

The impact of *European Green Deal* on liberal democracy: a perspective through the lens of Hayek's book *Road to Serfdom*

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Abstract

In his bestseller book *The Road to Serfdom*, published 80 years ago, F.A. Hayek argued that any form of collectivist governmental planning of the economy not only fails to deliver sustainable prosperity, but also poses a serious threat to democracy. With the *Green Deal*, the European Union attempts for the first time in its history to subordinate all economic activity under an overarching goal, namely environmental and climate protection. Against this background, the author of this article revisits Hayek's arguments and – based on a qualitative analysis of documents and web-resources of major political actors – answers the following research questions: why, how and to what extent the *Green Deal* contains the potential to turn European societies to the road to serfdom, with special focus on Germany. The author argues that while the *Green Deal* contains many elements of the Hayekian explanation that push the EU's societies down the road to serfdom, democracy has so far proved resilient.

Keywords: European Union, Green Deal, economic policy, democracy, political economy

Wpływ Europejskiego Zielonego Ładu na liberalną demokrację: spojrzenie przez pryzmat książki Hayeka *Droga do Zniewolenia*

Streszczenie

W swojej bestsellerowej książce *Droga do Zniewolenia* (ang. *The Road to Serfdom*), opublikowanej 80 lat temu, F.A. Hayek argumentował, że każda forma kolektywistycznego planowania gospodarki przez rząd nie tylko nie zapewnia trwałego dobrobytu, ale także stanowi poważne zagrożenie dla demokracji. Poprzez *Zielony Ład* Unia Europejska po raz pierwszy w swojej historii próbuje

podporządkować całą działalność gospodarczą pod jeden nadrzędny cel, jakim jest ochrona środowiska i klimatu. Na tym tle autor niniejszego artykułu powraca do argumentów Hayeka i udziela odpowiedzi, w oparciu o jakościową analizę dokumentów legislacyjnych i publikacji dostępnych w zasobach internetowych głównych aktorów politycznych, na następujące pytania badawcze: skąd, w jaki sposób i w jakim stopniu *Zielony Ład* ma potencjał kierowania europejskiego społeczeństwa na drogę do zniewolenia, ze szczególnym uwzględnieniem Niemiec. Autor dowodzi w badaniu, że chociaż *Zielony Ład* zawiera wiele elementów teorii Hayeka, które kierują społeczeństwa UE na drogę zniewolenia, to jednak demokracja zachodnia okazała się odporna.

Słowa kluczowe: Unia Europejska, Zielony Ład, polityka gospodarcza, demokracja, ekonomia polityczna

"To imagine that the economic life of a vast area comprising many different people can be directed or planned by democratic procedure betrays a complete lack of awareness of the problems such planning would raise. Planning on an international scale, even more than is true on a national scale, cannot be anything but a naked rule of force..."

(Hayek 1944/2006: p. 229).

1. Introduction

This article includes the introduction with literature review and research methodology, two sections presenting research results, and conclusions. In section 2, the author provides the analytical framework and explains why and how governmental planning of all kinds poses a threat to liberal democracy, and what factors can minimise this threat by revisiting Hayek's major arguments included in the book *The Road to Serfdom*. In section 3, the author examines through this lens: to what extent the *Green Deal* has turned the EU to the road to serfdom, by highlighting selected features of the mechanism that Hayek has described on his book. Section 4 contains conclusions.

1.1. Literature review

In 1944, the Nobel Prize Winner in Economics of the year 1974, Friedrich August Hayek, has published his bestseller book *The Road to Serfdom*. Addressed to the "socialists in all parties", Hayek explains why any form of economic planning according to overarching goals is not only detrimental to economic prosperity, but also to individual liberty and democracy. This explanation not only holds for national socialism of Nazi Germany and Marxian socialism in the former Eastern bloc of Central and Eastern Europe. It also applies to softer forms of governmental paternalism over the economy, where private ownership of the means of production is nominally maintained, but the government forces the private owners to employ their means of production in a different manner than they otherwise would in order to align economic activity with the declared goals of the government (Coyne, Boettke 2020).

Such interventionist policies enjoy again increasing popularity worldwide,¹ not the least in the European Union (EU). In 2019, the President of the European Commission, Ursula von der Leyen, has announced the *Green Deal*. For overcoming the consequences of climate change, she set the ambitious goal to transform the economies of all EU Member States in order to make Europe the first carbon-neutral continent by 2050. Following the *2015 Paris Agreement* of the *United Nations Framework Convention on Climate Change* (UNFCCC), political leaders in other countries have announced similar green agendas (Booth, Stagnaro 2022). For example, in 2020, the President of the United States, Joe Biden, has announced a plan for a “clean energy revolution” and programme for “environmental justice” in order to achieve carbon neutrality by 2050.² This was followed by the 2022 Inflation Reduction Act, which increases support for the “green” transformation of the U.S. economy (see: The White House 2023). However, the EU is positioning itself as a global standard setter in the green transformation (see: von der Leyen 2019) for which it seeks to mobilise all its regulatory capacity and power (Eckert 2021: p. 82). Germany, the largest and economically most powerful EU Member State, is considered as an agenda-setter in the EU. It is, in fact, the country that pursues the green transformation with particular vigour, especially under the current governmental coalition of social democrats, liberals and greens under Chancellor Olaf Scholz (Gavas, Koch 2021).

