



# Childcare in the Free Market Society of F.A. Hayek

Myra Bernard\*

---

## Abstract

As free market structures increasingly dominate contemporary life, it is important to examine their influence on social structures as well as economic ones. Seeking to answer questions such as *How do market forces interact with social functions like caretaking and interpersonal connection?* and *Are the values defining social and economic life compatible, or rather, at odds?* this paper discusses the limitations of the prolific economic and political theorist F.A. Hayek's argument for a free market economy as the most effective tool in organizing and maintaining a functional society. In a case study of the act of childcare, I argue that a market framework fails to support key elements of social life necessary to a flourishing society, such as relationality and caretaking roles. In demonstrating the market's fundamental incompatibility with the role of childcare through (1) the market's inability to appropriately evaluate the worth of childcare and (2) care labor's incongruity with market incentives, I argue that Hayek's epistemological argument defending the free market as the most effective means of social and economic coordination is erred. Instead, a recognition of and deference towards the influence of social values within economic life is necessary in advancing an equitable society that recognizes and adequately supports the endeavor of childcare.

---

## 1. Introduction

From its origin, political philosophy has fought to identify both the means to attain a successful society and the criteria for discerning such success, addressing questions such as *How ought an individual relate to his fellow citizens? What is a just role of the governing power? How are the institutions in place promoting individuals' quality of life?* In answering questions of such scope, it is easiest—and often necessary—to evaluate societal success through a particular lens. After all, the large-scale social structures comprising each society are complex and ever-changing, and the particular interests and needs of actors in contemporary societies are expansive and challenging to address without a narrowing of focus. However, a truly comprehensive analysis of a given society's level of success must account for a plethora of criteria. *Are people's physical and*

*material needs being met? Are individuals' creative and productive capacities being cultivated? Are members' social and emotional lives able to develop and thrive? Are these assets acquired by different citizens with any semblance of equality?* While alluring, using a singular criterion to determine the success of a society turns a blind eye to the multifaceted nature of modern life, thus making invisible many real, very addressable problems.

In economist and liberal political theorist F. A. Hayek's book "The Constitution of Liberty," a free-market, liberty-prioritizing society is defended as the most effective means of catering to the vast and varying needs of individuals. Hayek rests his argument for a market-organized society on his epistemological belief in humans' inability to obtain definite knowledge regarding the complex workings of their societies, concluding that socioeconomic organization is most efficiently handled through natural market

---

\*Myra Bernard ([mbernar4@uoregon.edu](mailto:mbernar4@uoregon.edu)) graduated from the UO this spring, finishing up her double life of philosophical inquiry and oboe performance. Specifically interested in political theory, after finishing her philosophy and general music degrees, Myra hopes to work with a non-profit or political campaign, writing and gaining experience in policy work before furthering her education in a related field. Passionate about democracy, media and technology's influence on communication, and philosophy's intersection with the issues of everyday life, Myra hopes to find herself working interdisciplinarily with all of the above.

mechanisms rather than social planning.

While the free market may be successful in organizing certain elements necessary to a successful social body, such as resource distribution and productive capacity (and even on these grounds, many economists point to market failures and inequities), I argue that this framework does not adequately provide for all the elements that contribute to a flourishing society. Dynamics that are undeniably essential to the human condition and the success of the individual, such as relationality and caretaking, remain largely unprioritized and unconsidered under this structure. The complex workings of an economically advanced society may be impossible to entirely know and manage, yet does this complexity necessarily bind us *fully* to the mechanistic workings of the market?

In this paper, I will engage with Hayek in addressing this question, using a case study of childcare to argue that Hayek's account of a minimally coercive, free-market-oriented society is unable to effectively preserve and promote the fundamental social relationships of care necessary to a flourishing society. In restricting evaluations of worth to the domain of market-driven commodities and failing to recognize any motivations for completing labor beyond personal economic benefit, I argue that Hayek neglects the importance of social relationships in his prescriptive societal framework.

