

Economic Game Changers: Friedrich Hayek | Lesson Plan

Can rational scientific reasoning prevent war and fix economies?

Students will understand why Hayek argued that no central authority can gather the knowledge scattered among millions of individuals, and how this shaped his defense of free markets, limited government, and individual liberty.

Learning Objectives:

- Define the knowledge problem, price signals, spontaneous order, and other key terms, and identify the era of growing government planning that shaped Hayek's thinking.
- Explain how prices carry information and how competition discovers which products and methods work.
- Evaluate Hayek's warning that central planning concentrates power and threatens individual liberty.
- Apply Hayek's ideas to explain how changing prices and competition coordinate the decisions of buyers and producers.

Key Vocabulary:

- **National Industrial Recovery Act:** The law, signed into effect by President Franklin D. Roosevelt as part of the New Deal, that significantly increased government intervention in the economy.
- **Classical Liberalism:** A political philosophy that emphasizes individual liberty, natural rights, private property, free markets, limited government, and equality before the law.
- **Knowledge Problem:** Hayek's argument that the information needed to coordinate an economy is dispersed among millions of individuals and can never be fully collected by any central planner.
- **Spontaneous Order:** Hayek's idea that institutions such as language, money, markets, and legal traditions develop gradually as populations experiment and adapt over time.
- **The Road to Serfdom:** Hayek's most important work, published in 1944 during WWII, warning that market competition and limited government made political freedom possible.
- **Progressive Era:** A period in American history when many believed that experts, scientific reasoning, and greater government involvement could solve social and economic problems.

Educational Standards: CCRA.R.7, CCRA.R.10, CCRA.W.2, CCRA.W.4, CCRA.W.7, CCRA.SL.1, CCRA.SL.2, CCRA.L.6

Academic Subject Areas: Economics, U.S. History, Civics, Political Philosophy



What You'll Need

- Video: *Economic Game Changers: Friedrich Hayek - Economics of Freedom* (Watch [Here](#))
- Worksheet: *Economic Game Changers: Friedrich Hayek* (Link [Here](#))
- Whiteboard for writing and a TV / Monitor to show video

Lesson Plan (45 mins.)

Warm-Up: (10 mins.)

Teacher Note on the Historical Context: Friedrich Hayek came of age amid war and economic upheaval. After serving in World War I, he embraced the **Progressive-Era** hope that experts, guided by rational, scientific planning, could prevent another catastrophe. Working under the Austrian economist Ludwig von Mises from 1921, and reading Mises's critique of socialism, turned him around completely. By the 1930s, governments everywhere were taking command of economic life: the Soviet Union through communism, Nazi Germany through fascism, and the United States through Franklin Roosevelt's New Deal. Hayek spent the rest of his career explaining why confidence in central planners was misplaced, culminating in ***The Road to Serfdom*** (1944), his wartime warning that surrendering economic decisions to the state eventually costs a nation its other freedoms as well.

1. Introduce the **knowledge problem** to students: the idea that no single person or committee can ever know enough to run an economy, because the necessary information lives in millions of separate decisions. Tell students that today's economist, Friedrich Hayek, spent his career asking: *Can rational scientific reasoning and experts prevent war and fix economies?*
2. Ask students to imagine that their school is holding a huge outdoor festival with food booths, games, merchandise, and activities. One committee in the front office must make every decision for the event — how much food each booth needs, where supplies should go, how many workers belong at each station, and what students will want to buy. Once the festival begins, however, things start changing:
 - The temperature suddenly climbs, and everyone wants cold drinks.
 - One food booth develops a line while another sits nearly empty.
 - A game becomes unexpectedly popular and begins running out of prizes.
 - One vendor receives a late shipment while another runs short on supplies.
 - Hundreds of students are making different choices throughout the afternoon.
3. Have students do a quick Think-Pair-Share:
 - Who notices each of these changes first: the committee in the office or the people working at the individual booths?
 - What information does each worker have that the central committee may not?
 - By the time the committee collects all the information and issues new instructions, what might have changed again?
 - Would putting smarter people on the committee solve the problem? Why or why not?

4. Write each Key Vocabulary term and its definition on the board. Ask students to take notes.
5. Introduce today's *Economic Game Changers* video by explaining that students will see how Friedrich Hayek turned this insight into an argument against central planning because prices carry signals, competition discovers what works, and order comes from millions of decisions – and why central planning means the loss of all political freedoms.

Watch and Apply: (25 mins.)