The political and academic discussion on interventionist policies is focused mainly on the justifications and economic impact of this style of economic policy (Boettke 1995: p. 13). This also applies to the *European Green Deal*. What is largely neglected are the backlashes on and the interdependencies with the political system. Already Ludwig von Mises (1940/1988: p. 80) paid attention to this point in his study on interventionism. Later, other authors occasionally addressed this issue. For example, the German ordoliberal legal scientist Franz Böhm (1958/1980: p. 258) cautioned against the refeudalisation of society as a result of rent-creating interventions. Mancur Olson (1982) warned of the resulting institutional sclerosis that may lead to the decline of nations, and in the book *Power and Prosperity* he briefly discusses the conditions for stable democracies (see: Olson 2000). More recently, Holcombe (2018) demonstrated how governmental interventions can alter the nature of capitalism into political capitalism. Wegner (2020) reassessed the dependence of capitalism on democracy regarding the case of Imperial Germany and the Weimar Republic. Acemoglu and Robinson (2006, 2012, 2019) also emphasised the importance of both economic and political institutions for economic prosperity and argued that democracy is a necessary and sufficient condition for capitalism. In their book *The Narrow Corridor* (Acemoglu, Robinson 2019) they argue that liberty and prosperity need a delicate balance between a powerful state and an equally powerful society to prevent the state from becoming oppressive. However, none of these authors

¹ The Heritage Foundation underscores in its 2024 edition of the *Index of Economic Freedom* that by 2024 the index has never been so low globally during last 23 years with only at 58.6 out of 100 points (see: Heritage Foundation 2024).

² The Biden's *Plan for a Clean Energy Revolution and Environmental Justice* was accessible at <https://joebiden.com/climate-plan/#>

has elaborated in detail a mechanism why and how both comprehensive and piecemeal governmental interventions into the economy could alter the polity from democracy to dictatorship as Hayek did in his bestseller.

1.2. The aim of the article and used methods

Against this background, **the aim of the article** is to revisit Hayek's arguments in the book *Road to Serfdom* and to apply them as analytical framework to assess: how and to what extent the *Green Deal* could endanger liberal democracy in the European Union, with special focus on the case of Germany. The assessment is based on a qualitative analysis of documents, position papers, speeches, and web-sources of political institutions, parties and relevant interest groups.

This article contributes to the academic literature in two ways. Firstly, it adds to the history of economic thought by revisiting major insights of one of the main figures of the Austrian School of Economics applied to the case of the EU's green transformation. Secondly, the article makes a contribution to institutional economics and public choice theory by focusing on the incentives in economic policy decision-making and the ensuing impact on the polity. As Holcombe (2018) pointed out, such political economy aspects are still largely neglected in mainstream academic economic policy analyses.

2. Pushing and restraining factors on the road to serfdom

In the book *Road to Serfdom* Hayek explains in detail, why and how the consistent implementation of overarching goals tends to produce negative consequences for the polity.

2.1. Why governmental planning threatens liberal democracy?

The implementation of overarching goals for the whole economy through governmental planning endangers democracy, because the democratic decision-making process becomes an obstacle in directing all activities according to the declared goal (Hayek 1944/2006: p. 74). Arrow's impossibility theorem explains why it is difficult to reach agreement on *what* overarching goal shall be pursued, taking into account that preferences of individuals in a society differ and actually cannot be aggregated consistently through majority voting into a collective will (Arrow 1950). Therefore, "in the end somebody's view will have to decide whose interests are more important" (Hayek 1944/2006: p. 77), which then have to be imposed upon the people with the coercive apparatus of government.

