assisted this growth of the employed section of the population, the increasing number of propertyless that offered their services has probably in turn assisted the growth of large-scale organization.

The political significance of this development has been accentuated by the fact that, at the time when the dependent and propertyless were growing most rapidly in numbers, they were also given the franchise, from which most of them had been excluded. The result was that in probably all countries of the West the outlook of the great majority of the electorate came to be determined by the fact that they were in employed positions. Since it is now their opinion that largely governs policy, this produces measures that make the employed positions relatively more attractive and the independent ones ever less so. That the employed should thus use their political power is natural. The problem is whether it is in their long-term interest if society is thereby progressively turned into one great hierarchy of employment. Such a state seems to be the likely outcome unless the employed majority come to recognize that it would be in their interest to ensure the preservation of a substantial number of independents. For if they do not, we shall all find that our freedom has been affected, just as they will find that, without a great variety of employers to choose from, their position is not as it once was.

2. The problem is that many exercises of freedom are of little direct interest to the employed and that it is often not easy for

them to see that their freedom depends on others' being able to make decisions which are not immediately relevant to their whole manner of life. Since they can and have to live without making such decisions, they cannot see the need for them, and they attach little importance to opportunities for action which hardly ever occur in their lives. They regard as unnecessary many exercises of freedom which are essential to the independent if he is to perform his functions, and they hold views of deserts and appropriate remuneration entirely different from his. Freedom is thus seriously threatened today by the tendency of the employed majority to impose upon the rest their standards and views of life. It may indeed prove to be the most difficult task of all to persuade the employed masses that in the general interest of their society, and therefore in their own long-term interest, they should preserve such conditions as to enable a few to reach positions which to them appear unattainable or not worth the effort and risk.

If in the life of the employed certain exercises of liberty have little relevance, this does not mean that they are not free. Every choice made by a person as to his manner of life and way of earning a living means that, as a result, he will have little interest in doing certain things. A great many people will choose employment because it offers them better opportunities to live the kind of life they want than would any independent position. Even with those who do not especially want the relative security and absence of risk and responsibility that an employed position brings, the decisive factor is often not that independence is unattainable but that employment offers them a more satisfying activity and a larger income than they could earn as, say, independent tradesmen.

Freedom does not mean that we can have everything as we want it. In choosing a course of life we always must choose between complexes of advantages and disadvantages, and, once our choice is made, we must be prepared to accept certain disadvantages for the sake of the net benefit. Whoever desires the regular income for which he sells his labor must devote his working hours to the immediate tasks which are determined for him by others. To do the bidding of others is for the employed the condition of achieving his purpose. Yet, though he may find this at times highly irksome, in normal conditions he is not unfree in the sense of being coerced. True, the risk or sacrifice involved in giving up his job may often be so great as to make him continue in it,

even though he intensely dislikes it. But this may be true of almost any other occupation to which a man has committed himself—certainly of many independent positions.

The essential fact is that in a competitive society the employed is not at the mercy of a particular employer, except in periods of extensive unemployment. The law wisely does not recognize contracts for the permanent sale of a person's labor and, in general, does not even enforce contracts for specific performance. Nobody can be coerced to continue to work under a particular boss, even if he has contracted to do so; and, in a normally operating competitive society, alternative employment will be available, even though it may often be less remunerative.²

That the freedom of the employed depends upon the existence of a great number and variety of employers is clear when we consider the situation that would exist if there were only one employer—namely, the state—and if taking employment were the only permitted means of livelihood. And a consistent application of socialist principles, however much it might be disguised by the delegation of the power of employment to nominally independent public corporations and the like, would necessarily lead to the presence of a single employer. Whether this employer acted directly or indirectly, he would clearly possess unlimited power to coerce the individual.

3. The freedom of the employed therefore depends on the existence of a group of persons whose position is different from theirs. Yet in a democracy in which they form the majority, it is their conception of life that can determine whether or not such a group can exist and fulfil its functions. The dominant conceptions will be those of the great majority, who are members of hierarchic organizations and who are largely unaware of the kind of problems and views that determine the relations between the separate units within which they work. The standards which such a majority develops may enable them to be effective members of society, but they cannot be applied to the whole of society if it is to remain free.

It is inevitable that the interests and values of the employed should differ somewhat from those of men who accept the risk and responsibility of organizing the use of resources. A man who works under direction for a fixed salary or wage may be as conscientious, industrious, and intelligent as one who must constantly choose between alternatives; but he can hardly be as inventive or as experi-

mental simply because the range of choice in his work is more limited.³ He is normally not expected to perform actions which cannot be prescribed or which are not conventional. He cannot go beyond his allotted task even if he is capable of doing more. An assigned task is necessarily a limited task, confined to a given sphere and based on a predetermined division of labor.

The fact of being employed will affect more than a man's initiative and inventiveness. He has little knowledge of the responsibilities of those who control resources and who must concern themselves constantly with new arrangements and combinations; he is little acquainted with the attitudes and modes of life which the need for decisions concerning the use of property and income produces. For the independent there can be no sharp distinction between his private and his business life, as there is for the employed, who has sold part of his time for a fixed income. While, for the employed, work is largely a matter of fitting himself into a given framework during a certain number of hours, for the independent it is a question of shaping and reshaping a plan of life, of finding solutions for ever new problems. Especially do the employed and the independent differ in their views of what one can properly regard as income, what chances one ought to take, and what manner of life one should adopt that is most conducive to success.

