

Hayek versus Marx

And today's challenges

Eric Aarons



Routledge Frontiers of Political Economy

Hayek versus Marx

This book confronts today's challenges of global warming, the protection of our planet and of its human and other living species. In seeking solutions, it ranges widely over views about how human societies function, in particular those of Karl Marx and Friedrich Hayek, who were among the foremost thinkers of the nineteenth and twentieth centuries respectively. The book deals fairly and critically with their ideas in the search for effective methods for tackling today's problems.

Looking closely at the social philosophies of these two towering figures whose ideas were to dominate the lives of millions, the book traverses a range of disciplines from economics and philosophy to morality and the relationship that exists, or should exist, towards other living species and the environment. It compares and contrasts the ideas of Marx and Hayek about the social conditions required for humans to survive and flourish, and discusses how they conceptualised the heights to which humanity might aspire. It asks what the ideas of each might have to contribute to the changes in our thoughts and actions that must take place if the environment is to be protected, animal species are to survive and sustainability is to be achieved.

This book will be of particular relevance to students and researchers in philosophy, sociology, Marxism, economics and to all concerned with social justice, global warming and planetary sustainability.

Eric Aarons is the author of *Market versus Nature: the Social Philosophy of Friedrich Hayek*, 2008, published by Australian Scholarly Publishing, and of *What's Right?* published by Rosenberg in 2003. His memoirs *What's Left?* were published in 1993 by Penguin Books, and his first book *Philosophy for an Exploding World: Today's Values Revolution* by Brolga Books in 1972. A former leading member of the Communist Party of Australia, he lives in Sydney, Australia.

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First published 2009

by Routledge

2 Park Square, Milton Park, Abingdon, Oxon, OX14 4RN

Simultaneously published in the USA and Canada

by Routledge

270 Madison Avenue, New York, NY 10016

Routledge is an imprint of the Taylor & Francis Group, an informa business

This edition published in the Taylor & Francis e-Library, 2009.

To purchase your own copy of this or any of Taylor & Francis or Routledge's collection of thousands of eBooks please go to www.eBookstore.tandf.co.uk.

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British Library Cataloguing in Publication Data

A catalogue record for this book is available from the British Library

Library of Congress Cataloging in Publication Data

Aarons, Eric.

Hayek versus Marx / by Eric Aarons.

p. cm.

Includes bibliographical references and index.

1. Marx, Karl, 1818 1883 Political and social views. 2. Hayek, Friedrich A. von (Friedrich August), 1899 1992 Political and social views. 3. Sustainable development. 4. Marxian economics. I. Title.

HX39.5.A53A27 2009

330.15 dc22

ISBN 0-203-88089-7 Master e-book ISBN

ISBN 978 0 415 46488 8 (hbk)

ISBN 978 0 203 88089 0 (ebk)

On, on, on, over the countless miles of angry space roll the long heaving billows. Mountains and caves are here, and yet are not; for what is now the one, is now the other, then all is but a boiling heap of rushing water. Pursuit, and flight, and mad return of wave and wave, and savage struggle, ending in a spouting up of foam that whitens the black night, incessant change of place, and form, and hue; constancy in nothing, but eternal strife; on, on, on, they roll, and darker grows the night, and louder howls the wind and more clamorous and fierce become the million voices in the sea, when the wild cry goes forth upon the storm 'A ship!'

Charles Dickens, *The Life and Adventures of Martin Chuzzlewit*,
London: Penguin Classics, 1986: 308 9.

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About the author

Eric Aarons was born in Sydney in 1919. He left school in 1934, became a boot repairer, later returned to school and won a scholarship for university. He graduated in 1941 with first class Honours in Science, worked in munitions during the Second World War, then became a full-time worker for the Communist Party of Australia, holding various positions including National Secretary. He studied Marxism for three years in China, 1951–54, and visited a number of countries representing his Party. Retiring in 1982, he developed his abilities as a sculptor in wood and stone. He has written four previous books:

Philosophy for an Exploding World: Today's Values Revolution, Sydney: Brolga Books, 1972.

What's Left? Memoirs of an Australian Communist, Ringwood, Victoria: Penguin, 1993.

What's Right?, Sydney: Rosenberg, 2003.

Market Versus Nature: The Social Philosophy of Friedrich Hayek, Melbourne: Australian Scholarly Publishing, 2008.

Acknowledgements

Conversations with many people contributed to the writing of this book, without their awareness in some cases. Acknowledging them, I particularly want to thank Steve Keen for his economic and social inputs, Rick Mohr for his advice on the theory of law, David McKnight for his wide knowledge of the social scene and research skills, and my partner, Peta Salmon, who worked tirelessly and accurately on preparing the manuscript for publication. Special thanks are due to Dr Jane Mills for her great and tireless editorial skills, and her fruitful engagement with the content of the book.

I alone, of course, bear the responsibility for its final form and content.

Introduction

This book analyses the work of Karl Marx and Friedrich Hayek, the two foremost theoreticians and social philosophers of the nineteenth and twentieth centuries. I believe that examining their differences and similarities, successes and failures, political ideals and predictions can help us understand their systems of thought and that this can help us meet and overcome the most important challenges to ever face humanity. These are the connected issues of global warming and the capacity of our planet to meet the growing demands we put upon it issues that will dominate the politics, philosophy and morality of this century and require changes in our economies and the way we live, think and act.

Marx and Hayek both believed material abundance to be necessary for the achievement of their aims. Marx, because he saw it as a condition for overcoming what he called the ‘alienation’ of the majority of people from their full potential, believing that both these aims could be achieved together by building a society of cooperating members based on common property. He acknowledged that capitalism, increasingly reliant upon science and its technological application, had proved its ability to rapidly develop production. But he believed that capitalism would falter due to its own inherent tendencies such as the booms and busts of the business cycle and the development of monopolies and their authoritarian, exploitative relationship with the workers. These workers, the proletarians, would then take over from the capitalists, complete the task on the basis of cooperation, in the course of which government, as a coercive instrument, would ‘die out’¹ or wither away.

Hayek, however, believed that abundance had to be endlessly pursued because better satisfaction of their material needs was the sole objective on which people could possibly agree and live peacefully together, with each then aiming at their own further individual ends. He sought an end to government, corporation, union or any other

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form of intervention in the free buying and selling of goods, services and labour on the basis of private ownership, and devised a new constitutional system to that end. Specifically, the government apparatus would include an upper house constitutionally charged with preventing any such intervention. Its role would be to ensure in perpetuity free use of privately owned property and all its proceeds, with perhaps minor adjustments or tinkering.

The twentieth-century socialist regimes that were based, at least initially, on Marx's analysis, did not show superiority in the creation of abundance, failing on this account and in other ways. The first avowedly socialist state, the Soviet Union, collapsed near the end of last century, while the regimes in China and Vietnam turned to market forms and the freer buying and selling of goods, thereby rapidly expanding their economies though giving no clear indication of how they intend to achieve socialist ideals.

At the end of the Cold War, the perpetuation of capitalism and the markets in which buying and selling took place, seemed assured, and the United States under the leadership of an extremist group known as neo-conservatives, set out to impose everywhere what they called the 'single sustainable model for national success', beginning in the Middle East.² Stuck in a quagmire there, they, and that 'single sustainable model', were confronted with a threat that had been present since the 1950s, but largely ignored. Ignored, that is until Sir Nicholas Stern, an economist appointed by the British government, reported in October 2006 that a change in the earth's climate, manifested in global warming, constituted 'the greatest market failure the world has ever seen'.³ He concluded that this threatened economic losses equal to those inflicted by the Great Depression of 1929–32 plus the two world wars of 1914–18 and 1939–45. This market failure, Stern added, 'interacts with other market imperfections' a prophecy which proved only too accurate as the US sub-prime housing market financial crisis broke shortly after and spread globally, creating a credit crisis. This, among other effects, lowered the value of the US dollar, putting up the price of oil and emphasising the limitation of the earth to provide all we want.

Mapping the problem

Global warming is rapidly entering the consciousness of increasing numbers of people all over the world as they read and see images of its diverse and menacing consequences and also begin to experience it for themselves. The scientific evidence is now overwhelming and governments

throughout the world, with few exceptions, are reacting by devising policies to mitigate it.

But, so far, few governments, or economists, have confronted the deeper implications of the pressing energy problem. This problem arises because burning fossil fuels – coal, oil, gas – to ‘create’ or provide energy is the main source of carbon dioxide, a ‘greenhouse’ gas that is in turn the main cause of global warming.

But what *is* ‘energy’? No definition is entirely satisfactory, but perhaps the best for our present purposes is: ‘energy is that which causes change’. So, when we see change occurring, we can be sure that some form of energy is at work. If we, or an object, moves from one place to another, energy must be present, whether it comes from our legs burning glucose, oil or gas burning to move a car, train, plane or ship, coal burning to turn water into steam to drive a turbine to generate electricity ... Then, when we want to turn bauxite (basically, the oxide of the element aluminium) back into the useful metal, we have to use large quantities of electricity in particular ways. If we want to dig ores out of the ground, construct roads and tunnels, plough ground for crops, transmit messages and pictures by cable or electromagnetic waves ... we require some form of energy for the purpose.

Change in the resources the earth provides comes in an endless variety of forms to create a now almost endless variety of ‘goods’ which we humans have learned to create and want, or want and try to create. And we do so in ever increasing quantities as a growing population adopts Hayek’s injunction to seek ‘better satisfaction of their material needs’.⁴ In Marx’s day, around 1850, the world population was about 1.25 billion. By 1950 it had doubled to 2.5 billion. By 1980 when Hayek was writing his last book, it had doubled again to 5 billion. It is now about 6.6 billion and is likely to reach 8 or 9 billion by 2050. Think how much energy would then be required if we carry on as we do now!

In other words, though the metaphor is a little mixed, global warming is the tip of an iceberg consisting of all the goods we make and exchange, the bulk of which lies below the energy tip that manifests itself as global warming. Even if we succeed in lopping off that tip, a new part of the bulk will rise into view. Indeed, it is already doing so as food grains such as wheat, rice and maize are diverted to changing them into the more profitable ethanol for motor fuel, leaving people to starve in consequence.

But won’t economies in energy use, new inventions, expanding use of solar heat, wind, direct conversion of the sun’s radiation into electricity, and many other possible measures, reduce the size of that tip?

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Yes it will; but on present indications, neither sufficiently nor quickly enough to counteract the ever expanding bulk below. At 3 per cent growth per year, total world output will *double* by 2025 and *quadruple* by 2050. It is within the next two generations that substantial inroads must be made. This can and should begin with combating global warming, but the larger problem causing it will require basic changes in our ways of living, in how we as individuals and nations relate to each other, in our economic and political practices, in our social philosophy, in what we most value.

These changes require energy of a different kind – emotional and intellectual – for which no ready made power points exist to plug into. I say emotional as well as intellectual deliberately, agreeing with David Hume on this – that at least in power, intellect and reason alone are not strong enough. We must *want* something different, must *feel* it in our gut, bones and heart to prompt our reason and goad us into action. That is, our values – our *moral* values – need to change to generate the passion to act with reason in changing our policies, practices and institutions.

Upheavals may occur and some may seek to promote them. But passion and reason both suggest we should be aware that human nature has many, often conflicting, aspects. Experience shows that going to an extreme and focussing our attention on any one side of these conflicting tendencies to the exclusion of its opposite is unlikely to achieve a viable outcome. This suggests we should not reject the past achievements of the profit motive, while noting its inability today to properly provide for the necessary infrastructure of society. This consists of three parts: the *built* infrastructure such as roads, ports, transport and communications ... the *social* infrastructure such as education and health systems; and the preservation of our *ultimate* infrastructure – the natural world, the planet itself.

All this will require a radically new ‘mix’ of free and planned markets, of spontaneity and reason, competition and cooperation, self-interest and altruism, individualism and collectivity, citizen and government activity, national and international action – indeed, a new ‘mix’ of all the aspects of humanity that enter into our social existence.

After much thought about how to proceed, I decided that the field embraced by a general title such as ‘Marx *and* Hayek’, or even Marx *versus* Hayek without a qualifying subtitle, was too vast in scope. There are more books by and about each of these thinkers taken separately, let alone together, than any person in a whole lifetime could simply read, let alone properly analyse. So, having only a small portion of that time left to me, I decided to draw upon my long experience in

the Marxist socialist movement, and my decade-long study of Hayek's works, in what would be a serious, but not too academic, treatment of them both. I would focus on the life's aims of these two thinkers — their social philosophies, or 'projects' as I also call them. Marx had established his by his early thirties, Hayek somewhat later, by his early forties. And I would try to do this in a semi-narrative fashion, with a political edge focussed on humanity's present challenges, but not one with a partisan endpoint obviously pre-determined — it would have to be seen to be inherent in the analysis itself.

Marx had developed his project in the *Manifesto of the Communist Party*, *Capital*, and other works; Hayek had developed his with *The Road to Serfdom*, *The Constitution of Liberty*, *Law, Legislation and Liberty*, and *The Fatal Conceit*. It is for the reader to judge how far I have succeeded in my ambition; but I hope that in any case I will have stimulated thinking about how to best confront the issues before us that become more challenging every day.

Humans in every epoch are liable to congratulate themselves on being unique in their achievements, or to lament that they are burdened by incomparable troubles. The present epoch is blessed and cursed by having to cope with both at once. Humanity has shown its powers by creating a great space station, exploring other planets, penetrating ever further into the reaches of space and deeper into the secrets of the atom. It has unravelled its own genetic code, demonstrated its capacity, given the raw materials and energy, to endlessly multiply the number and quantity of products to satisfy any conceivable physical need, and even to meet many of the wants of fantasy.

But can our home, our planet earth, continue to provide the unlimited resources required for Hayek's trajectory of endless growth, or even for Marx's undefined abundance? In the past, humans in particular areas of habitation have outgrown or polluted their available resources and disappeared from the scene. But today it is the planet itself that is under increasing stress. Fantasies of finding new resources elsewhere are likely to remain fantasies even if they may ultimately become possible, as there simply isn't enough time. Now is the time to draw back from the brink, and adopt a new, viable vision of our future.

1 The two social philosophers

By any standard, Karl Marx and Friedrich Hayek must be counted as among the greatest social and political thinkers of the nineteenth and twentieth centuries. What they thought, how they thought, and the successes and failures in their thinking are closely related to the current critical point in the future of humanity as global warming and the sustainability of our present economic production and consumption patterns necessarily come to dominate our concerns.

Both men were prolific in their output as well as the range of subjects with which they dealt, and both differed from their contemporaries in that early in their careers they set out to develop all-embracing projects, best described as ‘social philosophies’. This was fairly common during Marx’s lifetime but by the twentieth century it was a rare thing for an economic thinker to do. But Hayek embarked upon his project primarily because socialism presented a strong challenge to capitalism in a period when capitalist society was reeling from two world wars and the Great Depression, and also feeling the impact of a successful revolution in Russia and a number of revolutionary outbreaks in several European countries.

