

make sense. So do the success indicators, because they impress supporters and sycophants abroad, and may impress or terrorize people at home. The policies and the rulers may eventually collapse. But such policies have kept African despots in power for decades, and the Communist party of the Soviet Union ruled the country for more than 70 years. It is thus somewhat misleading to call central planning irrational. The policies usually suit the purposes of the rulers. The term irrational also suggests that outside observers, especially academics, are better qualified than are seasoned politicians to assess what best serves the interests of the rulers.

Depoliticizing Economic Life

The West can influence developments in the East. The preceding discussion suggests that such influence should be targeted primarily to the promotion of the market. For instance, official aid—that is, subsidies in cash or kind, including technical assistance, soft loans, and government-guaranteed bank credits—if provided at all, should go to the governments that are politically committed to the market system. If the governments change their course, the subsidies should be withdrawn. Aid should be administered and allocated by people who are themselves market oriented. In reality, all too many people in charge of those programs are indifferent or antipathetic to the market, even though they pay lip service to it.

Finally, reduction of Western trade barriers would do far more to promote the market in the East than would official subsidies. Getting rid of such obstacles, however, requires the depoliticization of economic life—something that democratic politicians who respond to special interest pressures and those in charge of international organizations have little incentive to do. The problem, then, is to place constitutional limits on democratic rule in order to cultivate a private market system in which individuals are free to pursue their own interests and at the same time to revitalize national economies.

The Communist Road to Self-Enslavement

Karl R. Popper

No theoretician contributed as much to the downfall of communism—or socialism—as did Friedrich August von Hayek. He did so nowhere more forcefully than in his small book *The Road to Serfdom*, first published in 1944, when the end of the Second World War was in sight. He followed it up with many excellent works—books as well as articles. The most important of these were *The Constitution of Liberty*, published in 1960, and the three volumes of *Law, Legislation and Liberty*, published between 1973 and 1979. When he was 89, he published, supported by W. W. Bartley, a most successful book, *The Fatal Conceit* (1989). These books form an extraordinary series of scholarly works that, at the same time, are hammer blows against totalitarianism. They contributed much to the fall of Khrushchev's Berlin Wall and of Stalin's Iron Curtain.

But Hayek did not confine himself to writing these politically so amazingly powerful works. Although a great scholar and distinguished gentleman, rather reserved in his way of living, thinking, and teaching, and averse to taking political action, he founded, shortly after the Second World War, the Mont Pèlerin Society. Its function was to provide a balance to the countless intellectuals who opted for socialism. Hayek felt that more had to be done than writing papers and books. So he founded a society of scholars and practical economists who were opposed to the fashionable socialist trend of the majority of

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intellectuals who believed in a socialist future. The society was founded in Switzerland in 1947 on Mont Pèlerin, on the southern shores of Lake Geneva. I had the honor of being invited by Hayek to be one of the founder-members. Among the surviving founders are Milton Friedman and Aaron Director. This society still exists; and for many years it has exerted a considerable influence within the ranks of the intellectuals, especially the economists. Its first and perhaps greatest achievement was, I feel, to encourage those who were fighting the then overwhelming authority of John Maynard Keynes and his school. However, not being an economist myself, I am probably not competent to assess the historical influence of the Mont Pèlerin Society. This is a task—I think an important task—for future historians of economic doctrines and economic policies. Yet having been for many years a member of the London School of Economics, I could experience the growing undermining of leftist teaching which, in the first few years after the war, had been immensely powerful.

Justice demands that I point out that the movement, started by Hayek with his book *The Road to Serfdom*, had an important forerunner. I am alluding to Hayek's teacher, Ludwig von Mises, whom I first met early in 1935 in Vienna, owing to his interest in my first book. I met Hayek about six months later in London. It was Mises who advanced the first and fundamental modern criticism of socialism: that modern industry is based on a free market, and that socialism, and especially "social planning," was incompatible with a free-market economy and consequently bound to fail. ("Socialist planning" was in those days the most thrilling new slogan in intellectual circles.) This thesis of Ludwig von Mises was, as everyone can see today, of fundamental importance. Hayek was convinced—perhaps even converted; for he told me that he, like myself, was once in the days of his youth inclined towards socialism, and if my memory does not deceive me, he has said so somewhere in his published works. It is well to remember that Hayek was among the first to take over this immensely important thesis of Mises, that he greatly developed it, and that he added to it a most important second thesis—an answer to the problem: what will happen if a powerful government attempts to institute a socialist economy, that is, "socialist planning"? The answer was: this can be done only by force, by terror, by political enslavement. This second almost equally important thesis is, so far as I know, due to Hayek; and just as the earlier thesis of Lud-

wig von Mises was at once accepted by Hayek, so Hayek's thesis was almost at once accepted by Mises.