In this essay, I will first outline Hayek's argument, which positions the free market as the most effective and reliable means of organizing and maintaining a functional society. Next, I will explain the market's fundamental incompatibility with the role of childcare in two main areas: (1) the market's inadequate monetary evaluation of childcare and (2) care labor's incompatibility with market incentives and values. The paper concludes with a critique of Hayek's epistemological argument for the free market, exploring a potential path towards a more just valuation of childcare and emphasis on the role of social relationships within a flourishing society.

## 2. Hayek and the Free Market

In order to analyze the implications of a market-driven society for a social function such as childcare, we must first understand the motivations and goals of free-market liberalism. Hayek builds his argument for a market-oriented society on an epistemological claim: "the more civilized we become, the more relatively ignorant must each individual be of the facts on which the working of his civilization depends" (Hayek, 1960, pp.78). Hayek understands the creation of society as a result of "spontaneous order" rather than rational planning, thus claiming that knowledge surrounding social order is impossible. He concludes that our inevitable ignorance surrounding the values and functions of society necessitates a political framework providing citizens with the greatest amount of liberty possible, a state in which the "coercion of some by others is reduced as much as is possible" (Hayek, 1960, pp. 57). In Hayek's view, the government, rather than claiming definite knowledge surrounding the coordination of a successful and equitable society, must instead "provide[s] a stable and known framework of rules, aiming not to realize a particular outcome so much as to realize a particular process," ultimately allowing citizens the most freedom possible for self-determination (Schmidtz, 2021, Section 4).

Hayek believes the relevancy of spontaneous order extends beyond the establishment of social and political life and into the economic sphere as well. He argues that the free market is the most effective and reliable means of organizing the distribution of goods within a society, as—according to his epistemological claim—humans cannot possibly possess the knowledge needed to plan a framework for socioeconomic progress. In contrast, markets can implicitly meet citizens' wants and needs through the creation of commodities, jobs, and wages (Schmidtz, 2021, Section 3). Hayek understands consumers' market choices as mutually beneficial exchanges, and by extension, the market as reflective of the larger

interests of a given society. Consequently, he develops an account of value that prioritizes economic value—“the prizes that a free society offers for [products]... to tell those who strive for them how much effort they are worth”—as an accurate representation of how necessary a good or service is for society (Hayek, 1960, pp. 160). Following this theoretical account of value, if individuals perceive a certain product as important, its cost—or its associated wage—will be relatively high. The better the quality of the good or service, the more costly it becomes.

Hayek’s free-market society effectively caters to many crucial elements of a functional society. Through monetary compensation, the markets incentivize efficient labor and implicitly organize resource distribution. Advocates of the free market argue that this structure is also the most effective at preventing instances of overproduction and shortages. The free market can organize and account for the different wants and needs of individuals by giving consumers complete control (within their means) over their consumption, to which producers then adjust to accommodate. Individuals are theoretically able to provide their talents and abilities, be compensated according to the social necessity of their labor, and exchange their contribution for that which they desire but cannot produce for themselves. Free-market proponents also argue that the incentive to accumulate wealth drives competition; motivates individuals to create the best, most innovative products possible; and ultimately maximizes society’s productive potential. When considering human and societal success through the lens of commodity distribution and economic productivity, the free market appears theoretically effective at promoting prosperity in society.<sup>1</sup>

While rewarding productive action through the natural organization of the market has many

positive and motivating effects, the market’s alignment of value with monetary worth also has repercussions that must not be ignored. *Are all productive tasks equally economically commodifiable and monetarily represented within the market? What elements crucial in societal functioning are left behind within a free market-driven society characterized by economic productivity?* I will address these concerns through an analysis of childcare’s interaction with the free market.