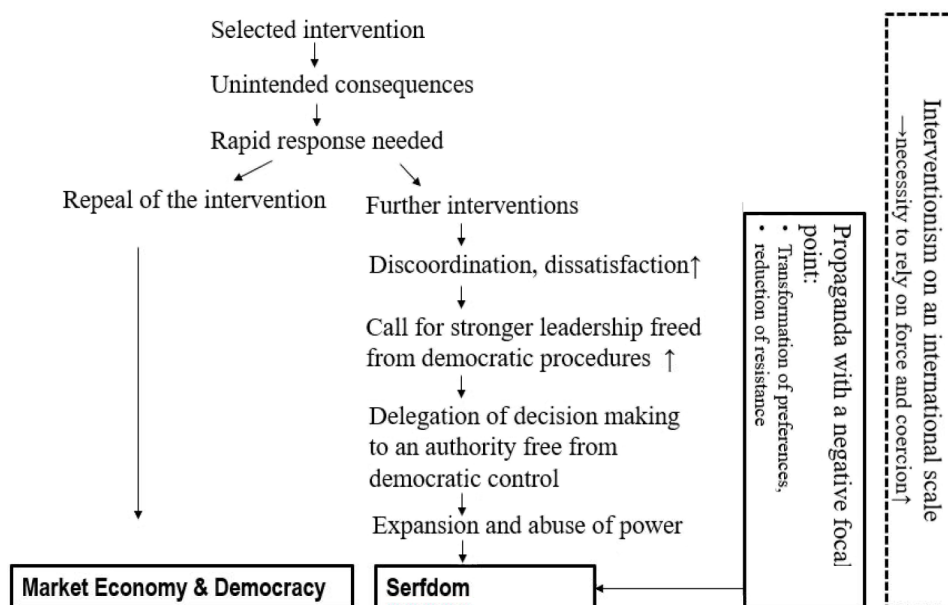
It is commonly believed, that in democracies free, fair and secret elections give the majority the right to do so. However, as Butler (2021) has pointed out, in liberal democracies, there are basic human values and rights, such as the sanctity of people's lives, freedom and property, usually specified formally in a constitution and enforceable by independent courts, which even an overwhelming majority must always respect. Yet, the priority of these rights over the majority view can obstruct the implementation of the

unitary goal, which triggers efforts to restrict these rights. Even given the overarching goal that has been decided democratically, there must still be reached agreement on the appropriate policy measures on how best to achieve the chosen goal. This is actually the crux of the mechanism that drags down the road to serfdom.

2.2. The mechanism dragging down the road to serfdom

Figure 1 presents the mechanism, which is described by Hayek in the book *Road to Serfdom*. Because of the knowledge of the problem in the complex and ever-changing market system³, which was a central topic in Hayek's entire work (e.g. Hayek 1945, 1978, 1989), any selected intervention into the market process causes unintended side effects (Mises 1940/1998; 1950/2018), which in turn require quick reaction.

Figure 1: The mechanism behind the road to serfdom.



Source: own elaboration based on publication: Hayek (1944/2006).

There are two options: either to undo the intervention, so that there will be no further impact on the economic and political system, or to undertake further interventions, which is more likely, because politicians typically will not easily give up on their ideals (Mises 1950/2018; 1976/1996: p. 30). Yet, long debates in parliament on

³ Hayek pointed out that the relevant knowledge needed to satisfy consumer needs and, thus, to ensure an efficient use of resources is inherently personal, context specific, dispersed, often tacit, and constantly changing. Due to insurmountable cognitive limits of every human being, no single person or authority is able to collect that kind of knowledge in totality.

what is the appropriate further measure hinder quick action. As dis-coordination and stagnation in the economy grows, and the achievement of the declared overarching goal comes ever more out of reach, dissatisfaction in the public and among political actors increases. Therefore, calls for stronger leadership freed from the shackles of the democratic process and the respect for fundamental freedom rights become louder (Hayek 1944/2006: p. 65).

If that call is heeded, decision-making process might be delegated to an authority of selected experts or politicians unbound by democratic control. This gives them a huge amount of discretionary power to address unforeseen situations, which expands as the need to intervene increases. At the same time, that power creates space for abuses (Hayek 1944/2006: p. 74). If this is taken to the extreme logical end, society will find itself in serfdom, where the individuals are no longer ruled and protected by general rules of law that apply to everyone, the authorities included, and where large, if not all parts of the economy are under governmental control. If this is the case, it means that citizens' everyday life is ever stricter controlled, because, "economic control is not merely control of a sector of human life which can be separated from the rest; it is the control of the means for all our ends" (Hayek 1944/2006: p. 95). And whoever has sole control of the economic resources can also determine "what men should believe and strive for" (Hayek 1944/2006: p. 95).

The increase of interventions into the economy is usually accompanied by propaganda of certain ideologies or narratives, mostly with a negative focal point, like threats from foreign competition or ecological catastrophes (Hayek 1944/2006: p. 143). The aim is to persuade the citizens to accept a larger role for government in the economy and to reduce resistance to their policies (Hayek 1944/2006: p. 157). For this, political leaders tend to resort to (pseudo-)scientific theories about causal relationships whether they are true or not, and try to suppress "everything which might cause doubt about the wisdom of the government and creates discontent", because this weakens public support (Hayek 1944/2006: p. 164). Alongside with the effective extension of governmental control over everyday life, successful propaganda can change the attitudes of the people and make the process that moves politics down the road to serfdom self-reinforcing (Boettke 1995: p. 11).