The greatest difference between the two, however, will be found in their opinions of how appropriate remunerations for various services are to be determined. Whenever a person works under instruction and as a member of a large organization, the value of his individual services is difficult to ascertain. How faithfully and intelligently he has obeyed rules and instructions, how well he has fitted himself into the whole machinery, must be determined by the opinion of other people. Often he must be remunerated according to assessed merit, not according to result. If there is to be contentment within the organization, it is most important that remuneration be generally regarded as just, that it conform to known and intelligible rules, and that a human agency be responsible for every man's receiving what his fellows regard as being due to him.⁴ However, this principle of rewarding a man according to what others think he deserves cannot apply to men who act on their own initiative.

4. When an employed majority determines legislation and policy, conditions will tend to be adapted to the standards of that group and become less favorable to the independent. The position of the former will, in consequence, become steadily more attractive and its relative strength even greater. It may be that even the advantages which the large organization has today over the small are in part a result of policies that have made employed positions more attractive to many who in the past would have aimed at independence.

There can be little doubt, at any rate, that employment has become not only the actual but the preferred position of the majority of the population, who find that it gives them what they mainly want: an assured fixed income available for current expenditure, more or less automatic raises, and provision for old age. They are thus relieved of some of the responsibilities of economic life; and quite naturally they feel that economic misfortune, when it comes as a result of a decline or failure of the employing organization, is clearly not their fault but somebody else's. It is not surprising, then, that they should wish to have some higher tutelary power watch over the directing activities which they do not understand but on which their livelihood depends.

Where this class predominates, the conception of social justice becomes largely adjusted to its needs. This applies not only to legislation but also to institutions and business practices. Taxation comes to be based on a conception of income which is essentially that of the employee. The paternalistic provisions of the social services are tailored almost exclusively to his requirements. Even the standards and techniques of consumers' credit are primarily adjusted to them. And all that concerns the possession and employment of capital as part of making one's living comes to be treated as the special interest of a small privileged group which can justly be discriminated against.

To Americans this picture may still seem exaggerated, but to Europeans most of its features are all too familiar. The development in this direction is generally much accelerated, once the public servants become the most numerous and influential group among the employed, and the special privileges which they enjoy come to be demanded as a matter of right by all employees. Privileges such as security of tenure and automatic promotion by seniority that the public servant is given, not in his interest but in

the interest of the public, then tend to be extended beyond this group. Also, it is even more true of government bureaucracy than of other large organizations that the specific value of an individual's services cannot be ascertained and that he must therefore be rewarded on the basis of assessable merit rather than result.⁵ Such standards that prevail in the bureaucracy tend to spread, not least through the influence of public servants on legislation and on the new institutions catering to the needs of the employed. In many European countries the bureaucracy of the new social services in particular has become a very important political factor, the instrument as well as the creator of a new conception of need and merit, to whose standards the life of the people is increasingly subject.

5. The existence of a multiplicity of opportunities for employment ultimately depends on the existence of independent individuals who can take the initiative in the continuous process of re-forming and redirecting organizations. It might at first seem that multiplicity of opportunities could also be provided by numerous corporations run by salaried managers and owned by large numbers of shareholders and that men of substantial property would therefore be superfluous. But though corporations of this sort may be suited to well-established industries, it is very unlikely that competitive conditions could be maintained, or an ossification of the whole corporate structure be prevented, without the launching of new organizations for fresh ventures, where the propertied individual able to bear risks is still irreplaceable. And this superiority of individual over collective decisions is not confined to new ventures. However adequate the collective wisdom of a board may be in most instances, the outstanding success even of large and well-established corporations is often due to some single person who has achieved his position of independence and influence through the control of large means. However much the institution of the corporation may have obscured the simple distinction between the directing owner and the employee, the whole system of separate enterprises, offering both employees and consumers sufficient alternatives to deprive each organization from exercising coercive power, presupposes private ownership and individual decision as to the use of resources.⁶

6. The importance of the private owner of substantial property, however, does not rest simply on the fact that his existence is an essential condition for the preservation of the structure of competitive enterprise. The man of independent means is an even more important figure in a free society when he is not occupied with using his capital in the pursuit of material gain but uses it in the service of aims which bring no material return. It is more in the support of aims which the mechanism of the market cannot adequately take care of than in preserving that market that the man of independent means has his indispensable role to play in any civilized society.⁷

Though the market mechanism is the most effective method for securing those services that can be priced, there are others of great importance that the market will not provide because they cannot be sold to the individual beneficiary. Economists have often given the impression that only what the public can be made to pay for is useful or have mentioned the exceptions only as an argument for the state's stepping in where the market has failed to provide whatever is desired. But, though the limitations of the market provide a legitimate argument for some kinds of government action, they certainly do not justify the argument that only the state should be able to provide such services. The very recognition that there are needs which the market does not satisfy should make it clear that the government ought not to be the only agency able to do things which do not pay, that there should be no monopoly here but as many independent centers as possible able to satisfy such needs.

The leadership of individuals or groups who can back their beliefs financially is particularly essential in the field of cultural amenities, in the fine arts, in education and research, in the preservation of natural beauty and historic treasures, and, above all, in the propagation of new ideas in politics, morals, and religion. If minority views are to have a chance to become majority views, it is necessary not only that men who are already highly esteemed by the majority should be able to initiate action but that representatives of all divergent views and tastes should be in a position to support with their means and their energy ideals which are not yet shared by the majority.

If we knew of no better way of providing such a group, there would exist a strong case for selecting at random one in a hundred,