### 3. Conflict Between Childcare and The Markets

The parenting and cultivation of youth is generally understood as an extremely valuable and worthwhile human undertaking. Hayek himself even states “parents can do more to prepare their children for a satisfactory life than anyone else” (Hayek, 158). Yet, in many contemporary market-based societies, the labor and time put into childcare remains largely undervalued and unrewarded. The current economic and social conditions around childcare often present parents who desire to provide personal childcare with significant obstacles to doing so—namely, the lack of monetary compensation for childcare completed in substitute for working within the labor market. Further, many social inequalities that exist within caretaking continue to influence social and economic evaluations of the act. Caretaking’s traditional status as an unpaid role typically placed, sometimes involuntarily, on women leads many patriarchal societies to view individuals who complete this traditionally feminine labor outside the market as having “never worked a day in their life” (Hess).

The necessity for many caretakers to choose between financial stability and child-rearing—or child-rearing and social status—highlights society’s paradoxical relationship with childcare

<sup>1</sup>This claim is supported by data from the Economic Freedom of the World (EFW) index, documented and analyzed in Faria, Hugo J, and Hugo M. Montesinos’ article, “Does Economic

Freedom Cause Prosperity? An IV Approach” (Faria, H.J, & Montesinos, H.M., 2009).

and parenting. While childcare is generally praised as deeply valuable, its worth is not reflected in social and economic position. This problematic dynamic can be largely attributed to two qualities of childcare that come into conflict with a market conception of value: the lack of monetary payout, and the incompatibility of free-market principles with the motivations behind care-taking relationships.

### 3.1. Corresponding Monetary Value

While childcare is not an act limited to women, it is important to recognize the social influences and inequalities shaping and existing within this role. Historically, across numerous societies, the responsibility of childcare has largely fallen upon women in the form of unpaid domestic labor. While this dynamic has changed substantially within the last century, with an increased number of women entering the workforce and a growing amount of domestic labor becoming purchasable in the market, a majority of childcare still takes the form of unpaid domestic labor. Recent data indicate that women complete 37 percent more unpaid housework than their male counterparts and hold a disproportionate number of care labor positions within the market (Hess, 2020).<sup>2</sup> In America, the childcare services offered within the market are also disproportionately completed by minority women, expanding disproportionate racial dynamics to marketed domestic labor as well.

While care labor purchasable within the market is considered valuable by market standards for its economic contributions, the larger proportion of unpaid household labor remains unrecognized through a pecuniary lens, as it receives no financial reward. This economic evaluation, however—counter to Hayek's

account—is not an accurate reflection of the public's view on the substantive value that personal childcare and domestic labor hold within society.<sup>3</sup> In a 2018 poll taken by the Center for American Progress, a strong majority of Americans voted in support of a number of initiatives increasing funding to childcare, guaranteeing financial childcare support for low-income families, and “ensuring people working in childcare earn a living wage” (Hamm, 2019). This evidence points to a discrepancy between Americans' valuation of childcare its current treatment by the market.

The substantial amount of valuable, yet unpaid, labor taking place within the domestic sphere suggests a market failure: a problem with the market's ability to accurately reward valuable output with corresponding compensation. According to the National Center for Education Statistics (NCES), in 2019, only 59 percent of children age five or younger were receiving non-parental care. Additionally, over one-third of cases of non-parental care were “Family, Friend, and Neighbor” (FFN) childcare, which is typically low-cost or unpaid (National Center for Education Statistics, 2020; Susan-Stillman, 2008). The significant portion of childcare that takes place in the home or with FFN is not accounted for by economic forces. Because only outsourced domestic work is reflected in economic markers, the childcare market is not reflective of the needs of individuals or its value within society as it would be if it existed entirely within the market.

Monetary accounts of value (market prices) are also necessarily unaware of any social influences and emotional motivations underlying market agents' choices. For instance, a woman on track to become a lawyer choosing to become a stay-at-home mother instead of purchasing childcare and continuing with her career

<sup>2</sup> According to data from the Institute for Women's Policy Research and the US Census Bureau, women hold 76 percent of all healthcare positions and make up 92.4 percent of childcare jobs (Hess, 2020; U.S. Census Bureau, 2021).