The threat to individual liberties and democracy becomes even greater, if overriding goals are tried to implement on international scale, e.g. at the EU level, because views across different countries differ even more, so that "the necessity to rely on force and coercion increases" (Hayek 1944/2006: p. 228).

2.3. Factors restraining the road to serfdom

Hayek (1944/2006: p. 4) underscored, that, firstly, the prescribed mechanism is a slow and gradual process that for a long time goes unnoticed, and secondly, it does not contain an iron-clad inevitable slippery slope determinacy. If it did "there would be no point in writing this." Reversals, instituting more liberal economic policies, are possible, "if people realise in time where their efforts may lead" (Hayek 1944/2006: p. 4).

Turning around, however, is not easy, as public choice theory informs. Since intervening implies redirecting the means of production, it inevitably creates special benefits in the form of rents and job privileges for one group of individuals at the expense of another (Butler 2021). As Holcombe (2018) explains in his political capitalism approach, such systems of special benefits are generally quite stable and powerful to resist changes. The reason is, that the mass of the voters that would benefit from another policy is not only rational ignorant (Downs 1957), but it also faces much higher costs to organise itself compared to the individual benefits that they could receive from a policy change than the established entrenched nexus of political and economic interests. The resistance to a policy change is in particular fierce, when the reversal is expected to lead to existential losses of income and jobs (Tullock 1975). Therefore, one of the prerequisites for a reversal is that entrenched vested interests that benefited from the *status quo* have become effectively weakened. Further prerequisites are that the economic situation has worsened so much that no other choice than free markets (Böhm-Bawerk 1914/2010: p. 54; Olson 1982), and that prevailing narrative to justify the interventions has profoundly lost its persuasiveness and is replaced by another.⁴

3. The Green Deal's potential to lead into serfdom

The *European Green Deal* and the way the EU hitherto tried to implement it contains many elements of the Hayekian framework to push European societies down the road to serfdom.

3.1. Stipulating an overarching goal

The first element is the submission of the whole economy of the European Union under a single overarching goal, namely to fight climate change through the green transformation of the economy. This constitutes a paradigm shift of EU policy, because never before EU officials did not subordinate economic development in the Union under an all-encompassing goal (Bongardt, Torres 2022). The *Green Deal* sets the binding target to cut greenhouse gas emissions by 55% in 2030 compared to 1990, and as intermediate target – a reduction by 90% until 2040 in order to achieve carbon-neutrality by 2050 (European Commission 2023a).

In Germany, the biggest and probably the most ambitious Member State in ecological transformation efforts, the judgment of the Federal Constitutional Court of March 2021 gives the fight against climate change a similar overriding priority. It ruled that Germany's Climate Protection Act of 2019 (germ. *Klimaschutzgesetz*) was insufficiently far-reaching and obliged the federal government to pass stricter regulations to reduce greenhouse gases effectively beyond 2030, as well as to consider in all policy measures their effect on climate change (Bundesverfassungsgericht 2021). This urged the ruling German traffic light coalition government under Chancellor Olaf Scholz to set even more ambitious tar-

⁴ On the power of ideas to change policies – see e.g. Keynes 1936; North 1988, 1994; Hayek 2008; Acemoglu, Robinson 2012; Boettke 2017; Holcombe 2018; Butler 2021.

gets. The 2024 revision of Germany's 2019 Climate Protection Act aims to achieve climate neutrality already by 2045. For this it envisages to reduce greenhouse emissions until 2030 by at least 65% compared to 1990 and until 2024 by 88%, for which it prescribed annually decreasing emission targets for six sectors of the economy (Bundesministerium der Justiz 2024a). Already in January 2019, Germany's federal grand coalition government of Christian Democrats (CDU) and Social Democrats (SPD) decided to phase out coal-fired power plants completely until 2038 in addition to the ban of nuclear power production (Pinzler 2019). Target fulfilment of the *Green Deal* in the Member States is controlled through a detailed monitoring process by the European Commission (Regulation (EU) 2021/1119).

3.2. Superseding the market mechanism

The second element of the Hayekian framework to be found in the *European Green Deal* is the application of numerous interventionist policies. Following Mises (1976/1996) and other scholars from the Austrian School of Economic (e.g. Rothbard 1970/2006; Coyne, Boettke 2020) interventionist policies are measures such as regulations, prohibitions, and financial incentives that influence prices, profits and hence behaviour in order to compel the private owners of the means of production to employ their resources in a different manner than they otherwise would, so that economic activity is aligned with the declared goals of the government. Coyne and Boettke (2020: p. 38) call these interventions into the free market mechanism "non-comprehensive planning" or "piecemeal economic planning". However, this approach is incompatible with the Hayekian understanding of the competitive market process as a discovery procedure (Hayek 1978: p. 179) that is used precisely to find out what is unknown, namely: what, how, where, when to produce to best satisfy consumer needs. If the concrete outcome of this discovery process was known in advance, referring to competition would be unnecessary. The task of the government in this context is to provide the institutional prerequisites for sustaining competition as a discovering procedure, which Hayek called „planning for competition" in the book *Road to Serfdom* (Hayek 1944/2006: p. 43). This leads to the establishment and protection of the impartial rule of law based on the principles of generality, equality, and certainty (Hayek 1960/2011: p. 315), which guarantees private property rights, freedom of contract and free access to the market, and enforces accountability of individual economic agents.

