Funding the Future

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This is one of a series of posts that will ask what the most pertinent question raised by a prominent influencer of political economy might have been, and what the relevance of that question might be today. There is a list of all posts in the series at the end of each entry. The origin of this series is noted here.

After the first two posts in this series, the topics have been chosen by me, and this is one of those. This series has been produced using what I describe as directed AI searches to establish positions with which I agree, followed by final editing before publication.

The Hayek Question

Friedrich Hayek argued that markets, not governments, should be the primary mechanism for allocating resources. In his famous book, The Road to Serfdom, published in 1944, he warned that state planning would inevitably lead to tyranny. Freedom, he claimed, depended upon markets left to operate without interference.

His ideas became the intellectual foundation for the neoliberal turn of the late 20th century. Thatcher and Reagan drew directly on Hayek to justify privatisation, deregulation, and the retreat of the state. In their rhetoric, markets would deliver efficiency, innovation, and liberty. Government, by contrast, was cast as the enemy: clumsy, coercive, and dangerous.

But the lived results of four decades of neoliberalism tell a different story. Instead of liberty, we have insecurity. Instead of dispersed opportunity, we have concentrated wealth. Instead of democratic control, we have captured politics. Which brings us squarely to the Hayek Question: if markets are left to decide everything, how can democracy, fairness and collective need survive?

1. Markets and the myth of neutrality

Hayek believed markets were neutral arenas. Through price signals, he argued, they coordinate the dispersed knowledge of millions of individuals better than any planner could. The market, in this story, is simply a mechanism, free from bias.

But markets are not neutral. They are embedded in institutions, rules, and power relations. Who owns assets, who sets wages, and who controls credit all play a role in determining outcomes. A market is not a disembodied calculator. It is a system structured by power. To ignore that is to ignore reality.

2. Markets and inequality

Left to themselves, markets concentrate wealth. Those who begin with assets earn returns; those without are left behind. Over time, this dynamic compounds. Monopoly power emerges. Oligarchs dominate. Far from dispersing opportunity, unregulated markets narrow it.

Hayek claimed markets protect liberty. In reality, concentrated wealth erodes it. The billionaire who owns your housing, your job, and your media has as much power over your life as any government bureaucrat. Markets unchecked do not disperse power; they entrench it.

3. Markets and insecurity

Hayek dismissed collective guarantees, such as welfare states and public services, as dangerous steps toward central planning. But without them, insecurity flourishes. Markets are volatile. Jobs are lost. Illness strikes. Housing becomes unaffordable. A society that relies only on markets leaves individuals exposed to risks they cannot control.

True liberty requires security: the ability to live without constant fear of destitution. That cannot be delivered by markets alone. It requires collective provision.

4. Markets and democracy

Markets, when left unchecked, also undermine democracy. Wealth buys influence. Corporations fund campaigns, lobby politicians, and shape regulation in their favour. Policy ceases to reflect the will of citizens and instead reflects the interests of capital.

We see this clearly in tax havens, financial deregulation, and privatisation. Markets did not emerge spontaneously. They were designed and sustained by governments captured by wealth. To imagine that markets can exist without politics is a fantasy.

5. Markets and collective need

Markets respond to purchasing power, not to need. If clean air cannot be bought and sold, markets ignore it. If the poor cannot pay for healthcare, markets deny it. If climate change is an externality, markets discount it.

Collective needs such as public health, education, environmental stability, and collective infrastructure are systematically undervalued by markets. Meeting them requires deliberate public action. Left to themselves, markets will not provide.

6. What Hayek missed

Hayek was right to fear unaccountable state power. However, he overlooked the fact that unaccountable private power can be just as corrosive. Liberty is not only threatened by governments. It is also threatened by monopolies, landlords, creditors, and employers.

By insisting that markets must decide everything, Hayek ended up defending the liberty of the few at the expense of the many. His vision of freedom was narrow: freedom from the state, but not freedom from want, insecurity, or domination by capital.

Inference

The Hayek Question exposes the core contradiction of neoliberalism. Markets cannot decide everything without destroying democracy, fairness, and collective need. They concentrate wealth, generate insecurity, ignore public goods, and capture politics.

True freedom requires more than markets. It requires democratic states willing to constrain capital, provide collective goods, and guarantee security. Hayek warned that planning leads to tyranny. But our experience shows the reverse: markets left to themselves lead not to liberty, but to oligarchy and insecurity.

If we want democracy, fairness, and collective survival, markets must be tools, not masters.

Previous posts in this series

* ***The economic questions***
* ***Economic questions: The Henry Ford Question***
* ***Economic questions: The Mark Carney Question***
* ***Economics questions: The Keynes question***
* ***Economics questions: The Karl Marx question***

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