I must say again that I am neither an economist nor an historian of economic doctrines: the historical remarks just made may perhaps turn out not to be correct when all the historical documents, especially letters, have been examined. However, it may be of interest that things appeared this way to someone who, though not an economist, was not altogether an outsider.

Ludwig von Mises was, after Hayek, of course the most important founder-member of the Mont Pèlerin Society. I was always very conscious of Mises' absolutely fundamental contribution, and I admired him greatly. I wish to emphasize this point since both he and I were aware of a strong opposition between our views in the field of the theory of knowledge and methodology. I think that Mises saw in me a dangerous opponent—perhaps one who had robbed him of the complete agreement of his greatest pupil, Hayek. Mises' methodology was, to put it briefly, subjectivist, and led him to claim absolutely certain truth for the principles of economic science. My methodology was objectivist, and led to the view that science is fallible and grows by the method of self-criticism and self-correction; or, to put it more elaborately, by the method of conjecture and attempted refutation. I respected Mises, who was much older, far too much to begin a confrontation with him. He often talked to me, but he never went beyond allusions of dissent: he never really opened a discussion by direct criticism. Like myself, he appreciated that there was some common ground, and he knew that I had accepted his most fundamental theorems and that I greatly admired him for these. But he made it clear, by hints, that I was a dangerous person—although I never criticized his views even to Hayek; and I would even now not wish to do so. However, I have by now mentioned to several people the fact of my disagreement, without entering into critical arguments. So much about those distant days.

An Empire Ruled by Lies

I now wish to go one step beyond those days and to formulate the thesis of this paper. It is this.

The demise of the Soviet Union can be perhaps explained, in the last instance, by economic collapse due to the absence of a free mar-

ket; that is to say, by what I have called the first theorem due to Mises. But I think that the second theorem, the enslavement theorem due to Hayek, is even more important for understanding what has happened—and is still happening—in the former Soviet Empire. For this theorem has a most important corollary or appendix. It may be formulated as follows:

The road to serfdom leads to the disappearance of free and rational discussion; or, if you prefer, of the free market in ideas. But this has the most devastating effect on everybody, the so-called leaders included. It leads to a society in which empty verbiage rules the day; verbiage consisting very largely of lies issued by the leaders mainly for no purpose other than self-confirmation and self-glorification. But this marks the end of their ability to think. They themselves become the slaves of their lies, like everybody else. It is also the end of their ability to rule. They disappear, even as despots.

Of course, these are also, partly, matters of individual personal talents. But I suggest that they are mainly dependent upon the temporal length of the enslavement. The acceptance of lies as the universal intellectual currency drives out truth—just as bad money drives out good money.

Gorbachev was the first general secretary of the Communist Party of the Soviet Union to pay several personal visits to the West. I think it improbable that he understood much on his first or second visit. But he liked his reception and came again and again. And then he noticed something. I do not mean that the West was rich and that the U.S. worker was vastly better off than the Soviet worker. I mean that he noticed that the Soviet Empire was "not a normal country," as indeed he put it himself when he said that he hoped to make Soviet Russia "a normal country." He somehow noticed, probably subconsciously, that his own empire was suffering from a kind of suppressed mental disease; as indeed it was, together with all its leaders. It was the rule of lies.

The loss of freedom through the constant fear of terror is, indeed, a terrible thing that deprives those who live under such circumstances of a part of their humanity: of their intellectual responsibility and also of part of their moral responsibility. First, they cannot protest where they should; then, they cannot help where they ought to help—not even their friends. Under Stalin, this affected everybody, even those highest in the hierarchy. All realistic and genuine

thinking, all non-lying thinking, at least within the hierarchy, concentrated on personal survival. A picture of this—not a very open one—was painted in Khrushchev's mammoth speech (released by the U.S. Department of State on June 4, 1956) ending with: "Long live the victorious banner of our party—Leninism. (*Tumultuous prolonged applause ending in ovation. All rise.*)"

But as we all know, Khrushchev was soon—not too soon—overthrown by the party bureaucracy; and his departure helped to accelerate the intellectual decline of the Communist Party hierarchy, within the Empire as well as outside it. In spite of the compulsory teaching of a highly complex Marxist-Leninist ideology, including a philosophy called "Dialectical Materialism," all that remained of this theory was the following historical dogma (I am quoting from *Khrushchev Remembers*): "The liquidation of the capitalist system is the crucial question in the development of society."