At first glance, the EU seems to follow a Hayekian market-oriented approach for carrying out the green transition, because one of the tools applied on the EU level to reduce emissions is the EU Emissions Trading System (EU ETS), created already in 2003. The tradability of the rights to use the atmosphere generates a price for carbon dioxide, and the annual reduction in the number of emission allowances increases the price, which in turn incentivises abatement activities. Yet, there are three problems with the EU ETS. Firstly, it does not include the whole economy, but has a number of exceptions (see more: European Commission 2024a). This violates the Hayekian principle of generality. Secondly, new emissions trading system ETS2, established in 2023, that covers buildings,

road transport and small industries, is not integrated in the EU ETS (European Commission 2024b; Rusche, Schaefer 2024), leading to different prices for CO₂ for different sectors, which deteriorates the incentives to reduce greenhouse gas emissions. The same applies for Germany's national ETS, which has been launched in 2021 and is also not integrated to the EU ETS. Thirdly, the geographical scope of the EU ETS is limited,⁵ giving EU firms the possibility to relocate their offices to countries outside the EU with less ambitious climate protection regulations. This fact necessitated the EU to introduce the Carbon Border Adjustment Mechanism that will impose tariffs on imports from countries with softer restrictions from 2026 onward (Regulation (EU) 2023/956).

Principally, an emission trading system that covered all sectors of the economy would be sufficient to reduce emissions to the least cost to the economy. Yet, instead of extending the ETS to all sectors without exemption, it is complemented, if not superseded by numerous interventions to micromanage economic processes and certain sectors. *Table 1* provides an overview of many interventions so far undertaken or planned. These interventions set economy-wide and sector specific binding emissions targets and prescribe what and how (as well as what not and how not) to produce, and also what consumers shall consume. For example, the ever tightened fleet-wide CO₂ emission targets across the EU implicitly compel the automotive industry to produce electric vehicles, because only with them is it possible to meet the emission targets (Sinn 2020). The *Renewable Energy Directive* of 2009, which was revised in October 2023 by Directive 2023/2413, mandates a 42.5% share of renewable energy sources in EU energy consumption by 2030, thereby stipulating the phasing-out of coal for energy production. So, instead of allowing economic actors discover the most cost-effective sustainable means of transportation and energy mix through mutually beneficial voluntary actions, politicians choose allegedly "green" technologies and prohibit the production and use of others, which they consider as harmful. Hayek (1989) called such a policy approach "pretence of knowledge" and "the extreme of hubris" pointing out that such "guided progress would not be progress" at all (Hayek 1990: p. 169)

The „dirigiste“ policy approach is supported by a green monetary policy of the ECB, which aim is to steer investment into allegedly green project. This is also the purpose of the EU Taxonomy regulation of July 2020, which lists environmentally compatible economic activities, as well as of the *Corporate Sustainability Due Diligence Directive* of July 2024 (Directive 2024/1760), which requires larger firms to document their international supply chains with regard to human rights, environmental and labour issues. If implemented, it changes fundamentally the way, in which capital is allocated in the EU. Instead of only profitability, sustainability as classified by the European Commission becomes another crucial criterion for private banking lending. This increases the likelihood of malinvestments, because profit-seeking private banks no longer alone decide about the financing of projects, but also a growing EU bureaucracy (Schnabl 2022).

⁵ It applies in all EU Member States, the European Free Trade Association countries (Iceland, Liechtenstein and Norway) as well as Northern Ireland.

Table 1: Selected key regulatory acts of the *European Green Deal*.