<sup>3</sup> According to the Women's Institute for Policy Research, “A

study by Bridgman et al. (2012) constructed a satellite account estimate of GDP for the United States that includes the value of household production and estimates that incorporating unpaid domestic work would have raised the level of GDP by 26 percent in 2010” (Hess, 2020).

demonstrates a market price-affecting choice unmotivated by economic self-interest, but by something else entirely. Furthermore, a neighbor who helps care for their friend's child at a low cost is often not doing so for their own financial benefit, but for other reasons. Thus, market value clearly does not holistically reflect or understand our interests and practices as social humans.

Due to the market's inability to consider any motivation beyond economic benefit, or to account for the labor taking place within private homes, even the market value and wages reflected for caretaker positions are not fully reflective of childcare's social necessity and intrinsic value. While childcare is a critical element to societal structure, equipping the next generation to flourish socially and economically, those who provide this service within the market often struggle to make ends meet. According to data from the US Census Bureau, in 2022, childcare workers earned an average salary of \$28,520, significantly less than the median individual annual income of \$56,420 (U.S. Bureau of Labor Statistics, 2023). The market value of child labor in America suggests it is worth significantly less than the average American workforce position. Additionally, those who provide childcare outside of the market often find themselves economically unempowered, with spouses controlling the income and finances within the household (Yodanis, C., Lauer, S., 2007). The inability of the market to properly evaluate the economic worth and social necessity of services completed in domestic and care-oriented areas of life suggests a significant oversight within Hayek's argument for the free market as the superior method of social organization.

---

<sup>4</sup> The Internet Encyclopedia of Philosophy explains care ethics as a moral theory which "implies that there is moral significance in the fundamental elements of relationships and dependencies in human life. Normatively, care ethics seeks to maintain relationships by contextualizing and promoting the well-being of caregivers and care-receivers in a network of

### 3.2. The Incentive to Care

In analyzing the market's failure to monetarily reward the act of childcare according to its worth, we arrive at childcare's second incompatibility with the free market: caretaking fundamentally comes in conflict with a market-oriented society by nature of its ultimate goals and motivations. Virginia Held, a proponent of care ethics and critic of the market's treatment of care labor,<sup>4</sup> states, "in the ideal market every social interaction is an exchange between individual entities, and the notion of a social tie disappears. The ideal of the market teaches that everyone is always motivated by self-interest" (Held, 2002, pp. 25). Ideal market exchanges are driven by the idea that both the consumer and the producer of a good or service end up better off, with the consumer receiving a desired commodity and the producer reciprocally receiving the economic benefit associated with the sale of the product. Held questions the compatibility of care labor with this formula, asking, "is the primary norm... maximizing economic gain, for instance, or is it something else such as caring for or educating children as well as possible?" (Held, 2002, pp. 20)

A free-market proponent may respond with the claim that raising and educating children as well as possible is in the interest of those looking to maximize economic gain—only through caring for and educating the young will the next generation promise to be more productive members of society than the last. Yet, does the current market treatment of childcare support this agenda? The low market wages associated with childcare workers and youth educators<sup>5</sup> push potential talent away from this field, preventing the market from advancing to effectively care for and educate children "as well as possible."

social relations" (The Internet Encyclopedia of Philosophy, n.d.).

<sup>5</sup> According to the U.S. Census Bureau, in 2019, the median salary for elementary and middle school teachers ages 25–34 was \$52,368, still less than the national median annual income and significantly less than those with similar education (Beckhusen, J. 2022).

Additionally, many parents want to provide childcare themselves for ideological or emotional reasons, violating typical market incentive theories by sacrificing their own economic productivity to take on the unpaid endeavor of childcare. Whether outsourced or domestic, however, childcare's current market status does not reflect the promise that the next-generation will be raised as effectively and productively as possible.