Their social philosophies covered economics, politics, history, law, philosophy, epistemology, values and human nature. Each developed them into what post-modern critics would come to call ‘grand narratives’, covering the past and even the future in ways that were speculative and, as I shall argue, misleading. Though I contend that a broadly integrated vision of the human situation is necessary to guide action, particularly at crucial junctures such as the present one, we should take note of the dangers involved in building complete systems, with their inherent tendency to turn partial truths into absolutes, and to transform the totality of these into sets of ideas – ideologies – that are liable to become closed and fixed, certainly in the minds of their adherents.

Naturally, neither thinker had their social philosophies, or projects, ready-made from the beginning but developed them as they studied, thought and lived their lives. In this opening chapter I begin at the point where each has just entered the path they will tread until they die. For Marx it was the *Manifesto of the Communist Party* (1848); for Hayek it was *The Road to Serfdom* (1944). In these two seminal texts each first expressed the avowedly political ideals that would develop into two opposing social philosophies and which would have such a powerful influence upon how subsequent generations would come to think and act.

Marx's project

Marx was born on 5 May 1818 in Trier, an old city of western Germany near the River Rhine, a few years after it was made part of Prussia in the general settlement that followed the defeat of Napoleon. His father was a successful Jewish lawyer who renounced Judaism and was baptised into the Christian faith. Marx never considered himself to be Jewish, seeing himself rather as a European and a German. He entered the University of Bonn in 1835, studying law and philosophy, and coming under the still pervasive influence of Georg Wilhelm Friedrich Hegel.

Hegel considered that there was no world independent of consciousness. This was a form of idealism that differed significantly from the philosophical conventions of his time in taking this proposition to be an objective fact; Hegel insisted that it was true whether or not people believed it to be so. The natural world into which humans were born, was not, as modern science said, something that was objective and 'outside', and thus opposed to them. Rather, this was only an appearance, and humanity's task was to find, beyond so-called objective nature, its own essential life. Once people comprehended that what was 'outside' them was a facet of their own self-consciousness, they would be able to transcend their feelings of alienation and become free. Placing the state at the centre of his grand narrative of historical development, Hegel argued that history was a process in which the human geist (spirit) proceeded through alienation towards perfect self-understanding and knowledge. While a radical departure from the conventional philosophical approaches to reality and humanity of the period, Hegel's ideas also underpinned the less than radical notions of a strong central state and of the Christian religion.

By the time he was nineteen, Marx had come to doubt the soundness of this approach, especially its endorsement of the Prussian state

and of the truth of Christianity.¹ He wrote a long letter to his father in which he said:

Setting out from idealism ... I hit upon seeking the Idea in the real itself ... I had read fragments of Hegel's philosophy and had found its grotesque craggy melody unpleasing. I wished to dive into the ocean once again but with the definite intention of discovering our mental nature to be just as determined, concrete, and firmly established as our physical ...²

Marx developed his anti-Hegelian ideas further, drawing upon the philosophy of Ludwig Feuerbach who, as first to make a substantial philosophical attack on the Hegelian system which had become a mainstay of the oppressive Prussian political regime, was for a time the idol of Marx and his generation. The nature of Feuerbach's criticisms may be gained from the following account of his teaching.

- The Hegelian philosophy began from the proposition: I am an abstract and merely a thinking being to whose essence the body does not belong. The new philosophy of Feuerbach began by saying: I am a real sensuous being and indeed, the body in its totality is my ego, my essence itself. Here Feuerbach importantly includes feeling, emotion and even love. Though personally possessing these attributes, in his theoretical treatment of the proletariat and its destiny, Marx saw it primarily as 'body', that is, as labour.³
- As Nietzsche would later, Feuerbach held that the human being has a species-specific perspective on the world. But, unlike Nietzsche, he held that the human being is not a restricted or particular being like the various species of non-human animals, but a universal one because of the unrestricted nature of human consciousness. This consciousness, he maintained, is not expressed only in reason but in the full human being which reacts feelingly and through natural science to all aspects of nature.
- Feuerbach's criticism of religion was wide-ranging because he was primarily concerned with social and political reform, and Christianity, given an Hegelian imprimatur, was used by the Prussian regime as a weapon against change. For instance, Feuerbach held that it was wrong to deny that spirit (consciousness and thought) could arise from unconscious nature. Spirit is rooted in the brain, he argued, and it was incorrect to think of the skull and brain as originating in nature while thinking the mind to be a supernatural creation.⁴

In 1841, failing to obtain an academic appointment upon graduating, Marx became the salaried editor of the *Rheinische Zeitung* (*Rhenish Gazette*), a paper voicing industrial, liberal and Protestant interests. He had to deal with the threat of censorship and with economic issues at a time when grape growers in the Moselle valley struck hard economic times and people foraging for fuel in the forests were harassed and prosecuted by the landowners. Marx's ignorance of such matters persuaded him to study economics, and when the Prussian censor closed the paper down in 1843, he moved to Paris. Here he became co-editor of a short-lived radical journal, the *Deutsche-Französische Jahrbucher* (*German-French Yearbook*). Convinced that a German revolution was approaching, he wrote to Arnold Ruge, a Young Hegelian who had helped finance the *Jahrbucher*, the anarchist Mikhail Bakunin, and Feuerbach requesting their cooperation.

They all declined (and the *Jahrbucher* only saw one issue), but Marx, who had admired Feuerbach, then sought in Feuerbach's philosophy what the reasons for this might have been. He found and wrote them up in a short essay widely known as *Theses on Feuerbach*, which were found in Marx's papers and published posthumously by his now close collaborator, lifelong friend and financial supporter, Frederick Engels. Marx found Feuerbach's philosophical analysis lacking, the main point being that Feuerbach saw the task of overturning Hegelian philosophy from a theoretical and contemplative perspective and failed to see the need to carry ideas into the area of real life, of practice, of political action. This had by then become the key issue for Marx – hence his famous aphorism: 'The philosophers have only *interpreted* the world, in various ways; the point, however, is to *change* it.'⁵

The *Manifesto*

It was in the spirit of combining theory with practice that Marx and Engels accepted an invitation in 1847 to join an originally secret organisation, the League of the Just, which now embraced a membership of politically active workers, especially artisans, from European countries. Its leadership generally accepted the ideas of Marx and Engels, who believed it had become a viable political vehicle for the times.⁶ They attended two 1847 congresses of the League in London, the last of which changed its name to the Communist League, and commissioned them to prepare a statement of aims, which became the *Manifesto of the Communist Party*.⁷ This was published just prior to the February Revolution of 1848 in which the French monarch was overthrown and the Second Republic was established.

The *Manifesto* set out in brief, clear terms the communists' analysis of history, social organisation and property, as well as their intentions and policies. A brief and now well-known introduction states:

A spectre is haunting Europe – the spectre of Communism ... Communism is already acknowledged by all European Powers to be itself a Power ... It is high time that Communists should openly, in the face of the whole world, publish their views, their aims, their tendencies, and meet this nursery tale of the Spectre of Communism with a Manifesto of the party itself.

Its first section, headed 'Bourgeois And Proletarians', proclaims that 'the history of all hitherto-existing society is the history of class struggles'.⁸ It continues:

Freeman and slave, patrician and plebeian, lord and serf, guild-master and journeyman, in a word, oppressor and oppressed, stood in constant opposition to one another, carried on an uninterrupted, now hidden, now open fight, a fight that each time ended, either in a revolutionary reconstitution of society at large, or in the common ruin of the contending classes.

Then follows its main contentions which Marx, often in collaboration with Engels, would develop more fully and deeply throughout the rest of his life.

- The capitalist class has played a most revolutionary part, having in a single century 'created more massive and more colossal productive forces than have all preceding generations together.' The 'bourgeoisie cannot exist without constantly revolutionising the instruments of production, and thereby the relations of production, and with them the whole relations of society'. It has 'put an end to all feudal, patriarchal, idyllic relations ... torn asunder the motley feudal ties that bound man to his "natural superiors", and has left remaining no other nexus between man and man than naked self-interest, than callous "cash payment"'. And 'in place of the old national seclusion and self-sufficiency, we have intercourse in every direction, universal interdependence of nations'.
- The capitalist class, moreover, is 'like the sorcerer, who is no longer able to control the powers of the nether world whom he has called up by his spells'. It has 'not only forged the weapons [the new productive forces] that bring death to itself; it has also called into

existence the men who are to wield those weapons – the modern working class – the proletarians’.

- ‘You [the bourgeoisie] reproach us with intending to do away with your property. Precisely so; that is just what we intend ... The abolition of existing property-relations is not at all a distinctive feature of Communism. All property relations in the past have continually been subject to historical change consequent upon the change in historical conditions.’
- ‘[T]he first step in the revolution by the working class, is to raise the proletariat to the position of the ruling class, to win the battle of democracy. The proletariat will use its political supremacy to wrest, by degrees, all capital from the bourgeoisie, to centralise all instruments of production in the hands of the State, i.e., of the proletariat organised as the ruling class; and to increase the total of productive forces as rapidly as possible.’
- The *Manifesto* outlines a number of initial concrete steps, including the abolition of private property in land, a heavy progressive income tax, and the need to centralise credit in the hands of the state. Importantly, although the word ‘planning’ does not appear, there is a reference to the abolition of markets: ‘By freedom is meant, under the present bourgeois conditions of production, free trade, free selling and buying. But if selling and buying disappears, free selling and buying disappears also.’
- The two most important points in the final section entitled ‘Position of the Communists in Relation to the Various Opposition Parties’ are first:

The Communists fight for the enforcement of the attainment of the immediate aims, for the momentary interests of the working class; but in the movement of the present, they also represent and take care of the future of that movement.

And second:

The Communists disdain to conceal their views and aims. They openly declare that their ends can be attained only by the forcible overthrow of all existing social conditions. Let the ruling classes tremble at a Communistic revolution. The proletarians have nothing to lose but their chains. They have a world to win.

WORKING MEN OF ALL COUNTRIES, UNITE!

After the defeat of the radical forces in the German revolution, Marx fled in exile to Brussels, returning briefly to Paris, and moving then to

Cologne before finally arriving in London in August 1849. There he lived for the rest of his life, studying for long periods in the British Museum Library, and writing most of his major works including the *Grundrisse, A Contribution To The Critique of Political Economy*, and the three volumes of *Capital*.⁹

Political economy

Marx had begun the systematic study of political economy when in Paris, and concretised his concept of alienation based on his first-hand knowledge of the actual conditions faced by workers in the by now heavily industrialised England of the time, together with his analysis of the class struggles arising from it. This he incorporated into *Economic and Philosophical Manuscripts* (1844) in which he identified four specific aspects of alienation.

- Workers are separated from and dominated by their own product because it belongs to another – their employer.
- In producing, they tend to be removed from rather than brought closer to nature, from which the materials they transform have come.
- Their work is coerced rather than voluntary, and is performed primarily to obtain the necessities of life, not to express and develop their human capacities.
- The capitalist social system, based on division of labour, exchange, buying and selling – including the buying and selling of labour power – separates people from each other rather than bringing them together in harmonious community.¹⁰

Marx's study of political economy added a new dimension to his understanding of the struggle for a society aiming at the maximum development of each person's capacities and talents. He still accepted the Hegelian dictum that at any given historical juncture dialectical transformation had to locate the internal circumstances on which any transformation had to rely. But he now believed this should be on a materialist rather than an idealist basis and he sought that basis in the internal forces of capitalist development itself. He also sought to outline the emotional and ethical need to establish a society suited to, and capable of fostering, the un-alienated individual.

The central feature of those internal forces was the drive of capital to increase itself, personalised in the drive of individual and collective capitalists to obtain the highest possible profit. This automatically gave rise to the further development of the division of labour and the

growth of population. It led to the situation in which one capitalist kills off his competition and in doing so fuels a trend towards monopoly in which inhumane working conditions are introduced, such as wages reduced to an absolute minimum physical level and intolerably long hours of work. The greater profit generated by those industrialists first in the field provides the stimulus to develop new and better production processes based on science. It was this scientific basis which Marx thought would provide the foundation for a different economic system with the different, more human-centred, motivating force permitting each individual's potentialities to develop fully.

Ethics and an economic system

Though these two forces – the ethical and the economic-system – are not inherently opposed to each other, their unity and mutual reinforcement in thought and practice is not easily forged. This fact, together with an emphasis on the claimed scientific character of Marxian socialism, tended to lead many followers away from the underlying ethics in which Marx's project had originated. But this trend was by no means a complete misrepresentation of Marx's own position, as demonstrated in his 1873 preface to the second edition of *Capital*, where he quotes an anonymous review of the first edition which had said:

Marx only troubles himself about one thing; to show, by rigid scientific investigation, the necessity of successive determinate orders of social conditions, and to establish, as impartially as possible, the facts that serve him for fundamental starting points. For this it is quite enough, if he proves, at the same time, both the necessity of the present order of things, and the necessity of another order into which the first must inevitably pass over; and this all the same, whether men believe or do not believe it, whether they are conscious or unconscious of it. Marx treats the social movement as a process of natural history, governed by laws not only independent of human will, consciousness and intelligence, but rather, on the contrary, determining that will, consciousness and intelligence.¹¹

In response, Marx then comments: 'Whilst the writer pictures what he takes to be actually my method, in this striking and (as far as concerns my own application of it) generous way, what else is he picturing but the dialectical method?' (This concept of dialectics which deals with a way of looking at things and phenomena based on their change and development is discussed in further detail in Chapter 5.)

Marx's comment could be dismissed as one made in passing and having no great significance. But a writer and thinker of Marx's calibre and integrity, when discussing the reception and interpretation of his main work, would not have made off-the-cuff remarks about such crucial concepts as materialism and dialectics. My own experience confirms that a great many of his followers placed their revolutionary expectations on developments in the economic processes of capitalism and largely neglected to acknowledge the importance of moral motivation in the struggle against alienation and other inhumanities stemming from capitalism.