Legal Act/Programme	Aim
European Climate Law of July 2021	Cutting greenhouse gases by 55% in 2030 compared to 1990; 90% less emissions by 2040.
Renewable Energy Directive of 2009, revised in November 2023	Share of renewable energy sources in EU energy consumption of 42.5% by 2030.
Farms to Fork (F2F) and Biodiversity Strategy of May 2020	Until 2030 reduction of the use of pesticides and herbicides by 50% and of fertilizers by 20%; set-aside of at least 4% of crop land; increase of total EU farmland under organic farming to 25%, restrictions of the use of farmland for production to protect biodiversity.
The Green Deal Industrial Plan of 2023	Enhancement of the competitiveness of Europe's net-zero industry and support of the fast transition to climate neutrality.
Fleet-wide CO ₂ emission targets in transportation, updated in 2024	Compelling the automotive industry to produce electric vehicles, because only with them is it possible to meet this emission target.
Ban on the sale of new petrol and diesel cars from 2035 of March 2023	Compelling the automotive industry to produce electronic vehicles.
Ecodesign Directive of June 2024	Creation of a circular economy in all sectors; ban of the destruction of unsold clothing by 2028.
Sustainable Finance Disclosure Regulation (SFDR) of 2019	Mandatory ESG disclosure obligations for financial market actors.
EU Taxonomy regulation of July 2020	Setting criteria to qualify investments and economic activities as green.
Corporate Sustainability Due Diligence Directive of July 2024	Obligation under the threat of sanctions for companies with at least 1,000 employees and a turnover of more than €450 million to fully monitor, document and assess their international supply chains with regard to human rights, environmental and labour issues.
Carbon Border Adjustment Mechanism (CBAM)	Imposition of import tariffs for countries with lower climate requirements from 2026 onward.

Sources: the author's own elaboration based on following documents: European Commission (2023b,c, 2024c,d); European Council (2024); Regulation (EU) 2021/1119; Directive (EU) 2022/2464; Directive 2024/1760; Regulation (EU) 2023/956; Regulation (EU) 2024/1781; EU Taxonomie Info (WW/W).

3.3. Dismissing open discourse

A further element is the constant repetition of a one-sided narrative of the alleged consensus in science on the mortal danger of man-made global warming and the urgent need of far-reaching measures to transform economic life that are worth any cost (Legates 2024a: p. 21). Conflicting views are tried to suppress and silence, e.g. by calling those who held them climate deniers, right-wing extremists,⁶ or refuse funding and publication (Maza 2019; Legates 2024a).

In order to uphold the prevailing narrative, Germany's Federal Environment Agency (Grünwald et al. 2021) has commissioned a research project with the task to develop systematically narratives about the successful transformation of Germany into a resource-preserving and greenhouse gas-neutral country. The political foundation of Germany's Green Party, the Heinrich Böll Foundation, advocates more control on scientific freedom to combat "right-wing narratives" (Schubert 2021), while the World Economic Forum called misinformation the biggest global threat (WEF 2024).

Since critical stances towards climate change and policy are increasingly voiced in alternative information channels on the internet, efforts have been stepped up to increase governmental control over these sources of information. The legal basis for this in the EU is the *EU Digital Services Act* of 19 October 2022 (Regulation (EU) 2022/2065), in Germany – the *Digital Services Act* of 6 May 2024 (Bundesministerium der Justiz 2024b). These laws oblige social network providers under the threat of fines to remove or block access to contents, which are considered by laws as misinformation. Since the term "misinformation" is vague, the laws potentially allow censoring any opinion displeasing to the political and economic establishment that benefit from the *status quo*. This fact narrows the space for an open rational discussion on the adequate response to climate and environment issues (Legates, 2024b). How the constant reiteration of a one-sided narrative has meanwhile altered the atmosphere to express one's opinion reveals a survey conducted in Germany in 2023 by the Allensbach Institute and Media Tenor International. It shows that merely 40% of the surveyed Germans feel free to express their political opinions (Petersen, Schmidt 2023).

3.4. Calls for authoritarian governance

The green transformation of the EU's economy is accompanied by calls to curb basic individual civil liberties and the separation of powers by subordinating legislature to the executive. Remarkably, these calls come mostly from academia and activists, rather than politicians themselves. The common justification is that the climate crisis is urgent, and it requires immediate, drastic action, which, however, the democratic decision-making processes hamper. Examples are: the *Club of Rome* member Jörgen Randers, who points to China's government as a role model (Chi et al. 2022), the German legal scientist prof. Thomas Schomerus (2020), who advocates similar restrictive measures to fight climate

⁶ For example, the former Minister for the Environment in the SPD-led government of Hamburg and natural scientists prof. Fritz Vahrenholt (Speit 2022; Vahrenholt, Lüning 2020) or Physics Nobel Prize holder John F. Clauser (Joselow 2023).

change as in the coronavirus crises, the founder of *Extinction Rebellion*, Roger Hallam, who argues that climate protection is more important than democracy (Thelen 2019), or German history professor Hedwig Richter (2024), who demands that politicians should be much more authoritarian in telling citizens, how they should consume and live. Likewise, advisory councils to the German government, such as the German Advisory Council on the Environment (germ. *Sachverständigenrats für Umweltfragen*) and the German Ethics Council suggest in reports the subordination of individual liberties and democracy to ecological priorities (see: German Advisory Council on the Environment 2019; Deutscher Ethikrat 2024). Striking are the parallels to Hayek's explanation of the socialist roots of Nazism, where he pointed out that the calls for authoritarian control of all aspects of life were "especially popular among [...] certain circles of German scientists and engineers" (Hayek 1944: p. 178).