1. Watch the video *Economic Game Changers: Friedrich Hayek* as a class.
2. After the video, discuss the following questions:
 - What does Hayek mean by the **knowledge problem**?
 - What did Hayek mean by **spontaneous order**? Which examples from the episode developed without a master blueprint?
 - Why did Hayek describe competition as a discovery process? How does competition help reveal which products and ideas work?
 - Hayek began as a believer in **Progressive Era** ideals. Explain some of those ideas.
 - In *The Road to Serfdom*, why did Hayek believe that giving government more control over the economy could also threaten individual freedom?
 - Name some of the big political and economic ideals that were happening in the world in Hayek's time.
3. Talk through the concepts introduced in the Hayek episode. Emphasize that Hayek challenged the belief that experts could successfully direct a complex economy. He argued that the necessary knowledge is dispersed among individuals, while prices and competition allow people to respond to changing conditions without requiring a central authority to know or direct everything.
 - **The Knowledge Problem** → Economic knowledge is spread among millions of individuals and constantly changing. Hayek argued that no central planner could gather enough of that information to successfully direct an entire economy.
 - **Spontaneous Order** → Complex systems such as markets, language, and money can develop through the choices and interactions of many individuals, without being designed or directed by a central authority.
 - **Classical Liberalism** → A tradition that holds that individuals should be free to direct their own lives and property, with government power limited by law and focused on protecting individual rights.
 - **Central Planning** → Increases government control over economic decisions, reducing the freedom of individuals to make their own choices.
4. Hand out the worksheet. Students can work independently or in pairs, depending on class needs.

Wrap-Up: (10 mins.)

1. Recap the lesson objectives. Go over the worksheet as a class, reviewing key responses and correcting misunderstandings as needed.
3. Reinforce that Hayek's influence extended well beyond the 1930s. During the Cold War and afterward, his arguments became central to debates over socialism, free markets, the proper role of government, and the relationship between economic and political freedom.
4. Exit Ticket (Door Check): Ask students to respond to the following question on their worksheets before handing them in:
 - What is the central idea of Hayek's case for free markets?
5. Collect the worksheet as a formative assessment or class participation grade.

Optional Extension Activity

Review Hayek's **knowledge problem**. Each student will hold one private piece of information, and the class will attempt to coordinate the same task twice – first through a central planner, then on their own. The full sequence runs about 20-25 minutes, ideal for a longer block.

Setup (5 mins.):

1. Divide students into groups of 6–8.
2. Prepare eight cards using the clues below. Each clue represents one number from 1–8.

Do not write the answer on the student-facing side of the card.

- I am the only positive whole number that is neither prime nor composite. (1)
 - I am the only even prime number. (2)
 - I am the number of sides on a triangle. (3)
 - I am the positive square root of 16. (4)
 - I am the number of vertices on a pentagon. (5)
 - I am the smallest positive whole number divisible by both 2 and 3. (6)
 - I am the number of days in one week. (7)
 - I am the number of vertices on a cube. (8)
3. Give each student one clue card. Students may read their own cards but may not show them to anyone else.
 4. Explain the objective: Determine the number represented by each clue and arrange the group from 1 to 8 as quickly and accurately as possible.
 5. Explain that groups will attempt the same task twice under two different sets of rules. Have a timer ready for each round.

Round 1 – The Central Planner (3-5 mins):

1. Choose one student in each group to serve as the **central planner**. The planner does not receive a clue card.
2. Everyone holding a card must remain silent and still unless the planner calls on them.
3. When called upon, a student may **read the clue aloud**, but may not state the number it represents.

4. Only the planner may interpret the information, decide where each student belongs, and direct students into position.
5. Time for each group. Stop the clock when the planner believes everyone is correctly arranged from 1 to 8 (depending on the group size).
6. Check the order, then ask:
 - How long did the task take?
 - How much information did the planner have to process?
 - Did putting one person in charge make the task easier or more efficient?

Round 2 – Decentralized Coordination (5 mins.):

1. Keep students in their groups, but collect the original cards.
2. Give each student a new clue card representing a number from 1–8. Do not tell students that the clues correspond to the same numbers they encountered in Round 1.
3. Give the group a new objective: Arrange yourselves from the smallest value to the largest value as quickly as possible.
4. This time, there is no planner. Students may talk to one another, interpret their own information, help others interpret theirs, and move themselves.
5. Time the group and compare the process—not simply the finishing time—with Round 1.

The second set should use completely different clues, so they haven't simply memorized where "the triangle person" belongs:

- The number of noses on a typical human face. (1)
- Half of four. (2)
- Half of six. (3)
- The number of seasons in a year. (4)
- Half of ten. (5)
- The number of faces on a cube. (6)
- Ten minus three. (7)
- The number of legs on a spider. (8)

Now they have to solve the information again, but the information can be processed simultaneously throughout the group.

Debrief (8–10 mins.):

- Which system coordinated the group faster — and what did each student actually need to know for it to work?
- In Round 1, where did every piece of information have to travel before anyone could act? Was the planner less capable than the others — or stuck with an impossible job?
- When the cards changed, did everyone need to know what had changed, or only the people closest to it? How did the group adjust?
- Nobody choreographed the final line-up, yet every group ended in order. How does that help explain spontaneous order?

Central Idea. Hayek's case for the free market begins with a fact about knowledge: it is scattered across everyone and never stops changing, so no board of experts can substitute for millions of people responding to prices, competing, and choosing for themselves. His deeper warning was political — a government granted enough power to plan an economy has enough power to control much more than the economy.

Don't have time for the full lesson? Quick Activity (10-15 mins.)

Distribute the worksheet and have students complete it as they follow along with the video. Or, have students watch the video at home and use the worksheet as a quick quiz the next day in class.