This is something that was brought home to me when thinking about the years I spent in China from 1951–54 and in my memoirs, I observed that in the Australian Communist Party:

the practice was to put by far the major emphasis on economic processes and the like, with class and social structures seen as existing independently and outside of people's thoughts and feelings. The Chinese did not dispute the ultimate primacy of objective social processes. But it is the neglect of the subjective side, of what is going on in people's heads, that is [compared with that of the Chinese] the negative side of the Western tradition.¹²

Otherwise well-informed writers have dismissed Marx's concern with alienation. This includes US Marxist commentator Martin Nicolaus, who produced the first English translation of what is now called the *Grundrisse: Foundations of the Critique of Political Economy (Rough Draft)*.¹³ Nicolaus wrote a long and informative foreword in which he maintains:

The earlier writings, notably *Economic-Philosophical Manuscripts of 1844 (Paris Manuscripts)* were less than altogether unambiguous on the question whether 'alienation' was to be conceived as a universal, eternal human condition, or whether it was rooted in the particular historical mode of capitalist production and hence transitory.¹⁴

I think Nicolaus is wrong on both counts. Marx did not confine alienation to capitalism but also applied it to earlier social formations such as the market exchanges that developed in feudal times. Market exchanges mainly take place between individual owner-producers who exchange their products through selling, and buying. Marx held that men making exchanges do not relate to one another as men, although

he acknowledged that 'this spontaneous interconnection ... is preferable to the lack of any connection, or to a merely local connection resting on blood ties, or on primeval, natural or master servant relations.'¹⁵ Nor, as Nicolaus claims, was the system of market exchange eternal in Marx's view: his very point was that capitalism, while intensifying alienation, laid the material basis for its ending, or, as he put it, '*capital is productive; i.e. an essential relation for the development of the social productive forces*. It ceases to exist as such only where the development of these productive forces themselves encounters its barrier in capital itself.'¹⁶

Alienation in *Capital*

Marx did not discuss alienation at length in *Capital*. There are, however, two places in the first volume where he alluded to it without using the word itself. In the first, under the heading 'The Fetishism of Commodities and the Secret Thereof', he stresses that commodities and their exchanges have no connection with their physical properties but express a relation between people that seems to them to be a relation between the things exchanged. The resolution of these and the other forms of alienation, he held, can occur only:

when the practical relations of everyday life offer to man none but perfectly intelligible and reasonable relations with regard to his fellowmen and to nature. The life-process of society, which is based on the process of material production, does not strip off its mystical veil until it is treated as production by freely associated men, and is consciously regulated by them in accordance with a settled plan.¹⁷

The second place is in the chapter 'Historical Tendency of Capitalist Accumulation' which appears towards the end and switches abruptly from the empirical approach of most of the previous chapters. After discussing, in rather colourful terms, the transition to capitalism from the widespread small-scale production of the fourteenth and fifteenth centuries in England following the end of serfdom, Marx then declares:

That which is now to be expropriated is no longer the labourer working for himself, but the capitalist exploiting many labourers. This expropriation is accomplished by the action of the immanent laws of capitalistic production itself, by the centralisation of capital. One capitalist always kills many ... capitalist production begets,

with the inexorability of a law of Nature, its own negation. It is the negation of negation. This does not re-establish private property for the producer, but gives him individual property based on the acquisitions of the capitalist era: i.e., on cooperation and the possession in common of the land and of the means of production.¹⁸

More will be discussed later about the issues canvassed here, but the above is sufficient to show that the nature of Marx's project embodied a tension between the moral motivation of the struggle against capitalism and the internal logic of the processes of capitalist development that was never satisfactorily resolved.

Hayek's project

Friedrich August Hayek was born in Vienna on 8 May 1899 into a wealthy family of the lower aristocracy.¹⁹ His father was a medical doctor and an accomplished botanist, a pursuit in which Friedrich also became involved in his youth. He volunteered for the Austrian army in 1917, was appointed a junior officer, and served on the Italian front. After the war he attended university, studying law and economics and, along with many of his colleagues in the chaos of defeated post-war Austria, became mildly socialist in outlook. Upon graduating he obtained a position working for one of the most prominent Austrian economists and director of the Austrian Chamber of Industry, Ludwig von Mises.

Only five years after the brief post-war recovery in 1923–24, the Great Depression struck. This represented a significant challenge to capitalism and traditional economic theories which were already on the defensive in face of the Soviet-socialist challenge and the widespread acknowledgement of the achievements of the central planning practised on all sides during the First World War. Von Mises, who strongly believed in the impossibility of effective 'socialist economic calculation', persuaded Hayek to give up his Fabian-type socialist ideas and this, along with his own research on the economic cycle, set Hayek off in an anti-socialist direction.

In 1931 Hayek was invited to give four lectures on Prices and Production at the London School of Economics (LSE) and on the basis of the favourable reception he secured a lectureship there two years later. This was doubtless also because he agreed with the Head of Economics Lionel Robbins' opposition to the interventionist views of John Maynard Keynes on how to combat the deepening depression. Hayek's opposition to socialism would intensify as Soviet repression increased

internally and within less than ten years threatened to cross national borders as the end of the Second World War approached and the Red Army gained prestige when it 'tore the guts out of the German Army', in Churchill's famous phrase. During the Second World War Hayek offered his services to the British government to help the war effort. Although he was turned down because of his Austrian/German background, he participated in anti-blitz activities at Cambridge in company with Keynes. He used his time during this period teaching, editing the economics journal *Economica* and in developing the anti-socialist project that became his life's work.

In hindsight one can see that Hayek's inaugural lecture at the LSE in 1933 entitled 'The Trend of Economic Thinking' contains the seeds of what would become his social philosophy. One can trace to this lecture the beginnings of what he called his 'Abuse of Reason Project' of which *The Road to Serfdom* was intended to be the conclusion. In this project he defended and amplified the Austrian 'subjectivist' approach as against the opposing rationalist/socialist one. In at least one respect Hayek's approach had a peculiar (and probably unintended) resonance with the Hegelian position that no truth could be independent of thinking humans – that truth was their truth. In this lecture Hayek lamented the fact that, especially during the Depression, it had become:

a sign of moral depravity if the economist finds anything to marvel at in his science; i.e., if he finds an unsuspected order in things which arouses his wonder. And he is bitterly reproached if he does not emphasise, at every stage of his analysis, how much he regrets that his insight into the order of things makes it less easy to change them whenever we please.²⁰

Hayek linked this to the proposition that the spontaneous processes of the market can produce an 'order' which, in a similar manner to what Adam Smith referred to as an 'invisible hand', was not the deliberate object of their actions. Rather, the order produced was 'an organism in which every part performs a necessary function for the continuance of the whole' from which Hayek further concluded that 'the existence of this organism is the recognition that there is a subject matter for economics'.²¹ This progression is very different from the scientific approach to natural phenomena and it cannot be studied in the same way. To try to do so, Hayek maintained, was to commit the 'scientistic' error. Along with the socialist theory of the superiority of planning over markets in which it was expressed, this 'scientistic' error was the central target of Hayek's 'Abuse of Reason' project.

Hayek's lecture would foreshadow his later orientation to the study of 'complex phenomena', and in it he also strongly distinguished himself from 'men who have never felt the urge to reconstruct the world and who frequently support the forces of stability only for reasons of selfishness'. This 'urge to reconstruct' the world was rather at odds with his later view that we can at most only 'tinker' with an organism produced by such a spontaneous process.

The Road to Serfdom

The Road to Serfdom carried the dedication 'To the Socialists of all Parties' I don't think with tongue in cheek. In his preface Hayek openly declared it was a political book and that

all I have to say is derived from certain ultimate values. I hope I have adequately discharged in the book itself a second and no less important duty: to make it clear beyond doubt what those ultimate values are on which the whole argument depends.

We must also accept his affirmation that 'the beliefs set out in it are not determined by my personal interests', as we do with Marx's writings.

Because these ultimate values do not emerge with great clarity in *The Road to Serfdom*, in the following outline of the major contentions of Hayek's social philosophy, I have added passages from his later works to help to explain them more clearly. In brief, then, what follows are the major contentions of Hayek's social philosophy, although it should be noted that the notion of social justice is especially important to my discussion of Hayek's project and he discusses various aspects of it in *The Road to Serfdom*.²² But because he devotes the whole second volume of *Law, Legislation and Liberty* to this subject, I shall pursue it in a later chapter.

- The notion of spontaneous economic and social forces was the crux of his beliefs: 'conscious realisation that the spontaneous and uncontrolled efforts of individuals' he stated, are 'capable of producing a complex order of economic activities ... the fundamental principle [is] that in the ordering of our affairs we should make as much use as possible of the spontaneous forces of society'.²³
- He pointed out that Western governments sought 'to replace the impersonal and anonymous mechanism of the market by collective and "conscious" direction of all social forces to deliberately chosen goals'.²⁴

- He feared for the future when not only was nineteenth- and eighteenth-century liberalism being rapidly abandoned but also ‘the basic individualism inherited by us from Erasmus and Montaigne, from Cicero and Tacitus, Pericles and Thucydides’.²⁵
- On the topic of individualism: ‘only the individualist approach to social phenomena makes us recognise the super-individual forces which guide the growth of reason. Individualism is thus an attitude of humility before this social process and of tolerance to other opinions, and is the exact opposite of that intellectual hubris which is at the root of the demand for comprehensive direction of the social process.’²⁶
- Economic control was ‘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’. To explain further he added: ‘Once the communal sector, in which the state controls all the means, exceeds a certain proportion of the whole, the effects of its actions dominate the whole system. ... What is called economic power, while it can be an instrument of coercion, is in the hands of private individuals never exclusive or complete power, never over the whole life of a person.’²⁷

Hayek would later maintain that

most people are still reluctant to accept the fact that it should be the disdained “cash nexus” which holds the Great Society together, that the great ideal of the unity of mankind should in the last resort depend on the relations between the parts being governed by the striving for the better satisfaction of their material needs.

He saw in those who worked for wages a threat to the system:

At a time when the great majority are employed in organizations and have little opportunity to learn the morals of the market, their intuitive craving for a more humane and personal morals corresponding to their inherited instincts is quite likely to destroy the Open Society.

And he added:

Only a mental reconstruction of the overall order of the Great Society enables us to comprehend that the deliberate aim at common concrete purposes, which to most people still appears as more

meritorious and superior to blind obedience to abstract rules, would destroy that larger order in which all human beings count alike.²⁸

This is accompanied by a supporting declaration of the limitations of human beings, since he argued it was:

an indisputable intellectual fact which nobody can hope to alter and which by itself is a sufficient basis for the conclusions which the individualist philosophers drew. This is the constitutional limitation of man's knowledge and interests, the fact that he *cannot* know more than a tiny part of the whole of society and that therefore all that can enter into his motives are the immediate effects which his actions will have in the sphere he knows.²⁹

And he added:

It is because every individual knows so little and, in particular, because we rarely know which of us knows best that we trust the independent and competitive efforts of many to induce the emergence of what we shall want when we see it. Humiliating to human pride as it may be, we must recognise that the advance and even the preservation of civilization are dependent upon a maximum of opportunity for accidents to happen.³⁰

Another crux of his argument was that the 'rule of law produces economic inequality – all that can be claimed for it is that this inequality is not designed to affect particular people in a particular way'.³¹ He later added:

In a sense it is even true that such a system gives to those who already have. But this is its merit rather than its defect, because it is this feature which makes it worth-while for everybody to direct his efforts not only towards immediate results but also towards the future increase of his capacity of rendering services to others.³²

He dismissed 'democratic socialism' as 'the great utopia of the last few generations'. It was 'not only unachievable, but ... to strive for it produces something so utterly different that few of those who now wish it would be prepared to accept the consequences'.³³ Hayek contended that not only was socialist central planning of the whole economy inferior to the neo-liberal free market, but so was any system that interfered with a free market economy to any significant extent:

The aim of interference thus is always to bring about a particular result which is different from that which would have been produced if the mechanism had been allowed unaided to follow its inherent principles ... interference, if the term is properly used, is therefore by definition an isolated act of coercion, undertaken for the purpose of achieving a particular result ... ³⁴

In later books and articles Hayek would provide additional substantiation of these propositions, which offer the major contentions of his economic and social philosophy. Although, as I've mentioned, I believe his project can be traced to his first days as a lecturer at the LSE, Hayek himself traced its origins to the paper 'Economics and Knowledge' he gave as his presidential address to the London Economics Club in 1936. This was a turning point in Hayek's development, as he later explained:

though at one time a very pure and narrow economic theorist, I was led from technical economics into all kinds of questions usually regarded as philosophical. When I look back, it seems to have all begun, nearly thirty years ago, with an essay on 'Economics and Knowledge' in which I examined what seemed to me some of the central difficulties of pure economic theory. Its main conclusion was that the task of economic theory was to explain how an overall order of economic activity was achieved which utilized a large amount of knowledge which was not concentrated in any one mind but existed only as the separate knowledge of thousands or millions of different individuals. But it was still a long way from this to an adequate insight into the relations between the abstract rules which the individual follows in his actions, and the overall actions, and the order which is formed as a result of his responding, within the limits imposed upon him by those abstract rules, to the concrete particular circumstances which he encounters. It was only through a re-examination of the age-old concept of freedom under the law, the basic conception of traditional liberalism, and of the problems of the philosophy of law which this raises, that I have reached what now seems to me a tolerably clear picture of the nature of the spontaneous order of which liberal economists have so long been talking.³⁵

This address strengthened criticism of the socialist project by showing that there were 'in principle' practical difficulties involved in its Marxian version, to which no satisfactory solutions had been or could be

found. But then Hayek abandoned the planned form of the 'Abuse of Reason' project with the remark that, had he continued it, he would have had to re-examine both Hegel and Marx 'and I couldn't stand then once more diving into that dreadful stuff.'³⁶

It is more likely, however, that in the climate of opinion following the First World War and the Great Depression, and with a second world war looming, Hayek realised he would have to pursue his project in another way. As his intellectual biographer, Bruce Caldwell, puts it: 'Hayek took another path, turning away from the traditional study of economics to embark on a number of integrative studies, where elements of economics, political theory, jurisprudence, the philosophy of science and the philosophy of mind all came into play.'³⁷

The arguments for and against, their converging and diverging approaches, the strong and weak points of these two budding social philosophers as they elaborated their projects, and how these relate to the world's present problems, will be pursued throughout the rest of this book. Because it is so central to both their own analyses as well as to mine, I shall first examine more closely the nature of the market.

2 Market virtues – and limitations

We saw in the previous chapter that Marx opposed the exchange relations involved in commodity production because it alienated the participants from the social dimensions of human life. The market thus *is* alienation, which takes the form of human relationships being mediated through things (a process also described as reification) and therefore beyond human control, or alien to, direct mediation between humans themselves: ‘because men making exchanges do not relate to one another as men, *things* lose the significance of being human and personal property’.¹ That criticism was somewhat softened by Marx’s recognition that ‘this objective connection is preferable to the lack of any connection’. He then added that ‘The alien and independent character in which [this connection, the market] presently exists *vis a vis* individuals proves only that the latter are still engaged in the creation of the conditions of their social life, and that they have not yet begun, on the basis of these conditions, to live it’.²

I do not think that Marx himself equated the market with the totality of the capitalist system, but many of his followers, and some others, often direct their criticism of the defects they see in society against ‘the market’ as such, as if they were the same thing. Marx probably contributed to this error by his forceful declaration that the market ‘buying and selling’ (by private owners) as he put it in the *Manifesto* had to be replaced with planning by the associated (and collectively owning) producers, if alienation was to be transcended.