3.5. Factors slowing down the road to serfdom

The *Green Deal* also contains the international dimension of governmental interventionism, because the EU itself is a supranational organisation that attempts to implement the targets of the *Green Deal* across all EU Member States. However, so far the *Green Deal* has left the competencies of the EU institutions unchanged. There is still neither on the EU nor the national level a single central institution that is exclusively authorised to make economic decisions to improve and enforce the green agenda.

Although the European Commission in cooperation with the European Court of Justice can impose sanctions on Member States for not complying to rules, targets and basic values,⁷ this is a complex multi-stage process and these institutions still have only limited possibilities to enforce the penalties.⁸

There are two further indications that for the time being restrain the move further down the road to serfdom. Firstly, protests of farmers backed by other self-employed workers and the transportation sector against ever stricter environmental rules tying their hands to maintain international competitiveness⁹ that have spread across several EU Member States since December 2023 urged EU institutions to concessions in the *Farm-to-Fork Strategy for Agriculture* (Mathiesen, Wax 2024) and to consider for the CAP period 2024–2029 to prioritise food security over sustainability (Sanchez Manzanaro 2024). This points to a still functioning civil society in the EU.

Secondly, free, fair and secret elections are still regularly held and can bring about changes for majorities. In the elections to the European Parliament of 9 June 2024, par-

⁷ Financial penalties (Article 260(2) of TFEU); suspending voting rights (Article 7 of TEU, Rule of law conditionality regulation of January 2021).

⁸ The authority of the European Court of Justice rests upon voluntary acceptance, since it has no monopoly on the use of force to enforce its decisions on Member States. They submit to the authority of the court only insofar and as long as it is to their advantage (Wagener, Eger 2014: p. 126).

⁹ It shall be noted that farmers' protests were motivated by a multitude of reasons with the farmers' top concerns varying from the Member State to the Member State. For example, while in Germany the protests were prompted by a cut to diesel subsidies, French farmers major concerns were the new free-trade deal with Mercosur and environmental rules. Yet, to a large extent the protesters' complaints overlap, namely about excessive EU regulations, rising input costs and falling incomes (Cokelaere, Brzeziński 2024).

ties from the right-wing political spectrum with a critical stance towards centralisation in the EU and the *Green Deal* made significant gains in 14 of the 27 Member States (Schwarz 2024). If and to what extent this can bring about reductions of regulation remains to be seen and depends on how the EU's political leaders react to the outcome of the EU parliamentary elections.

No profound changes might be expected in the new European Parliament itself. Despite losses, the hitherto two dominant parliamentary groups – the European People's Party and the Progressive Alliance of Socialists and Democrats – still remain the largest fractions (European Parliament 2024) and most likely will stick to the *status quo*. How the majorities will change in the most powerful political body of the European Union (the European Council – the assembly of the national leaders of the 27 Member States) depends on the results of upcoming national elections, in particular in the two largest Member States – France and Germany. Only the replacement of governments with a left-green political agenda could gradually create more favourable conditions for a policy change. While a complete repeal of the green transformation is not very likely, at least a more market-oriented approach in implementing the *Green Deal* could be adopted.

In France, the snap elections of June 2024 in response to the considerable losses of president Emanuel Macron's governing party in the EU elections, resulted in a majority of seats for an alliance of extreme and center-left parties, even though Marine Le Pen's right-wing party the National Rally received the largest share of votes. Yet, the parties of the alliance advocate moving on with the *Green Deal*, so that from France no major impetus for a policy change is to be expected (Schwarz 2024).

On 23 February 2025, Germany also held early federal elections after the three-party government of Chancellor Olaf Scholz collapsed in November 2024 due to growing internal disagreements. Even before the coalition's collapse, trust in three coalition partners had declined, and dissatisfaction with their greening agenda had increased, as the regional elections in Saxony and Thuringia of 1 September 2024 had revealed. The federal elections in February 2025 resulted in a clear majority for the parties on the right political spectrum. The centre-right *Christian Democratic Union* (CDU), together with its Bavarian sister party, the *Christian Social Union* (CSU), won the election with 28.6% of the popular votes. The second came the *Alternative for Germany* (AfD) with 20.8%, while the *Social Democrats* (SPD) fell to only 16.4% of the vote, and the *Greens* - to 11.6 %. Together CDU/CSU and AfD hold 360 of 630 seats in parliament (see: The Federal Returning Officer 2025). However, because of the "firewall" (germ. *Brandmauer*) erected by German traditional parties, which have agreed not to co-operate with any party deemed as extremist, the AfD cannot become a part of the government. Instead another grand coalition of CDU and SPD will be formed, and it remains to be seen, whether and to what extent they will scale back the green agenda.