Destroying Capitalism—and the World

Economists often describe our Western societies as "capitalist societies," meaning by "capitalist" a society in which people can freely buy and sell houses, land, and shares; and, if they like, can risk their savings on the stock exchange. But they forget that the term "capitalism" has become a popular term through Marx and Marxism, and that in the Marxist terminology it means something else. In Marxian language and theory, capitalism is a social system that enslaves all human beings by holding them in its claws—not only the workers but also the capitalists: they all are forced by its mechanisms to do, not what they want, but what they must do, what they are compelled to do. Capitalism is interpreted as an economic mechanism that has the most terrible and inescapable consequences: increasing misery for the workers and proletarianization for the majority of the capitalists. In the struggle of competition, "one capitalist kills many others," writes Marx. Capital becomes concentrated in very few hands—a few very wealthy people are faced by a vast mass of miserable starving proletarians. That is how Marx visualizes capitalism.

Quite obviously, this "capitalism" never existed. It was a delusion—no more, no less. Yet indeed, such delusions have influenced humankind throughout its history.

The great task of the Marxist party, of Marxist policy, was to kill, or to liquidate, this delusionary social system. Khrushchev got a chance to do it. The chance was Andrei Sakharov's Big Bomb.

Sakharov was then 39 years old, and he had spent many years, and had had several half-failures, on the construction of a nuclear bomb which would be far more powerful than any American bomb. In the autumn of 1961 he succeeded: a test of his big bomb was positive. The bomb was, as he writes, "several thousand times more powerful than the bomb dropped on Hiroshima." Only consider what this means: Hiroshima was before the bombing a city of more than 340,000 inhabitants. Does "several thousand times more powerful" mean that a densely built up district of 340 million or more could be devastated by one bomb? Far more than there are inhabitants in the United States? Probably not: there are nowhere in the world such districts. At any rate, any existing densely built up district in the world can be completely devastated by one such bomb.

It appears that, when Khrushchev heard about the successful testing of Sakharov's Big Bomb, he was in Bulgaria. He writes in *Khrushchev Remembers* (1971): "It was during my visit to Bulgaria that I had the idea of installing missiles with nuclear warheads in Cuba without letting the United States find out that they were there until it was too late to do anything about them." It was a mad idea. At the time when he had to transport them back, 38 missiles had been delivered, each equivalent to "several thousand" Hiroshima bombs. Assume that "several" means merely three: this would mean 114,000 Hiroshima bombs. Fortunately, they were not yet ready. Khrushchev says, of course: "When we put our ballistic missiles into Cuba, we had no desire to start a war." I believe him: his desire was not a war but the unexpected delivery of 150,000 Hiroshima bombs in one blow; for about 12 more missiles and warheads were on the way. He writes: "I don't think that America had ever faced such a real threat of destruction as at that moment."

I agree. Indeed, it was the most dangerous threat to mankind in human history so far. Khrushchev could have destroyed America with one blow. But in spite of the deadly wounds received, the U.S. rockets would have flown too; Russia would have been destroyed also, and the consequences, especially of the radiation, would have destroyed mankind.

But Khrushchev lost; and the United States quite rightly armed. The race was lost by the Soviet Union, and Sheverdnadze showed the white flag. In this situation, Hungary permitted the exodus of the young East Germans. Obviously, the situation made it impossible for Gorbachev to interfere. So came the East German collapse, and everything else followed.

All this, because it was the task of Marxism to liquidate a nonexistent capitalist hell. One can well say that Marxism dropped into an intellectual black hole—into an absolute zero of fiction.

We should take it as a warning of what an ideology can achieve. Obviously, the danger is not yet over. It will need intellectual responsibility to see us through.

The Rule of Law

As far as the republics of the former Soviet Union are concerned, no amount of economic planning by the state (insofar as the state exists) can help. The help they need is not to come from the economists, not even from Hayek the economist. It can only come from Hayek the political philosopher.

No state can have the duty to build up a working economic system. But every state has the duty to build up a rule of law. This we can learn from Hayek. There was no rule of law in the Soviet Union, and there still is no rule of law: neither are there laws that are acceptable and workable, nor acceptable judges; there are only traces of party rule and of judges beholden to the party. As long as that is the case, there is no difference between legality and criminality. Now the rule of law must be built up from scratch. For without the rule of law, freedom is impossible; and without the rule of law, a free market is equally impossible.

It is this side of Hayek's work that is most urgently needed in the former Soviet Union.