Further aspects of this issue are developed below, but first we should note other, more positive, aspects of markets that Marx, most socialists and many progressives failed to discern. The issue came up practically after the final victory of the Russian Revolution over internal and external opposing forces in 1920, and in Germany, Hungary and other remnants of the Hapsburg Empire, after abortive revolutions there.

Socialist calculation

In that year Ludwig von Mises initiated a discussion that became known as the ‘Socialist Calculation Debate’, and developed further through articles and books in the 1930s, following the Great Depression. Mises’ essay was titled ‘Economic Calculation in the Socialist Commonwealth’. Its principal and well-argued point was that neither Marx nor any other socialist had considered or explained how, if markets were abolished, the society or its officials would be able to work out quantities of consumer goods to be produced and distributed. And, still more important, how they would be able to decide the best avenues of investment for expanding production of new means of production. For this, he pointed out, prices – that is the relative values of various commodities expressed in money terms – would be required. Those ‘values’ were actually *exchange* values – that is, values established in the course of countless thousands or even millions of market exchanges. By this means there developed, spontaneously and rapidly, a society-wide overall set of prices that enabled individuals and economic entities of whatever sort to choose out of many possibilities how best to invest their available money capital.

Planning is necessary in any large undertaking – say a new powerhouse, railway, ship or factory producing machines – and includes a time factor requiring estimates of future returns, and entailing various degrees of risk. Yet even this was relatively simple compared with planning a whole economy, especially one lacking an overall network of interconnected exchanges that established the price instruments to measure the various factors of production, each of which was liable to change.

Hayek, in the article on ‘Economics and Knowledge’ quoted in the previous chapter, takes this a step further. He points out that, even if it is accepted that prices contain knowledge essential to planning, that knowledge exists in the form of the particular knowledge of individuals and entities, associated with time, place and other circumstances which may be of great importance and essential for making investment decisions. But, because it is dispersed and concentrated in no one mind or group of minds, and changes frequently in any dynamic economy, it cannot be effectively or quickly collected by any planning board. And even if it is collected, the time involved in assembling, analysing and conveying the results throughout the economy, will render it already out of date. The labour involved in such an exercise would then be largely wasted, while in contrast market-established prices are spontaneously generated and are more or less instantly available at negligible

cost. Without these prices, even though money might still exist, as it did in the Soviet Union and Maoist China, prices set by decree would inevitably be arbitrary, sometimes to a major degree, when final decisions are made by dictators, or even by democratic political leaders.³

In later 'calculation' discussions in the 1930s, various supporters of socialism such as Oskar Lange and H. D. Dickinson made various suggestions on how the problem might be overcome,⁴ but they were not convincing. Even today, some still say that the large number of equations involved in projections about prices and their changes can be solved because of the capacity of even small modern computers to process an almost infinite quantity of data. This quite misses the point. It is not the processing of the data that is the problem – it is the one of *collecting* it, which computers do not do.

Markets and the division of labour

Markets can also, to a considerable extent, spontaneously arrange and re-arrange the quantitative division of the resources (capital equipment, labour, raw materials ...) devoted to each item among the mix of enormous numbers of different items ('use values') required by the population. This occurs because the fundamental motive, under capitalism, is to secure the maximum profit, so capital tends to flow towards those industries in which demand is greater than supply, prices and therefore profits are higher, and vice versa when they are lower. Profit-seeking is also a motivation, in competition, to economise on capital and raw materials as well as labour,⁵ thus reducing prices to the consumer. It is also a stimulus to making new innovations, both in means of production and consumer goods, because if they turn out to be wanted, there is no competition and demand will inevitably exceed supply for a time.

It might appear that planning, based on reason could do this better than such a spontaneous process, in which producers may over- or under-supply. But in practice it was immediately noted by visitors to 'socialist' countries, never mind the inhabitants, that neither the quantity nor quality of available goods met their requirements or needs.⁶ Markets, on the other hand, are also a mechanism by which consumers can, where there are genuinely competing suppliers, influence the quantity and quality of the great variety of consumer goods that are actually or potentially available. This is so, even though the spending power of too many, under capitalism, is far more inequitable than is reasonable. But in the Soviet Union, for example, the state planning body decided what consumer goods were to be produced, in what quantities and at what

prices, with no ready means for consumers to signal their preferences. Certainly not systematically and spontaneously as markets can.

Theoretically, this was connected with the 'twofold character' of the labour embodied in commodities. In *Capital* Marx wrote: 'I was the first to point out and to examine critically this twofold nature of the labour contained in commodities ... this point is the pivot on which a clear comprehension of political economy turns ...'⁷ This twofold character refers in the first place to the existence, together, of use value and exchange value in a commodity – in fact it turns out to be the very *definition*, the *essential meaning* of the word. But then the issue arises: what is the exchange value of a given commodity – how much is it *worth* whether measured in the amount of another commodity it can be exchanged for or, more importantly for commerce, how much *money*? Clearly this varies according to whether supply is greater than demand, or vice versa. But what if we take that point in between, the equilibrium between supply and demand when these are equal? What common ingredient did all commodities have that could determine that value?

In the earlier days of commodity exchange, towards the end of the feudal era based largely on local or village trade, local knowledge of what each producer did led to the conclusion that what sellers and buyers were actually doing was exchanging one kind of labour for another, either directly through barter or indirectly, by selling first then using the money to buy a wanted commodity, which in the end amounted to the same thing. Thus, viewing it more abstractly, buyers and sellers were in effect swapping amounts of a general, average type of labour, for another, equal quantity of similar labour. Adam Smith explained it as follows:

Every man is rich or poor according to the degree in which he can afford to enjoy the necessities, conveniencies, and amusements of human life. But after the division of labour has once thoroughly taken place, it is but a very small part of these with which a man's own labour can supply him. The far greater part of them he must derive from the labour of other people, and he must be rich or poor according to the quantity of that labour which he can command, or which he can afford to purchase. The [exchange] value of any commodity, therefore, to the person who possesses it, and who means not to use or consume it himself, but to exchange it for other commodities, is equal to the quantity of labour which it enables him to purchase or command. Labour, therefore, is the real measure of the exchangeable value of all commodities.⁸

This is the labour theory of value, which most early students of political economy adopted and which Marx enthusiastically embraced. This was not only because of the cogency of the argument, but also because it gave an extra status to work and workers, and to the conclusion he had already drawn for other reasons, that they, the proletariat, constituted the social force that would end capitalism.⁹ This cornerstone Marxian theory was later upset in this initial form when the amount of capital employed to utilise the labour engaged grew rapidly, leading to problems Marx endeavoured to solve, though without success, as will be later discussed.

The 'twofold character of labour' also applies to the fact that this labour is private and social at the same time. This is important because the labour embodied in commodities is not recognised immediately as social – it has to go to the market and be bought before it can count as such. Engels remarks on this to establish the superiority of planning over markets:

From the moment when society enters into possession of the means of production and uses them in direct association for production, the labour of each individual, however varied its specifically useful character may be, becomes at the start and directly social labour. The quantity of social labour contained in a product need not then be established in a roundabout way; daily experience shows in a direct way how much of it is required on the average ... The useful effects of the various articles of consumption, compared with one another and with the quantities of labour required for their production, will in the end determine the plan. People will be able to manage everything very simply, without the intervention of much-vaunted [exchange] 'value'.¹⁰

The distance of this from the reality is already well known from nearly a century of practice, more than adequately demonstrating the necessity of markets, and I believe that no alternative economic arrangements involving their elimination has justification in reason, or would now be democratically accepted by a majority of people.

Realities of economic theory and practice

Here I relate some of my own personal experiences in the former Soviet Union and China which may add some flavour to an otherwise rather dry subject. And first of all it should be noted that some leaders, on several occasions after Stalin died, realised that the Soviet economy

(and on occasion even the political system as well) had major shortcomings in almost every field. The first was Nikita Khrushchev, who reorganised the apparatus of ruling and planning, rather than trying to change it. When Khrushchev was edged out and 'unpersoned' in 1964, his successors Leonid Brezhnev, Party general secretary, and premier Aleksei Kosygin (with the latter taking the initiative, as I understand it) decided on a program of major changes, including the use of markets and profits, in which Evsei Liberman, professor of economics at Kharkov University, played a leading role. Travelling through the Soviet Union as an Australian CP delegate to the congress of the Chilean Communist Party in 1965, one of the commissions I was given was to try to see the professor and obtain more information, as such reforms were looked on with askance by some CPA members as anti-Marxist. In October I was able to see the professor, and in answer to my questions he said in part:

Various party leaders have spoken of the importance of economists, but in practice this was neglected. If you use administrative methods instead of economic stimuli, then you need economists to count, not to invent. There are good economists, but if you have no field in which to operate, you can't do good economic work. Many [economists] also prefer to keep to the easier and [politically] safer job of interpreting *Capital*, for example, rather than the more difficult job of tackling the existing problems of socialist society.¹¹

By the time I had returned to Australia in November, the news had come through that the reforms had been aborted, no doubt because of the opposition of the large numbers of Party, state and enterprise managers who had a vested interest in retaining the old.

Another attempt at change was aborted in the 1980s. When Brezhnev died in 1982, Yuri Andropov became general secretary of the Communist Party. Though at the time head of the KGB, this was a plus rather than a minus, because, through that very office, Andropov probably had more, and more accurate, information than anyone else about the 'real world' of the Soviet Union. In 1983 he authorised a major closed seminar of representatives of the economic departments of the Central Committee, the Academy of Sciences, and Gosplan (the planning authority). Held in the Siberian city of Akademgorodok, the report emanating from it the *Novosibirsk Report*, written by Tatyana Zaslavskaya made far reaching conclusions, summed up in this extract:

The branch, departmental and territorial structure of the national economy has become much more complex, the number of its links has grown colossally and even more its technological, economic and social ties. The structure of the national economy long ago crossed the threshold of complexity when it was still possible to regulate it effectively from one single centre. Regional, branch and economic disproportions in the national economy of the USSR, which emerged and can be observed in the past five-year plans, are growing relentlessly; and, more than anything else, indicate the exhaustion of possibilities for centrally-administered economic management, the necessity for more active use of 'automatic' regulators in balancing production, linked to the development of market relations.¹²

But Andropov died in 1984, and the Central Committee of the Party, still largely dominated by bureaucratic outlooks, and the desire for preservation of 'stability' above all else, chose the time-serving Konstantin Chernenko to replace him. Apparently they feared that rising star Mikhail Gorbachev, who was close to Zaslavskaya, might upset the apple cart. Thus over a year was lost in which Gorbachev's policies of perestroika and glasnost (reconstruction and openness) could have been promoted. But in my view, 1984 was already too late.

China

The China experience I had in respect to its reforms was more complicated than I can fully relate here, but we can jump to Mao Zedong's 'Cultural Revolution'.¹³ He planned this earlier, but launched it in earnest in 1966. It had a degree of serious content even though it was aimed primarily at settling accounts with people who had previously opposed or not supported him. Leaving this aside, as we can in retrospect now do, its content was in one respect positive in that it was directed against following the Soviet model (often dubbed 'existing socialism'). But its negative side was that the Cultural Revolution was aimed at establishing in its place a system based not on reasonable possibilities and rational calculation, but on 'moral incentives' alone, and, moreover, on a form of mass indoctrination and enforcement that was, in a short time, to destroy even that mistaken objective.

In 1983, seven years after Mao's death, I had an opportunity to revisit China, and saw considerable advances in the countryside following the replacement of the 'communes' by the 'responsibility system' based on

giving families or groups an area of land in which to cultivate as much produce as possible, of which only a set percentage would go to the state, the rest being theirs to consume or sell. Productivity rose rapidly.

I also had the opportunity to hear from reasonably high-up cadres about the plans for the cities and how best to introduce market forces there. I spoke with one such person in Shanghai, who had been under house arrest during the CR, but not physically harmed. In reply to my question of what he had done in those five or six years, he said: 'I read.' What did you read? 'Lenin, especially the New Economic Policy.' This was the proposal Lenin made in 1921 when, at the end of the fighting, industry was in ruins, and the peasants would no longer accept confiscation of a portion of their produce as they had previously, when they knew defeat of the Revolution would reverse the possession of land they had received from it, besides incurring savage retribution as had been the case after the defeat of the 1905 revolution. Lenin realized that trade between city and country had to be restored, and since the city industry was wrecked and there was nothing to trade, he proposed (against strong opposition) restoration of markets and a degree of individual initiative based on profit, to get things going again.

It can only be speculation, but I wonder whether, if Lenin had not died after a long illness in 1924, the outcome may have been different. In China, rebuilding with the use of markets after the destruction wreaked by the Cultural Revolution, has in fact been very different, with rapid and sustained economic growth. But to what degree will the people as a whole benefit from it? Is a new capitalist class being created? Will the political and ideological monopoly of the Communist Party result in a relatively permanent condition of rule by a self-perpetuating social stratum?

During my 1983 visit, I had a discussion with a lecturer in philosophy who had been appointed as 'ideological chief' in the Party apparatus of a town. I pressed him about the 'vision' the Party had for the future beyond overcoming the devastation of the CR. I could get no reply and suspect that neither he, nor the Party, knew. I fear that remains the case, though recent Party congresses have spoken of raising city and countryside living standards. In other words, China has yet to give the rest of the world an indication of a social philosophy that could guide a continuing rapid development, or of how it will encompass the objectively pressing global issues of climate change and planetary sustainability. Neither those who put these issues in first place, nor those who retain some socialist ideals, should wait on answers from there, but think and act now.

Economic calculation through markets

Supporters of the market claim that, if left to its own spontaneously operating devices, it will result in the most efficient possible distribution of available resources among the many different producers. This is an important, but not universally applicable attribute or principle. It should be acknowledged, as noted above, that when pursuit of profit is the prime or sole motivation, the market, on the whole does precisely that. But there is a large and growing sector of economic, and more generally of 'social' life, in which this does not work.

Though things are changing in this area – society's infrastructure, as assessed in the Introduction – is not spontaneously financed by capital flowing to where most profit is to be made, nor should it be. Schools, hospitals, prisons, ports, roads, public transport, postal services, old and new communications systems, water supply and sewerage systems, facilities for the care of the aged and infirm, child care ... are areas becoming daily more important in the full social picture.

To these are now added the provision of clean air and water, measures to reduce carbon dioxide emissions, and to reduce the quantity of many resources, including energy, to sustainably manageable proportions. This includes also the preservation of sufficient environmental habitat to preserve other species – and humans' own requirements for pleasurable, and spiritually necessary, relations with nature.