This resilience of democracy in the EU, despite increasing interventionism, seems to be in line with the view of some scholars that think that Hayek's believe in the threat of democracy drifting into oppression is overstated. For example, Alves and Meadowcroft (2014) found that moderate democracies with mixed economic systems are widespread

and stable. These authors argue that there is an interventionist optimum that limits the size and power of the ruling elite. This is reached when the future gains of further rent seeking enabled by interventionist policies, become smaller than the costs of the political action required to obtain the rents. In addition, they claim (Alves, Meadowcroft 2014: p. 855–857) that only if “public policy is guided by an extremely strong, pervasive and univocal ideology”, strong governmental involvement in the economy can lead to totalitarianism. Otherwise, the interests in interventionist policies are too diverse to converge and submit them to a unified ideal.

Daron Acemoglu and James Robinson (2006, 2012, 2019) found that democracy can survive as long as civil society remains as strong as the government to maintain a mutually-beneficial balance between them. Yet, as Lemieux (2021) pointed out in a critical review of *The Narrow Corridor*, Acemoglu and Robinson (2019) largely neglect public choice insights on how the real-world democratic political process itself contains incentives for governmental interventions into the market process that increase the power of the government, and that “the mass” of society faces much higher organisational costs than the ruling elites that makes it difficult to shackle those in power (Holcombe 2018), as well as how “society” could stop Leviathan once it managed to run ahead.

Apolte (2024) argues that a democracy remains sustainable as long as there are self-enforcing rules of the underlying power-sharing arrangement, which in most modern democracies had long existed prior to the introduction of democracy. Yet, he also contends that even long-lasting sustainable democracy may be subject to demise, if, for whatever reasons, the cost of breaching the rules of the power-sharing arrangement have fallen below a critical value.

Conclusions

The *European Green Deal* contains many elements of the Hayekian framework to drag European societies down the road to serfdom: the overarching goal of fighting climate change, numerous detailed regulations that cover ever larger parts of the economy accompanied by a green monetary policy of ECB, as well as dominance of one-sided narrative of the danger of climate change and how to solve this problem, while silencing different views. But democracy in this bloc has so far proved quite resilient. The *Green Deal* has not yet led to new, uncontrolled competencies of EU institutions. Free and fair elections take place and change majorities in supranational and national parliaments, and the protests of farmers demonstrated, that the threat of electoral defeat can still lead to concessions and, perhaps in the long perspective, to a reversal of EU policies towards more market-principles.

However, that empirical observation does not invalidate Hayek’s arguments. The Hayekian mechanism that leads on the road to serfdom does not postulate an iron-clad slippery slope determinacy, but rather an instability and incompatibility argument of increasing governmental interventionism in the economy and liberal democracy in the long term (Boettke, Candela 2017). At some time, policy makers have to make the deci-

sion either to move on with governmental control of the economy and go further down the road to serfdom, or to turn around and go in the other direction, adopting more liberal economic policies. Admittedly, it is hard to tell, when that "at some time" is. It requires more theoretical and empirical research on causes of the relatively long coexistence of interventionism and functioning democracy, as well as what conditions must be given before a democracy switches into a dictatorship.

In the view of Austrian economics, at the end, there are only two alternatives: "Submission to the impersonal and seemingly irrational forces of the market or submission to an equally uncontrollable and therefore arbitrary power of other men" (Hayek 1944/2006: p. 210). "Either capitalism or socialism; there is no middle of the road" (Mises 1976/1996: p. 9).

The case of the Weimar Republic in Germany after World War I, where increasing interventionism to satisfy various interest groups stifled economic growth and increased dissatisfaction with democracy, which eventually led to the election of Adolf Hitler, who then abolished democracy, matches pretty well the Hayekian framework (Wegner 2020). Likewise does the case of Venezuela, where the suppression of economic freedom ended in the loss of political freedom (Zitelmann 2019). Yet, also the reversal towards more capitalism is possible, given a favourable political economy constellation as the case of Argentina under its new president Javier Milei recently indicates (Bagus 2024; Figueroa 2024).

Taking into account the stagnation of the EU's economies, particularly in Germany, it is more topical than ever to recall what Ludwig Erhard (1962/1988: p. 770) asserted 60 years ago with regard to European integration: it does not need a planning program but an agenda for freeing markets in order to unleash and strengthen competition as a discovery procedures throughout the economy. This is not only conducive to economic prosperity, but also allows overcoming efficiently the negative external ecological effects (Booth, Stagnaro 2022). It stabilises democracy and the rule of law, because "the competitive system is the only system designed to minimise by decentralisation the power exercised by man over man" (Hayek 1944/2006: p. 149).

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