In viewing childcare as a market commodity, interpersonal factors beyond pure self-interest as a motivator are unconsidered. By resting his socioeconomic theory on a limiting assumption of individuals' motivations and interests, Hayek posits a society structured to deny the importance of interpersonal relationships involving anything more than the exchange of goods for personal benefit. Considering childcare through solely economic lenses disregards the existence of any familial or emotional motivation for parents to provide their own childcare. While a mother may be able to accumulate more economic benefits working as a lawyer than as a caretaker, she may choose to position herself as a stay-at-home mother—not with the motivation of receiving economic returns from the role, but rather, out of parental and loving care for her child whose interests she chooses to serve.

These innately human relationships of love and care are not typically fostered by market conditions. While successful childcare is framed by emotional connection and mutual trust, the market serves only to maximize economic benefit and promote competition. If these market values characterized our relationship with childcare, a parent might have the economic incentive to outsource their child's caretaking to the individual accepting the lowest wage, maximizing their own economic benefit. Yet, children who are denied the stability and emotional connection that a long-term caretaker provides are often shown to struggle with trust, emotional vulnerability, and aggressive tendencies (Reidt-Parker, Chainski, n.d.), and many parents recognize this and make

their caretaking choices accordingly.

While market actors may weigh costs beyond direct economic benefit in making financial decisions—as is the case with switching costs, which may motivate a parent to stick with a childcare service that is not the lowest-cost out of affinity for the quality and built relationship with the service—the market structure itself does not empower these decisions. Rather, the interpersonal dynamics characterizing these relationships of care are necessarily embedded in our lives, informing market decisions as well. Viewing the child-caregiver relationship as a commodity incentivizes the breakdown of the instinctual, interpersonal care dynamics that are essential in building and maintaining a successful society and individual life.

#### **4. Conclusion: A Return to Hayek's Epistemological Claim**

In this paper, I have aimed to demonstrate the difficulty Hayek's market-oriented society faces in accurately realizing the social value of childcare through an analysis of childcare's inadequate economic compensation and the incompatibility of free-market principles with the motivations of social, care-taking relationships. Given the ongoing expansion of markets in modern society, recognizing these markets' limitations in mutually benefiting individuals within exchanges such as childcare is crucial. *How do we shape a society that is attuned to social needs as well as economic welfare?* This is not a question that can be answered with a singular, market-oriented conception of societal operation, but rather, that must be approached through a nuanced framework that leaves space for social relationality.

Hayek rests his argument for the free market upon his epistemological claim of collective societal ignorance and powerlessness to resist civilization's spontaneous order. Yet, here I argue there are certain societal qualities we *can* know the value of. Relationships of care have long been an

essential part of the human condition and a product of evolutionary adaptation. *Could a claim to knowledge surrounding the importance of human relationality reshape how we choose to structure and evaluate society?*

The United Nation's 1999 Human Development report writes, "The role of care in the formation of human capabilities and in human development is fundamental. Without genuine care and nurturing, children cannot develop capabilities, and adults have a hard time maintaining or expanding theirs" (pp. 77). Care is "an intangible yet essential capability" necessary for human well-being (pp. 77). Evidence supporting the importance of social support systems and relationships of care to individual flourishing is found in the correlation between high levels of social care/support and higher rates of life expectancy/lower rates of malnutrition in children (Human Development Report, 1999, pp. 77). The levels of caretaking individuals receive influence their life outcomes and physical well-being. For a society of well-rounded, capable, and healthy individuals, relationships of care must be uplifted and given the opportunity to thrive.