The move to privatisation of many of the above aspects of the infrastructure by both labour and liberal, democratic and republican parties (or whatever their equivalents are outside the English-speaking world) after Hayek's 'neo-liberalism' gained the ascendancy, was based on the view that they could be run like capitalist corporations, by calculating the profit they made. Rather than helping, I believe that corporatisation and privatisation has generally failed. Even in the few cases where it seems to have been successful, this is generally based on the fact that at least average profit is government-guaranteed, including security of the capital borrowed from banks and other lenders. The effect is that consumers of these services, embracing the major part of the population, now have to pay for and, through taxes, guarantee the profit as well as the capital, on top of the profit squeezed out of the workers employed.

Markets and morals?

I think von Mises put this side of markets more forthrightly than anyone else, including Hayek, who avoids rather than confronts it. Von Mises wrote:

In any place where men regard as significant the beauty of a neighborhood or of a building, the health, happiness and contentment of mankind, the honor of individuals or nations, they are just as much motive forces of rational conduct as are economic factors in the proper sense of the word, even where they are not substitutable against each other on the market and therefore do not enter into exchange relationships ... It may seem painful to any sensitive spirit to have to balance spiritual goods against material. But that is not the fault of monetary calculation; it lies in the very nature of things themselves ... Anyone with a genuine sense of moral values experiences no hardship in deciding between honor and livelihood. He knows his plain duty.¹⁴

How plain this 'duty' is in fact, is often by no means apparent when private gain is the basic motive force, and thus inherently bound up with markets. But the crucial point is that if something does not, and by its very nature cannot, has a price, the market cannot take it into account. Thus, when Nicholas Stern calls global warming 'the greatest market failure the world has even seen' he does not pose the issue in the most informative way, because it blames the market mechanism for something it is not equipped to foresee or deal with. In this case it is possible to *utilise* the market mechanism as a means to tackle the problem by conscious human decision to put a price on the burning of carbonaceous materials. This price has to be sufficiently high to discourage the practice, on the one hand, and on the other hand to make alternative means of generating power (solar, wind, hot rock ...) commercially more attractive.

But the fact that we can and should so use the market mechanism in these ways should not blind us to the fact that monetary considerations are *in principle* different from and often opposed to moral ones. We can understand that the vested interests of the powerful fuel industries are already hard at work to protect their capital and its expansion. But people who have no sympathy for them will also understand that they too will have to pay something. They will have to weigh those present monetary costs against the moral gains, among others, of combating global warming and thereby expressing their practical concern for their children's future and that of coming generations. So, while the monetary gains and losses should be conscientiously calculated and equitably shared, the decision has a major moral dimension that cannot be bypassed.

This fact of human life takes on its fuller dimension when we consider, for example, what price could be put on the largest coral

formation in the world – the Great Barrier Reef. What is the monetary value of other species and the habitats without which they will perish, whether elephants, pandas, tigers, our relatives the great apes, birds or the marsupial mouse, or even many other less admirable species? The list of things to be considered is endless, and includes, as von Mises said, ‘the health, happiness and contentment of mankind, the honour of individuals and nations’.

I will return to this issue in future chapters, but for now just refer in general to the mounting number of current issues where consciously planned decisions are being or will have to be made. Insofar as many of them cannot be divorced from the material means required to cope with them, there is a connection with the market economy. But world humanity is now reaching the stage where solutions in these ethical areas have to take priority, if necessary, over the degree of profitability and commercial market considerations. That is, we have to change or even reverse the priorities that have taken over since the neo-liberal social philosophy gained the ascendancy thirty years or more ago.

This is not only *because* they are ethical, but because the ethics involved are crucial for guiding us in the avoidance of unnecessary commercial losses, which Nicholas Stern estimated as exceeding the combined total of those of the two world wars and the Great Depression. It is also because the monetary mindsets built up during the reign of neo-liberalism are likely to promote possibly deadly competition to see who gets the most and best of what is left from the scarcities we are now *creating*, rather than simply dealing with through economic means. These issues will be at the centre of economic, political, and cultural thought and action during this twenty-first century.

The social market

This is the name given by a body of German economists and political figures to the kind of economy and society they felt should be built in post-World War II Germany to overcome the physical and social devastation caused by the Nazi regime. According to Hugh V. Emy, professor of politics at Monash University in Melbourne, ‘the concept was developed by the Ordo-Liberals, who were part of the Freiburg school of liberal political economists who opposed the economic and social policies of the Third Reich’.¹⁵ Its ideas, Emy says, were embodied in the program of the Christian Democrats during the 1950s and ‘were adopted implicitly by the Social Democrats after 1959’. Emy says: ‘The right and left disputed the relative importance of market and

state, but the term very largely shaped the policy consensus and institutions on which the reconstruction and the prosperity of the new Germany were built.¹⁶

The name 'social market' is somewhat misleading, in that it could be interpreted as a claim to have found a different kind of market – one that, contrary to von Mises' contention, can factor morality into its operations. Not so; it is rather a call to return to times like those when the mid-nineteenth-century programmes of the 'social liberals' operated, and the first decades after the Second World War, when labour, socialist and many other governments felt obliged to respond to the promised and widely demanded 'New Order'.

However, it is the content rather than the name that matters, and Emy gives a scholarly account of the nature of the 'Social Market', citing its main characteristics as: a social vision couched in moral as well as economic terms; a recognition of the fundamentally social nature of organised production; that resources are allocated through both the political and economic system; adoption of the key concept of 'moral community' required to legitimate the public order; political action where necessary to overcome short-sighted economic behaviour; concern for social justice and prevention of emergence of a 'two tier' society in which a large proportion of the population is permanently disadvantaged; recognition that desirable public ownership should not be seen as being primarily a bridgehead to full public ownership and a traditional socialist society; and opposition to neo-classical [and neo-liberal] views of the 'self' as a pre-social, solitary, and sometimes heroic individual confronting society.

These issues will come up again at the conclusion of this book, but one feature of Emy's account stands out: that 'the state' (near enough to 'the government' in the context, and the term preferred by Hayek) appears to be the only actor apart from the market, in which capitalists or their representatives 'act'. The important point politically (I am speaking generally, not about Germany) is that governments, though being in democracies 'representative' elected bodies, do not necessarily 'represent' the views of the majority of people, because the organs shaping opinion are, in majority, organs of those who have the power, through money, to run them.

As discussed later in the case of law, this does not mean that everything said, projected or decided is blatantly biased towards minority interests – if so, it wouldn't be effective. The point is that, only when the majority of the people are active citizens, can we be assured that governments' programmes and actions are closer to what those citizens in their majority really want.

Markets in Hayek's social philosophy

Later I will examine this philosophy more holistically, but for now confine discussion to issues raised above. I began by making 'market virtues' part of the title of the chapter, the key virtue being the capacity of the market to generate prices reflecting major aspects of societal interconnections and other social realities. Such prices, necessary for economic calculation in any society with a wide division of labour, cannot be obtained in any other way, and are provided by the market spontaneously and virtually without cost.

Markets, through their mechanism and the nature of that mechanism, convey through the prices they form, financial information about the relationship of supply to demand, and in a two-way process between buyers and sellers, consumers and producers, allowing each to influence the other, though rather anarchically, as to the quantitative and qualitative mix of different commodities, available, or wanted, by the populace.

Markets in capital, which are of increasing 'weight' in modern productive (and speculative) processes, play a necessary role in providing possessors of it, whoever they are, or in whatever institutional form they exist, with information necessary for choosing between the many alternatives for investment (and speculation) that usually exist. The 'price' of capital arises in the form of 'rate of (expected) profit' which, with a 'rate of interest' on loaned capital in tow, provides some objective basis for calculation that enters into a final decision. Marx recognised the importance of this for capitalism, but apparently thought that the 'associated producers' of publicly owned enterprises would be able to calculate and choose without their aid. In fact, they would not be able to do so even for the single enterprise they worked in, still less for enterprises as a whole. They would need wider economic, scientific, social and other knowledge, including moral 'knowledge' or, more accurately, consciousness of the ethical values they favoured and thought necessary for the beneficial social existence of human beings.

The reach of the market

Hayek did not take up von Mises' crucial distinction between commercial and moral considerations in the operation of markets, though sometimes he looked to religion and traditional sources to provide moral norms. Nor did he go so far as Gary Becker, also a Nobel Prize winner and member of Hayek's Mount Pelerin Society, who asserted that:

[the] economic approach is not restricted to material goods and wants or to markets with monetary transactions, and conceptually does not distinguish between major and minor decisions or between 'emotional' and other decisions. Indeed ... the economic approach provides a framework applicable to all human behavior ... all types of decisions and to persons from all walks of life.¹⁷

Hayek himself realised that 'if we were always to apply the rules of the extended order to our more intimate groupings, *we would crush them*. So we must learn to live in two sorts of world at once.'¹⁸ There was the world which was held together by the 'cash-nexus'¹⁹ and the striving for better satisfaction of material needs, and the small one of our intimate groupings where our common human attributes of emotion and reason had some scope for expression. In that first world, spontaneous processes, essentially the market, held sway and reason played at best a minor role.

But Hayek repeatedly avers that not only the market, but also society as a whole, is a spontaneously operating entity within which there is little scope for the exercise of reason even when markets fail as they are now doing, and that 'all that can enter into [our] motives are the immediate effects which [our] actions will have in the sphere [we] know'.²⁰

He claimed that:

Only when we pass from the biggest kind of organization, government, which as organization must still be dedicated to a circumscribed and determined set of specific purposes, to the overall order of the whole of society, do we find an order which relies solely on rules and is entirely spontaneous in character.²¹

If true, this assertion would disarm us in the face of present challenges, so we will examine it further in the next chapter.

3 Reason, rules, spontaneity

Hayek believed that human reason was far too weak to be able to significantly remake society and directed strong criticism against all forms of what he called 'constructivism', a view that he thought overestimated reason's capacity to do so. Among the constructivists he counted Descartes, Comte and, of course, particularly the socialists, whether Marxist or social democratic. He contended that 'trial and error' had been the way forward, and that this method was derived from the inborn patterns of behaviour characteristic of members of the human species, a species that lived a social type of existence. This, he believed, then developed to a point that enabled, and prompted, individuals to order their actions by following abstract rules, some of which were held consciously, though others existed that were not yet recognised at that level.

Hayek maintained that this development occurred after the long hunter-gatherer state of existence of small groups of genetically related groups or families gave way to much bigger societies characterised by private property.¹ They developed agriculture, animal husbandry and crafts, traded with other groupings, eventually leading to what is now called civilisation, of which our present (capitalist) type is the highest form. Though Hayek sometimes recognised the existence of qualitatively different stages of social development within civilisation, the overall impression he gave was that the journey was basically an uninterrupted one, ordered because essentially the same 'universal rules of just individual conduct' prevailed in them. And from 1960 on, he referred to this type of development that was created by the action of humans following rules, but not consciously designed by them, as 'spontaneous' and/or 'self-generated'.²

It is true that social transformations and many major events are not the outcome of any single design and could therefore be called 'spontaneous' in Hayek's sense. This is so not least because the result is the

upshot of conflict between human forces (most often classes) whose wills and 'design' intentions differ over what kind of society they want to live in, and whose, among opposing interests, in fact prevails. But Hayek's assertion that 'the overall order of the whole of society [is] an order which relies solely on rules and is entirely spontaneous in character', is not evidentially substantiated.³

To give an example on a smaller scale, according to Bruce Caldwell:

a key event in the emergence of the doctrine of the rule of law was the recognition by British moral philosophers of the corrupting influence of arbitrary power. This was a lesson learned during the years of the [English] Civil War and the Protectorate, when it became clear that arbitrary power could be abused just as well by parliaments as by kings.⁴

Learning and then applying a lesson from a long series of historical events cannot by any stretch of the imagination be called 'spontaneous', nor can it be done, whether correctly or incorrectly, without exercising reason. Nor does the history of the English Civil War and 'Glorious Revolution' of the seventeenth century, or of the French Revolution of the eighteenth, support Hayek's view that these transitions from feudalism with its rules, to capitalism with very different rules, occurred simply because of 'the spreading of certain gradually evolved moral beliefs which, after they had spread, most men in the Western world learned to accept'.⁵

Human rights lawyer Geoffrey Robertson gives a fascinating account of the times of the Civil War, particularly its culmination in the execution of King Charles I, who had initiated that war.⁶ He tells 'I believe for the first time' the story of the humble attorney John Cooke to whom Parliament gave the task of preparing the indictment that would stand up in the laws of the time. In this indictment Cooke included these key points: that Charles was guilty as:

tyrant, traitor, murderer and a public and implacable enemy to the Commonwealth of England [who by virtue of his command responsibility] has been and is the occasioner, author, and continuer of the said unnatural, cruel and bloody wars, and therein guilty of all the treasons, murders, rapines, burnings, spoils, desolations, damages and mischiefs to this nation, acted and committed in the said wars or occasioned thereby ...

The successful outcome of the trial, with a verdict of 'Guilty!' hardly speaks of a spontaneous end to the feudal and religious ideology of the

prevailing 'divine right of kings' and the often arbitrary confiscations of property and awarding of monopolies in trade that the merchants and other budding capitalists of the times sought to abolish. These, in fact, were finally abolished after a period of counter-revolution, by the invasion by Prince William of Orange which in the Glorious Revolution of 1688 established a constitutional monarchy.

Contradictions

Hayek's treatment of spontaneous orders contains contradictions not only regarding actual events such as those instanced above, but also in his more general account. He speaks of:

rules which, because we can deliberately alter them, become the chief instrument whereby we can affect the resulting order, namely the rules of law [and] while the rules on which a spontaneous order rests, may also be of spontaneous origin, this need not always be the case ... it is at least conceivable that the formation of a spontaneous order relies entirely on rules that were deliberately made ... and it is possible that an order which would still have to be described as spontaneous rests on rules which are entirely the result of deliberate design.⁷

Hayek resolves, or rather attempts to resolve, these seemingly contradictory statements by declaring:

That even an order which rests on made rules may be spontaneous in character is shown by the fact that its particular manifestation will always depend on many circumstances which the designer of these rules did not and could not know. The particular content of the order will depend on the concrete circumstances known only to the individuals who obey the rules and apply them to facts known only to them. It will be through the knowledge of these individuals both of the rules and of the particular facts that both will determine the resulting order.⁸

Here he is clearly referring to the way the market works in arriving at the prices of commodities through the interaction of thousands or millions of buyers and sellers, in a way that cannot be matched by planning, because the necessary data is too diffuse to be collected, yet is readily processed and made available with little cost through the market mechanism. And the 'processing' includes the outcome of

adjusting not only supply to demand, but also the division of labour within and between sectors so that, without a plan, without conscious action entering into it, the mix of total commodities corresponds at least roughly to the requirements of the population.

But he has shifted the goalposts by introducing, without explanation or justification, a different definition of 'spontaneous' by now asserting that every situation in which all the facts are not known, or even cannot be known because they are too numerous, is therefore spontaneous in the sense of operating independently of *intentional* human input. There are few situations in social life where anyone could conceivably know all the facts involved, yet people still act consciously with intentions or purposes, possibly amending their plan as new facts come to their attention.

Much natural science and its application in technology does not require all the facts to be known before action can be taken. On the contrary, science has a battery of relatively or probably true abstract rules or generalisations. Organic chemists, for instance, may want to synthesise a new compound of a type which suggests it might be useful for certain pharmaceutical purposes. They do not know how specifically to do it, but will utilise what they know of how, and under what conditions, the separate chemicals involved might react to achieve the desired result. Neither the procedure nor the result can be termed 'spontaneous' in any useful sense of the word – it is a reasoned response to solving a problem, which may require many separate reasoned attempts before success is achieved.

Hayek attempts to justify his recognition that the outcome of the spontaneous market order requires also some moral input to be beneficial, by claiming that these morals are themselves spontaneous because they have evolved, as though nothing that has evolved can have any conscious human input. Many existing species, from cattle to dogs and racing pigeons, have been consciously bred, along with an even greater number of plants for food and aesthetic purposes.

We should also note the basis for Hayek's emphasis on spontaneity in his view of most people's rationality, to which he refers as an 'indisputable intellectual fact which nobody can hope to alter and which by itself is a sufficient basis for the conclusions which the individualist philosophers drew'. He continues:

This is the constitutional limitation of man's knowledge and interests, the fact that he *cannot* know more than a tiny part of the whole of society and that therefore all that can enter into his motives are the immediate effects which his actions will have in the

sphere he knows. All the possible differences in men's moral attitudes amount to little, so far as their significance for social organization is concerned, compared with the fact that all man's mind can effectively comprehend are the facts of the narrow circle of which he is the centre.⁹

If this were actually the case, the chances of combating present problems would be slim indeed, as would many other objectives such as eliminating discrimination on grounds of ethnic background, gender, and so on.

What Hayek aimed at was the preservation in perpetuity of the social trajectory which had triumphed in Britain, France, and other parts of Western Europe by the end of the eighteenth century, had been developed in the nineteenth by the Industrial Revolution, and accelerated by the Information Technology Revolution in the second half of the twentieth. He furthermore wanted it to continue indefinitely unimpeded by taking into consideration any possible limitations of an environmental or resource nature, or any reasoned hindrance he wanted to free it from the 'interventionist chaos' which he thought to be holding it back.¹⁰ Today our survival is likely to depend precisely on sufficient, well directed intervention.

Marx and reason

Marx did not deny, but in fact strongly affirmed, that there were social processes existing outside human control, though he did not claim these to be entirely immune to interventions aimed at acceleration or deceleration.

In this he was undoubtedly influenced by the thinkers, scientists and economists of the eighteenth century Scottish Enlightenment such as Adam Smith, David Hume, Lord Kames, Francis Hutcheson, Adam Ferguson and William Robertson. According to author Andrew S. Skinner, the Scottish Historians, as they are known:

suggested that contemporary and historical experience disclosed the existence of four socio-economic stages. These stages were held to be qualitatively distinct in that they featured different types of productive activity, different modes of earning subsistence, and different forms and arrangements of property. As Smith put it in a typical passage 'The four stages of society are hunting, pasturage, farming and commerce.'¹¹

William Robertson described the relationship between the (economic) substructure and the (social) superstructure in these changes by stating

that: 'In every inquiry covering the operations of men when united together in society, the first object of attention should be their mode of subsistence. Accordingly as that varies, their laws and policy must be different.'¹²

Marx developed these ideas, pointing to further features that provided a more specific explanation of this historical progression:

The general conclusion at which I arrived [from my studies in Paris in the early 1840s] and which, once reached, continued to serve as the leading thread in my studies, may be briefly summed up as follows: In the social production which men carry on they enter into definite relations that are indispensable and independent of their will; these relations of production correspond to a definite stage of development of their material powers of production. The sum total of these relations of production constitutes the economic structure of society – the real foundation, on which rise legal and political superstructures and to which correspond definite forms of social consciousness. The mode of production in material life determines the general character of the social, political and spiritual processes of life. It is not the consciousness of men that determines their existence, but, on the contrary, their social existence determines their consciousness. At a certain stage of their development, the material forces of production in society come in conflict with the existing relations of production, or – what is but a legal expression for the same thing – with the property relations within which they have been at work before. From forms of development of the forces of production these relations turn into their fetters. Then comes the period of social revolution.¹³

This is stated in unequivocal terms, but Marx does make this qualification:

In considering such transformations the distinction should always be made between the material transformation of the economic conditions of production which can be determined with the precision of natural science, and the legal, political, religious, aesthetic or philosophic – in short ideological forms in which men become conscious of this conflict and fight it out.¹⁴

Unlike Hayek, who would await the arrival of 'what we shall want when we see it',¹⁵ Marx had the definite idea that the transformation to the next stage after capitalism should and would be to a society where 'In place of the old bourgeois society, with its classes and class

antagonisms, we shall have an association, in which the free development of each is the condition for the free development of all.'¹⁶ As we discussed in the previous chapter there are several reasons why that aim was unattainable, the most significant being that planning, which had to replace the 'buying and selling' of the market, had inbuilt and in practice insurmountable obstacles to collecting and then properly analysing the data required for effective planning. This problem, combined with other factors, would lead to grievous consequences.

Rules, the market and spontaneity

We also need to examine further ideas about how the market is or might be ruled in light of Nicholas Stern's statement that 'Climate change is the greatest market failure the world has ever seen, and it interacts with other market imperfections.'¹⁷

According to Caldwell: 'The notion that orders come about when individuals follow rules has analogues in ... the formation of the market order'.¹⁸ So *what* does the market do to form or 'organize' its order, and *why/how* does it do it? When there is a division of labour in society, exchanges are essential, and when private property prevails and a number of proprietors make particular commodities without knowing how many will find a buyer, there is competition for sales in the market between those makers.¹⁹ Each tries to get the greatest possible 'market share' at the highest possible price for their product, which is, or is claimed by advertising or buyer experience to be, the best of a given quality available. In this way supply and demand are brought into what is at best a temporary balance, as producers respond to changing needs, tastes, fashions or the arrival on the market of substitutes.

But, since gain is the principal motivator in these conditions, if more of a particular commodity is produced than can be sold, profits will drop, and owners of capital will look in other directions and seek to operate in other sectors of the economy where higher profits are being made. In that way, the 'mix' of different commodities required (by the solvent demand) will be met – but only for a time and in a dynamic market where changes of various kinds are a frequent occurrence. Thus in any given period, an average rate of profit is spontaneously established around which capital organises itself, or 'self-organises', without any body of people making, or having the capacity to make, decisions about what it should be.

This process, though covering a large part of society, by no means embraces the whole of it, including increasingly indispensable aspects of the built, the social and environmental infrastructures. The market

process fosters self-interest still further to the detriment of socially oriented values, the importance of which Hayek hinted at, though without committing himself to specifying what was beneficial:

the fact that most people will follow this rule [pursuit of maximum gain in the market] will still leave the character of the resulting order very indeterminate, and by itself certainly would not be sufficient to give it a beneficial character. For the resulting order to be beneficial people must also observe some conventional rules, that is, rules which do not simply follow from their desires and their insight into relations of cause and effect, but which are normative and tell them what they ought to or ought not to do.²⁰

But these possibly laudable sentiments are at a considerable disadvantage when the market and its rules dominate society as a whole. That they do so is in large part due to the advocacy of Hayek himself, since his views have gained the ascendancy in most industrialised nations over the last thirty years or so. Hayek would probably maintain that many normative rules are spontaneous in the sense that they have evolved and become traditional. But even if that were so, it does not mean they remain appropriate in changing times – as, for instance, his favoured rule that humans should ‘be fruitful, and multiply, and replenish the earth, and subdue it’²¹ (though ‘replenish’ sounds good).

What failed?

In one sense, Nicholas Stern was a bit misleading when he said global warming was the greatest market failure the world had ever seen, because the market cannot see, hear, or take notice of anything that does not have a price, or respond to ethical considerations, as Ludwig von Mises so eloquently told us. We now know it is essential to depart from Hayek’s ‘no interference’ dictum in order to change it – such as by establishing a price which will be an adequate disincentive to burning fuels at current levels and emitting carbon dioxide at present rates.

It should also be noted that the search for more gain has an influence beyond national boundaries, and thus on society as a whole. This is related to, but not ‘organised by’ the market, a fact showing that markets are mechanisms which can be used in different ways. Particularly in the eighteenth and nineteenth centuries, the profit motive unleashed a demand for more trade and more markets, taking the form of a search for, access to, or even occupation by military force of formerly independent countries at a lower level of economic development.

They became the colonies of stronger powers, with Britain in the lead from its power to 'rule the waves'.

One of the most blatant instances of this colonialist greed was the Berlin Conference of 1884-85, when fifteen nations including Britain, the United States, Russia, Turkey and eleven European nations decided, without a single African nation being represented, to 'define the conditions under which future territorial annexations in Africa might be recognized'.²²

It may be an oversimplification to put the First World War, and other wars, down to the drive for more colonies and markets, but it would be a greater oversimplification to claim that these aims had nothing to do with it.

In an analogy with Darwinian evolution, Hayek claimed that nations following market rules became fitter for survival in competition with other nations where different rules prevailed, because they became more prosperous and could support greater populations. He argued that 'Although the displacement of one group by another, and of one set of practices by another, has often been bloody, it doesn't always need to be so.'²³ This would be more convincing if he had cited examples of non-violent practices, and acknowledged that change was more effective when weapons and other aggressive factors entered into the picture, that it was, as Jared Diamond put it in the title of one of his books, a matter of: *Guns, Germs and Steel: The Fates of Human Societies*.

The economic cycle

There is further evidence that 'organising' by the market has 'imperfections', as Nicholas Stern put it. The greatest of these is the more or less regular recurrence of 'boom and bust' world economic crises over the last 200 years. There is no definitive account of their causes, but their existence is so endemic that 'the economic cycle' is routinely referred to as simply a fact of life. Hayek was well aware of their existence and persistence; his first job with von Mises was research into the topic, and from this he produced some useful, if not universally endorsed, results.

Hayek holds that 'justice' does not have anything to do with such outcomes of market processes as booms and busts because these 'have not deliberately been brought about by men'.²⁴ His logic is wanting: nobody wants deliberately to cause injury or death by driving too fast, but that does not absolve them from blame when it happens, or cause us to treat the outcome as if it were a natural disaster. The recession, the threat of even a depression, arising from the present sub-prime

mortgage crisis is not so easily disposed of any more than the trillion dollar losses already suffered in total by large numbers of people as well as by 'responsible' banks and other capitalist enterprises. In fact, various participants face prosecution for alleged criminal activities in connection with them, which would hardly be appropriate if they were 'natural' disasters.

Hayek himself saw money as the 'loose cannon' in the economic system, and tended to blame the government monopoly of money, and its erection of barriers to free trade, as the causes of the Great Depression. But today relatively independent central banks have control of interest rates, and use them as the main means of curbing inflation and endeavouring to influence the stability or equilibrium of the economy as a whole. Yet they still lack the knowledge and the means to tackle the asset and debt bubbles that we have seen in recent years.²⁵ Hayek condemned interventionist chaos, but today we find that the world is in *non-interventionist* chaos and lack of regulation – that is, the existence of a *free market* – is to a great extent to blame.

Regulation and the financial sector

US economist Hyman Minsky has given an interesting, and to me convincing, account of the present form of the cycle, locating it in the drive of financial capital (in particular) for maximum expansion in the shortest time.²⁶ Recently, financial institutions, in addition to the banks in most developed countries, have multiplied, particularly in the housing-mortgage and other loan markets. They have done so with little government or central bank oversight or regulation, though many economists had warned of the dangers – a product of the dominant neo-liberal ideology which elevates the market and its mechanisms, above other considerations.

Although there may be a trend towards an equilibrium between supply and demand for investment money as there is for other commodities, the capitalist system is by nature dynamic, so an actual equilibrium is seldom reached, and even then only as a point that is passed through, up or down. Since it is a *cycle* that is under discussion, it does not matter at what point one enters it, but it is probably easiest to see from the beginning of the upward phase, when the memories of recent recessions are fading, and confidence in prospects for new and bigger profits is starting to grow.

In Minsky's account, in these conditions the value of existing assets (such as machinery, commercial buildings and homes already built or under construction) begins to rise, financial institutions are eager to

lend in order to participate in prospective profits, the rise in the value of existing assets becomes the security for still further loans, and so it proceeds in a self-reinforcing manner. The dominating desire to participate in the promised profits leads to shortcuts taken with 'sub-prime' (that is, below the usual standard) security required, for example by lending to borrowers without proper scrutiny of their actual/potential income and soberly assessed valuations of their assets. The euphoria created can last for a considerable length of time, so that the debts incurred in this way (as well as other debts, such as on credit cards) builds up until something happens to puncture the associated debt and asset bubbles.²⁷ Beginning in the USA (though occurring also in other countries), this recently took the form of deferring increases in the interest rate on home loans for two years as a carrot to seal mortgage loan agreements. As that deferral time expired, panic set in.

At first, the public was assured that the whole affair was only a 'finance' problem, while the 'real economy' remained untouched. This proved a fond hope; once the panic began, it spread like wildfire, and only then did the extent of the involvement of many formerly respected banks and other financial institutions begin to be revealed. The motivation for a high rate of accumulation of capital became identified with the *personal* greed it was, beyond the mechanism of the market which is an *impersonal* one. The inventive creation of new 'financial products' spread tentacles all around the world, slowly revealing losses that in total will be trillions of dollars.

The procedure, though not entirely new, was to bundle together mortgages bearing different levels of risk into what were called 'collateralised debt obligations' (CDOs) that could be sold like bonds. These were then subdivided into tranches, again bearing different levels of risk. Consequently purchasers could not readily see what they were buying. Huge payments came the way of those who had worked out this 'marvellous piece of financial alchemy', and 'Wall Street Banks and rating agencies [made] billions of dollars in fees'.²⁸

Increasing numbers of ordinary people, particularly in developed countries, today have some funds invested, through superannuation, pension and mutual funds, and other similar avenues. These funds are managed by 'experts' on high salaries, and their ultimate owners are often unaware of where they are invested or from where the interest on them comes. It can, of course, be said that they should find out. But this is not easy to do, nor does it excuse the conduct of those managers or the executives of large corporations who, as actual persons, exercise initiatives that lead to such excesses. It can only be called 'self-generated' by ignoring the motivations that actually drive it.