Considering the success of a society through a relational lens rather than solely economic determinants provides a possible way forward in correcting the skewed social and economic value assigned to care labor within a market-oriented society. Under the terms of a liberty-oriented, spontaneously ordered, free-market society, we appear powerless to address market failures like that of childcare. Yet, by reconsidering what we are able to know, prioritize, and financially support in Hayek's epistemological understanding of the world, a society able to negotiate the importance of foundational social relationships with the organizational benefits of free-market capitalism can begin to emerge. By acknowledging the complex and paradoxical interests necessarily embedded within social and economic life, a more encompassing and relevant conception of the structuring of society and the places it must go becomes visible.

## References

- Beckhusen, J. & Newburger, J. C. (2022). Average Teachers' Earnings Declining, Lower Than Similarly Educated Workers. *U.S. Census Bureau*. <https://www.census.gov/library/stories/2022/07/teachers-among-most-educated-yet-pay-lags.html>
- Childcare Workers. Data USA. <https://datausa.io/profile/soc/childcare-workers>.
- Faria, H. J. & Montesinos, H. M. (2009). Does Economic Freedom Cause Prosperity? An IV Approach. *Public Choice*, 141(1/2), 103–127. <http://www.jstor.org/stable/40270948>
- Hamm, K., Baider, A., White, C., Robbins, K.G., Sarri, C., Stockhausen, M., & Perez, N. (2019). America, It's Time to Talk About Child Care. (7-8). <https://caseforchildcare.org/2020CaseForChildCare.pdf>
- Hayek, F.A. (1960). *The Constitution of Liberty*. University of Chicago Press.
- Held, V (2002). Care and the Extension of Markets. *Hypatia*, vol. 17, no. 2, pp. 19–33, <http://www.jstor.org/stable/3810748>.
- Hess, C., Ahmed, T., Phil, M., & Hayes, J. (2020). Providing Unpaid Household and Care Work in the United States: Uncovering Inequality. *Institute for Women's Policy Research*. <https://iwpr.org/wp-content/uploads/2020/01/IWPR-Providing-Unpaid-Household-and-Care-Work-in-the-United-States-Uncovering-Inequality.pdf>
- Human Development Report. (1999). United Nation Development Programme (UNDP). <https://hdr.undp.org/system/files/documents/hdr1999ennostats.pdf>
- Internet Encyclopedia of Philosophy. (n.d.). Care Ethics. <https://iep.utm.edu/care-eth/>
- National Center for Education Statistics. (2020). Child Care. <https://nces.ed.gov/fastfacts/display.asp?id=4>
- Reidt-Parker, J. & Chainski, M. (n.d.). The Importance of Continuity Of Care. *Start Early*. [https://www.startearly.org/app/uploads/2020/09/PUBLICATIO\\_N\\_NPT-Continuity-of-Care-Nov-2015.pdf](https://www.startearly.org/app/uploads/2020/09/PUBLICATIO_N_NPT-Continuity-of-Care-Nov-2015.pdf)
- Schmidtz, D. & Boettke, P. (2021). Friedrich Hayek. *The Stanford Encyclopedia of Philosophy*. <https://plato.stanford.edu/archives/sum2021/entries/friedrich-hayek/>.
- Susan-Stillman, A. (2008). Demographics of Family, Friend, and Neighbor Child Care in the United States. *National Center for Children in Poverty*. <https://www.nccp.org/publication/demographics-of-family-friend-and-neighbor-child-care-in-the-united-states/>
- U.S. Bureau of Labor Statistics (2023). Occupational Employment and Wage Statistics. *United States Department of Labor*.

<https://www.bls.gov/oes/current/oes399011.htm>  
U.S. Census Bureau (2021). Women Hold 76% of All Health Care Jobs, Gaining in Higher-Paying Occupations. *U.S. Department of Commerce*.  
<https://www.census.gov/library/stories/2019/08/your-health->

[care-in-womens-hands.html](#).  
Yodanis, C. & Lauer, S. (2007). Managing Money in Marriage: Multilevel and Cross-National Effects of the Breadwinner Role. *Journal of Marriage and Family*, 69(5), 1307–1325.  
<http://www.jstor.org/stable/4622529>.