Money has something of a mystifying effect, in that interest is paid on it when deposited in a bank or one of many other financial institutions, and it thus appears as though money *as such*, self-generates. This, of course, is false. Money in such institutions is lent out to others who produce a commodity or a service that is sold at a profit, part of which is paid out as interest. Many investors are unaware of or even uninterested in what specific enterprises the bank or fund manager has invested their money in, and their particular sum of money is in any case part of the total investment and cannot be separately identified. Today, with greater consciousness about the environment, some lenders deal with companies that observe, or claim to observe, 'ethical' principles, refusing to invest, for instance, in those associated with tobacco, nuclear materials, etc. There is also positive investment, in which investors choose to have their funds invested only in companies which are actively associated with 'green' issues. Smaller shareholders are also becoming more active, demanding more information and opportunities for input into enterprise activities, but the legislation governing companies in most countries gives little encouragement to such trends.

These conditions make it possible to claim that troubles in the financial sector may not, or do not, affect the 'real' economy where real things and actual services are produced. But the sub-prime mortgage crisis shows that such a disconnection cannot be assumed to exist when huge quantities of money, and rewards for success, whatever happens afterwards, are involved.

The issues confronting us today were never contemplated by Marx, Hayek, or any other major social philosopher. They come from a quarter that many followers of Marx and Hayek did not find in their theories. It came out of left field, as the baseball saying goes. All political ideologies, sociological theories and views of social reconstruction now have to adapt themselves to the ever more heavily and urgently pressing conditions caused by global warming and the necessity of meeting the requirements of sustainability. If present socio-economic arrangements constitute a 'self-generating system', it is one that is now self-generating its own destruction — unless, that is, the struggles that are starting to take place, and within which we can already see incipient realignments of social forces, are able to achieve the radical changes that the situation demands. These will not be a continuation of struggles that could be loosely categorised as 'class struggles', or even as 'left versus right', though as yet we have no generally accepted words to substitute for those terms. They will emerge in the course of the struggles already taking place and attracting more and more supporters.

Connecting the natural and the social

Marx and Hayek both recognised the importance of ideas, indeed they spent most of their lives pursuing and developing them. Both also acknowledged, Hayek with more qualifications, that there existed a real world – rather, two worlds, the natural and the social – with which their thoughts and ideas had to establish some connection. They were interested in these two worlds but gave their main attention to the latter, developing analyses, theories and political ideas that had immense impact – particularly those of Marx, though his ideas turned out very differently from what he had envisaged.

Both understood that conscious ideas of both natural and social worlds diverged to various degrees from reality, but their emphasis was different. Marx, though not disputing that people's views of nature diverged from its realities because of the influences of religion and the low level of scientific development until the capitalist era, saw no major obstacle to humans perceiving them more truly than they once did. After all, he reasoned, they had to get their means of life from nature, and were therefore compelled to a considerable degree to act on the basis of its realities, however undeveloped their understanding of it was, if they were to survive. Greater understanding, moreover, gave rise to inventions that developed the productive forces and, unconsciously or spontaneously, created the conditions that would in time cause changes in the social realities. It was in the social field that Marx thought prevailing ideas diverged most widely from the realities because in societies prior to capitalism change occurred only slowly; with the great majority of people illiterate, those ruling economically dominated from custom as well as through ideology – although he noted that slaves, serfs and peasants were nevertheless liable to revolt.

But Hayek did not seem to differentiate to any great extent between the divergences of thought from reality in regard to the two fields. Nor did he think that higher standards of education and communication were a factor. He commented in more general terms that: 'The question is here not how far man's picture of the external world fits the facts, but how by his actions, determined by the views and concepts he possesses, man builds up another world of which the individual becomes a part.'²⁹ His main concern in this regard (not an unimportant one) was to differentiate between the *methods* that should be employed in studying the two fields.

I cannot avoid concluding that this orientation of Hayek's had some bearing on his studied avoidance of the coming critical stage in the relationship between human beings and the natural world – something

which was being widely discussed a good quarter of a century before his death in 1992. His approach demonstrates that, while it may be wrong to use the same *methods* to study natural and social phenomena, this does not prevent making the wrong choice between two opposing scientific ideas, in this instance about social life and human relationships with the natural world. Here Hayek's 'ideology' played an important part. In his 1974 Nobel Memorial Lecture titled 'The Pretence of Knowledge', he said:

It is often difficult enough for the expert, and certainly in many instances impossible for the layman, to distinguish between legitimate and illegitimate claims advanced in the name of science. The enormous publicity recently given by the media to a report pronouncing in the name of science on *The Limits to Growth*,³⁰ and the silence of the same media about the devastating criticism this report has received from the competent experts, must make one feel somewhat apprehensive about the use to which the prestige of science can be put.³¹

Prophetic words, but pointed in precisely the wrong direction. In the next chapter we look more closely at human relations with the rest of nature.

4 The clash of spontaneous processes

Marx was not an environmentalist in the modern sense of perceiving the dangers to the natural world of the ever-mounting human demands on it for material resources and the relentless destruction of the habitats of other natural species. But he had a particular view of the relationship that is compatible with, as well as informative to, modern environmentalism. He realised that humans were the same as all other animals in that they had to obtain from nature the physical means to live. But he also saw that humans, having as a species, a consciousness qualitatively greater than other animals, had the capacity, and the need, to develop a connection with nature of a specifically human kind. This encompassed developing not only a 'big picture' appreciation, but also a relationship with the unlimited specific features of nature – the air, the waters, the mountains, the valleys, the light, the minerals – far beyond and different from that of any other animal. This relationship was not only for maintaining life, but also for invention, science, and art as well – that is, for spiritual as well as physical purposes. In a sense, Marx held, human beings would thereby *humanise* nature, and *naturalise* themselves, by consciously realising that they were not separate, but a part of it.¹

This conveys a fuller picture of the 'unalienated human' as one living in a set of social circumstances where people practically and theoretically make their own species as well as other species, things and the properties of things, their object. This means that inborn aptitudes become *human* both subjectively and objectively – the eye has become a *human* eye, just as its *object* has become a social, human object derived from and for humans, who consequently can consider themselves to be *universal* and free beings.²

Hayek and nature

The most noticeable thing about Hayek's attitude to nature and the relations of humans to it, was how instrumental it was. Even though he was a practised mountaineer, I have read nothing indicating the impact on him of the grandeur he encountered. Certainly his economic writings give no hint that, like Marx, he would have applauded the seventeenth-century English economist, William Petty, for discerning that, while human labour was the father of wealth, its mother was the earth. Nor, so far as I can see, did the development of the human personality through reactions with nature count for much in his philosophy. The impression one gets is that he would have echoed his latter-day followers scorning environmentalists as naïve and idealistic 'tree-huggers'.

Hayek gave overwhelming priority to 'the better satisfaction of material needs', not the maximum development of the human individual's³ inborn powers. Marx heavily qualified the view that it was human destiny to control if not dominate the earth, its environment and natural forces. But Hayek's views were extreme, as can be seen in these statements:

most consumption of irreplaceable resources rests on an act of faith. We are generally confident that, by the time the resource is exhausted, something new will have been discovered which will either satisfy the same need or at least compensate us for what we no longer have, so that we are, on the whole, as well off as before. We are constantly using up resources on the basis of the mere probability that our knowledge of available resources will increase indefinitely – and this knowledge does increase in part because we are using up what is available at such a fast rate. Indeed, if we are to make full use of the available resources, we must act on the assumption that it will continue to increase, even if some of our particular expectations are bound to be disappointed.⁴

To use up a free gift of nature once and for all is [as in cases of land deterioration] no more wasteful or reprehensible than a similar exploitation of a stock resource ... Perhaps the best way of concisely stating the chief point is to say that all resource conservation constitutes investment and should be judged by precisely the same criteria as all other investment.⁵

Economic growth

Criteria for investment are based on market forces, on expectations of profit, with capital flowing to where the best prospects are considered

to be for a particular sum of capital. That this process is integral to the system has already been acknowledged, but that is not to concede that everything should be subordinated to it. In fact, as we have seen, the market cannot even 'see' anything not tagged with price, and the greenhouse gases emitted by the burning of fossil fuels have till now had no price. Of course the coal, oil and gas involved in producing electrical energy, spatial motion (transport), cooking and heating does have a price, but the air used to burn it does not. And although the fact that carbon dioxide, the main product of burning, is a greenhouse gas has long been known, it did not have significant effects until about fifty years ago its quantity reached a certain critical level.⁶ The aim of much (but as yet far from all) economic and political responses to these scientific facts is to put a price on carbon high enough to reduce the amount burned by economising in the use of energy for all purposes, and to induce a turn to other, non-polluting, forms of energy based on the energy we receive gratis from the sun, and other means such as 'hot rock' technology.⁷

This is the central issue today, but there is another aspect of the matter that Nicholas Stern was not commissioned by the British government to inquire into. This is the fact that the reason for the great expansion of power output was the pursuit of general economic growth, which is the main means by which capital itself grows, and growing is its very justification for existing. But can growth, in the nature of things, go on forever, Hayek's 'act of faith' notwithstanding?

We might perhaps excuse Hayek for what he wrote in 1960 when many of us were less aware of environmental issues than we would be a decade or two later. But Hayek became more strident as time went on, and particularly so in the late 1980s, when his last book was published. As with his attitude towards social justice, my impression is that he seemed to have had some inkling of the dangers to his whole system of the environmental issue, and went into denial about it because he could not make it fit in with the social philosophy he was developing. Certainly, many of his followers consider such concerns to be an anti-capitalist or even communist plot. The following quotations illustrate my point:

That the human race eventually was able to occupy most of the earth as densely as it has done, enabling it to maintain large numbers even in regions where hardly any necessities of life can be produced locally, is the result of mankind's having learnt, like a single colossal body stretching itself, to extend to the remotest corners and pluck from each area different ingredients needed to

nourish the whole. Indeed, it will perhaps not be long before even Antarctica will enable thousands of miners to earn an ample livelihood.⁸

On population:

Step by step, momentary impediments to further population increase are penetrated, increases in population provide a foundation for further ones, and so on, leading to a progressive and cumulative process that does not end before all the fertile or richly endowed parts of the earth are similarly densely occupied.⁹

And then? Hayek does not say. On species, declining to claim as 'good' all products of evolution that have survived, he says:

I do claim that, whether we like it or not, without the particular traditions [of the market order and its rules] I have mentioned, the extended order of civilization could not continue to exist (whereas, were cockroaches to disappear, the resulting ecological 'disaster' would perhaps not wreak permanent havoc on mankind).¹⁰

It is a ploy unworthy of Hayek to select an unwelcome pest, such as the domestic cockroach, to make his point. But he bypasses the burning issue of the present rapid extermination of species of all kinds, ranging from magnificent animals such as whales and tigers, plants of many kinds including trees, to tiny unicellular creatures such as plankton and even many species of cockroaches that play an important part in ecological systems. Taken together, all Hayek's contentions about the environment demonstrate that, if we continue in the present direction, we stand to irretrievably damage both the extended order of civilization as we know it *and* our environment and the creatures in it, including many human beings. Hayek's valid appreciation of the nature and importance of complex systems, does not seem to have extended to ecological ones.

The clash of spontaneous processes

Hayek based his social philosophy on the theory of the 'pure' market which operates quite spontaneously in the sense discussed in the previous chapter. That is, a market in which all participants are individual or small-group buyers and sellers, and there are no monopolies. It would operate as a market ideally should, undistorted by any

conscious interventions, whether individual, business entity, group or government. (Even if such markets actually existed, we have also seen that their universal dominance would not avert all present problems, and there are further aspects of this that will be progressively addressed.)

While the assumption of an ideal type can be legitimate and useful as an analytical and explanatory device, Hayek's overall philosophy suffers from his failure to examine it concretely in its actual operations. However, he recognised the problem intellectually:

It is not to be denied that to some extent the guiding model of the overall order will always be an utopia, something to which the existing situation will be only a distant approximation and which many people will regard as wholly impractical. Yet it is only by constantly holding up the guiding conception of an internally consistent model which could be realised by the consistent application of the same principles, that anything like an effective framework for a functioning spontaneous order will be achieved.¹¹

But he continued to insist that 'attempts to "correct" the order of the market lead to its destruction',¹² and frequently warned that any "'interference" or "intervention" in the market order ... can never improve but must disrupt that order'.¹³ These assertions, furthermore, have much of the flavour of the 'constructivism' that he otherwise roundly condemns, and the importance of the role of reason (or other thinkers' reason) in the workings of society as a whole.

The notion of a 'clash of spontaneous processes' is intended to highlight the essential point that there are other, actually fully spontaneous processes – that is, processes not based on, or even the undesigned result of, human action. These are processes in which no human element has ever entered, which have operated since before human beings appeared on the scene, continue to do so today, and will do so in the future even should humanity self-destruct. These are processes, far too many to enumerate, let alone attempt to analyse here, such as earthquakes, floods, cyclones and other natural manifestations. They also include less tangible processes such as the sun's energy and gravitational attraction that keeps the earth in orbit, the pull of the moon and rotation of the earth causing ocean tides, the tilt of the earth's axis and its orbit around the sun producing the seasons, and the trapping of harmful radiation in the Van Allen radiation belts created by the Earth's magnetic field ... and many more.

Closer to the concerns of this book are the natural cycles of various elements. Carbon is the fourth most abundant element in the universe,

and is the building block of all forms of life – not only as carbon, but as the central element for the formation of DNA – the ‘common thread’ in all forms of life. In broad terms, the main part of the carbon cycle occurs when terrestrial and ocean plants use solar energy to build their tissues through photosynthesis.¹⁴ This combines carbon dioxide and water to make sugars and starches, emitting oxygen in the process. Plants, and the animals that eat them, then burn those carbohydrates through respiration by combining them with oxygen from the air, producing the energy of living organisms and returning carbon dioxide to the atmosphere and oceans, roughly balancing consumption and production of carbon.

The metabolism of humans is part of this cycle, but humans also burn wood from forests and vast stores of carbon built up over scores of millions of years in the forms of coal, oil and gas (all originally from plants). Since the Industrial Revolution of the late eighteenth and early nineteenth centuries the human population and its average per head consumption of this carbon have grown exponentially. Consumption includes the building and running of power plants, ships, railways, automobiles, aircraft and a thousand other products, disrupting the formerly roughly balanced cycle. The consequent excess of carbon dioxide (compared with previous levels) acts like a greenhouse, trapping heat that would otherwise radiate into space.

Market processes, through which the drive of capital for expansion impels society in pursuit of growth and gain, contain no spontaneous elements that could reverse this trend, and we must face the fact that we cannot ‘win’ in such a contest, because ours are no match for planetary forces. But we can take consciously and scientifically planned measures to curb our excesses, and can even use those same market forces by putting a price on carbon emissions. This means knocking out the linchpin of neo-liberalism which gives to unfettered market forces the priority in societal processes, and supplementing this by curbing unsustainable rates of economic growth.

Limits of growth

In 1972, commissioned by the Club of Rome, a global think tank of US political scientists, Donella Meadows, Jorgen Randers and Dennis Meadows, were commissioned to publish their findings on the prospects for continued world population and economic growth.¹⁵ In their research they used a computer modelling program initially designed by Jay W. Forrester, professor emeritus of the Sloan School of Management at the Massachusetts Institute of Technology, to simulate the

consequences of interactions between the Earth's and human systems. Though there have been many false claims about their aims, they did not call for a cessation of growth, or predict catastrophe if economic growth continued. Rather, as they wrote in their twenty-year update, *Beyond the Limits*: 'the end of growth, in whatever form, seemed to us to be a very distant prospect in 1972. All [computer-generated] scenarios ... showed growth in population and economy well past the year 2000'. Their aim had been to sound a warning in order to give time for deliberation, choice and corrective action.

However, exponents of endless growth at the highest rates scoffed at the very suggestion of a pause, instead accelerating and extending market reach and power, especially after the mid-1970s when neo-liberalism took over the ideological running. In *Beyond the Limits* they estimated that the sustainable human-carrying capacity of the Earth had already been exceeded by about 20 per cent.¹⁶ In round figures between 1970 and 2008, world population increased from 3.7 billion to 6.7 billion or by about 80 per cent; world GDP from 12,000 trillion to over 40,000 trillion or by about 370 per cent.

In the year 2000 the American Association for the Advancement of Science (AAAS) entered the lists, marking the arrival of the new millennium by publishing the illustrated *AAAS Atlas of Population and Environment*.¹⁷ It used the IPAT formula below to show how Population, Affluence and Technology interacted to produce a total for human Impact on the planet:

$$\text{Impact} = \text{Population} \times \text{Affluence} \times \text{Technology}^{18}$$

The atlas reproduced a printout that was published in 2005 in *Limits to Growth: The 30-year Update* to warn of an impending crisis by about the year 2030 if current trends in pollution, resource availability, food production, population growth and industrial output continued.¹⁹

Air pollution in the form of carbon dioxide emissions is the issue now gripping public attention, perhaps because people can see its effects; although evident for some time, these were largely ignored until recently. They require top priority, for without this, as the *Stern Review* warns, the consequences to nature, to humanity, to other species, and to the natural processes that make the earth habitable, could be catastrophic.

Giving top priority includes providing the financial, scientific, technological, political and public support that it requires, and this entails the diversion of massive resources from their present channels to remedial action in many ways. This in turn raises issues of equity, such as deciding who should be responsible for paying what proportion, and

balancing the aspirations of present and future generations. It also requires adjusting the consumption of material goods with other, more 'service', socially interactive, and spiritual type human needs. These are central aspects of social justice which, far from being incompatible with the existence of a Great Society as Hayek claimed, is in fact required for society's continued existence at peace.

Possible consequences

When dealing with the consequences of too much growth we should remember that our present system reacts to reduced growth with rising unemployment, while all sorts of hidden defects, excesses or, as Nicholas Stern called them, 'other imperfections' will emerge. Again, prophetic words, before the sub-prime mortgage debt bubble burst with a vengeance.

Measures to tackle global warming do not require a slackening of general growth, but can sustain it by promoting other energy producing technologies such as wind and solar electricity and hot water, products such as energy-saving light bulbs, 'hot rock' energy and other possibilities.²⁰ Two or three decades of activity in these and other environmental areas such as rivers, soil salination, water and forests, along with infrastructure renewal such as public transport, education and health, and social issues such as overcoming unemployment, could ensure continued prosperity, though it will have to be somewhat differently distributed. For instance, without claiming to know whether 'hot rock' electricity generation will live up to its theoretical potential, if it does so it could lead to a major urban-industrial and innovation development centre in a desert area in northeastern South Australia, where large (and small) users of electricity could be located more economically than where they presently are, because losses through transmission costs would be cut to a minimum.

In general, such measures, involving a period of at least a generation, would give time and opportunity for wide public involvement in the thought, discussion and action necessary to bring home the fact that there are *natural* limits to economic growth, which will also have to be faced before the end of the century.

A matter of time

As I have stressed throughout this chapter, time is crucial because at compound interest or growth, the human impact at present rates will *double* in the twenty-five years from 2000 – that is, in one generation. If continued, it will double again – that is, quadruple, by 2050. This is

absolutely and obviously unsustainable.²¹ Of the ten latest scenarios canvassed by the three scientists, only one is now available to us if we are to avoid massive disasters.²² This is 'Scenario 9' which, including action on greenhouse gases among wider anti-pollution and anti-waste measures, requires the achievement of a stable population no higher than 8 billion, stable industrial output per person, conservation of resources and improved agricultural technologies.

Computer generated outcomes are not *the* truth, and are often dismissed on that account. What they do is present in readily understandable form a mass of interrelated data which takes into account what is known of their positive and negative feedback loops. No method relying on direct human analysis of the data can match it. In a sense such models present technological 'world views' akin to the human-produced 'world views' that we call 'social philosophies'. New data can be entered into a computer model and a result produced almost instantaneously. But human habits and modes of thought require much more time because they involve intellectual and practical contests between new and older sets of beliefs, attitudes, and ideas, and are conditioned by the nature of the institutions and policies through which these find practical expression. These human creations often take quite a time to crystallise, though once they get close to that point they often do so quickly — they become 'ideas whose time has come'.

It is idle to ask which is better because we need both. The computer model has a virtue in the amount of genuine data that it can assemble and integrate. The human world view embodies the history, experiences, conceptions of human nature, and contending hopes, desires, rationality and motivations of large numbers of individuals and groups — that is, of the majority of people, whose actions are required to achieve change.

To use a phrase that is now figuring more prominently in social discourse, a central task today is to 'get the balance right', in this case between planning and use of markets. This is no simple task because, apart from its 'technical' difficulty — that is, to decide where the point of balance ought to be if there were no self-interest involved — politics is loaded with self-interest and other 'philosophical' and ideological questions connected with the semi-separate issues raised in the various chapters of this book. Governments, which will have to play a major part because of the complexity of the problems and the extent of their global reach, are never neutral and objective in such matters. Especially not where immediate interests and long-term views differ about what kind of society is most congenial to the nature of human beings, and about what constitutes 'human nature'. On these issues they often

differ quite sharply, and seldom uniformly according to economic 'class', or any simplified category of people. Far from society becoming increasingly divided into two great classes as Marx forecast it would, with capitalists on one side and workers on the other, society has become more varied and pluralist.

But science is more often and more emphatically telling us of the dangers *to all* of continuing to pursue the 'business as before' course. It concerns objective facts to which human consciousness – or at least the consciousness of a majority of humans – must adjust. This is an unprecedented challenge, and an opportunity to set us on a more sustainable, human- and planet-friendly course.

The spontaneous market processes of present society, and the previously more or less balanced natural cycles of our planet, now clash, to an ever-increasing degree, threatening to create a self-reinforcing feedback loop that could be disastrous.²³ It is a 'clash of spontaneous orders' of a magnitude, scope and immediacy superseding that of any 'clash of civilisations' projected in 1992 by the US political scientist Samuel Huntington in his book *The Clash of Civilizations and the Remaking of the World Order*.²⁴ It is one that can be adjusted only through human cooperation and reasoning – and for this to occur in time we must start changing our thinking and behaviour *now*.

5 Dialectics and a new paradigm

For many years, those writing on the economic and political issues raised by Marx and Hayek failed to explore how these two social philosophers might be dealt with jointly, presumably because they appeared to be so obviously and completely opposed to each other. One of the first to see the value in discovering possible overlaps and connections was New York scholar and author, Chris Matthew Sciabarra. His book, *Marx, Hayek and Utopia*,¹ is a valuable contribution to the new thinking required if we are to make any progress in addressing the interconnected economic, social and ethical elements of today's environmental crisis.

Sciabarra deals with the purposes for which Marx and Hayek developed their respective projects. He takes both to be avowedly anti-utopian while believing visions of the future to be useful in promoting the aims for which they strove. They also made similar qualifications about the concept of such visions, maintaining that they could not depend on or include inherent impossibilities such as: believing that we can see with clarity a picture of the whole society; thinking that we can bypass the actual economic and social conditions necessarily existing at each stage of development; supposing that reason, applied through human effort, is capable of achieving anything it can imagine.

Dialectics

Sciabarra connects these themes with 'dialectics' – a mode of thought and analysis avowed by Marx, and also practised by Hayek though without the label.² Dialectics is a topic with a long history, and one on which there are many differing accounts and philosophical approaches, from Hegel's idealism to Marx's materialism. My emphasis here will be on how, in my opinion, dialectics can be used – and misused.

The simplest definition of dialectics, as Engels formulated it, is that it: 'comprehends things and their representations, in their essential

connection, concatenation [sequence], motion, origin, and ending'.³ The dialectical view developed in opposition to one predominant in the Middle Ages in particular, in which objects, events, processes, were regarded as separate, fixed and static, and long established ideas and traditions were correspondingly seen as being akin to absolute or permanent truths. Many pre-Marxian socialists, for instance, believed that the principles or concepts underlying the system they expounded had always been there, just waiting to be discovered. What this meant, as Engels pointed out, was that socialism could have been established any time in the past if people had thought of it – that is, independently of the existence of any necessary conditions. But certain material conditions *were* necessary for the establishment of socialism, and it was in this sense that Marxism did not share the unqualified worship of 'Reason' characteristic of much of Enlightenment thought. Rather, it 'welcomed' capitalism in the sense that it was creating those material conditions, along with its own demise. As Engels put it:

The great men, who in France prepared men's minds for the coming revolution, were themselves extreme revolutionists. They recognized no external authority of any kind whatever. Religion, natural science, society, political institutions – everything was subjected to the most unsparing criticism: everything must justify its existence before the judgment-seat of reason or give up existence. Reason became the sole measure of everything. It was the time when, as Hegel says, the world stood upon its head; first in the sense that the human head, and the principles arrived at by its thought, claimed to be the basis of all human action and association; but by and by, also, in the wider sense that the reality which was in contradiction to these principles had, in fact, to be turned upside down. Every form of society and government then existing, every old traditional notion was flung into the lumber-room as irrational; the world had hitherto allowed itself to be led solely by prejudices; everything in the past deserved only pity and contempt. Now, for the first time, appeared the light of day, (the kingdom of reason); henceforth superstition, injustice, privilege, oppression, were to be superseded by eternal truth, eternal Right, equality based on nature and the inalienable rights of man.⁴

That approach, as Engels pointed out, exaggerated and distorted reason's power, divorcing it from other conditions of the times such as the absence of the economic and ideological conditions necessary for full implementation of the revolutionary slogan of the day: Liberty,

Equality, Fraternity. He therefore added the essential qualification that the general picture of dialectics as:

an endless entanglement of relations and reactions, permutations and combinations, in which nothing remains what, where and as it was, but everything moves, changes, comes into being and passes away ... [which, while correctly expressing] the general character of the picture of appearance as a whole, does not suffice to explain the details of which this picture is made up, and so long as we do not understand these, we have not a clear idea of the whole picture.⁵

It is this cautionary note that has often been ignored, and statements about the present and future have been made on the basis that dialectics says 'it must be so' when dialectics, as such, can say no such thing.

This necessary caution cannot be found in Martin Nicolaus' foreword to his excellent translation of Marx's *Grundrisse*. Nicolaus correctly states that the whole work portrays a working mind possessed of a dialectical sensibility wrestling with and drawing conclusions about a multitude of historical, social, economic and political facts and the theories held about them by other thinkers. But Nicolaus conveys the impression that he thinks Marx is mostly right *because* of that dialectical approach. This impression is reinforced by his immoderate praise for Mao Zedong's lectures on dialectics, 'On Contradiction' and 'On Practice' in which he formulated the philosophical underpinnings of the political ideology that would become Maoism. Of these lectures, written in August 1937 while Mao was at his guerrilla base in Yenan (now Yan'an), Nicolaus wrote that they were:

at one and the same time strictly orthodox in the Marxist sense and highly original ... they remain today the classic exposition of materialist dialectics as a whole, the standard against which all other writings must be measured, and which will probably remain unequalled for a very long time.⁶

Nicolaus wrote this in 1973, three years before Mao's death and at a time when the Cultural Revolution had reached its disastrous peak and when many on the left in capitalist countries, 'dialecticians' among them, still believed the Cultural Revolution contained the basis for a new 'left' leap forward.⁷ My principal objection to Mao's lectures, and to 'On Contradiction' in particular, is that he urges people to approach the study of situations, history, theories and so on with a dialectical *formula* already in mind. Mao spoke of 'the universality of contradiction;

the particularity of contradiction; the principal contradiction and the principal aspect of a contradiction', seeming to assert that if a matter were approached in this way, a favourable outcome would most likely be assured.⁸

It should be pointed out that intellectual and judgmental errors can arise in many ways and from a variety of sources, and among those making such errors are people who fully understand the principles of dialectics and even those who avoid Mao's mistaken method of applying it. The extent to which error or truth applies to the stand-points and conclusions of Marx and Hayek is for readers to judge for themselves – aided, I trust, by the information and analysis of this book.

Hayek's 'unique synthesis'

There is no doubt that Hayek, as an integrative thinker, necessarily employed elements of dialectics in developing his system. And as I have already stated, it is as a social philosopher that he should be examined, not simply as the exponent of particular economic views. It is his elevation of markets to the dominant, controlling, factor in society as a whole – seen philosophically by him to be a spontaneously operating entity – that needs particularly to be critiqued, along with his unclear or ambivalent appreciation of the role and sources of moral values, and his complicated and questionable emphasis on the role of several different kinds of 'rules', dealt with in Chapter 14.

This is especially important at a time when the implications of the world's 'greatest market failure' in conjunction with other market imperfections need to be urgently addressed. As I have stressed throughout, to point to their failures and imperfections is not to deny the necessity of markets in a modern economy, or to reject Hayek's in many ways justified critique of Soviet society. Rather, it is to put markets, environment and social equity or justice in a wider context, as a dialectical approach would require, and to do so on the basis of concrete analysis as a guide to necessary social action.

In the next chapter I discuss the results of some aspects of Marx's theoretical failures, particularly on the issue of markets, and below I discuss one of the major 'dialectical' failures of his philosophical approach. But I first note that Sciabarra calls Hayek's social philosophy a 'unique synthesis ... integrat[ing] a classical liberal commitment to the free market, a classical conservative commitment to evolutionism, and elements of a profoundly radical, dialectical method of social inquiry'.⁹ He quotes Hayek himself to support this contention:

a whole is more than the mere *sum* of its parts but presupposes also that these elements are related to each other in a particular manner. It is more also because the existence of those relations which are essential for the existence of the whole cannot be accounted for wholly by the interaction of the parts but only by their interaction with an outside world both of the individual parts and the whole.¹⁰

Yet it is precisely the 'interaction with an outside world' of the 'individual parts [especially the market] and the whole' society that Hayek wilfully ignores or even denies, as he does also in respect to his theory of social evolution. On the first point, we should remember Hayek's reliance on an act of faith, quoted in the previous chapter, that the outside world would always supply us with all that we may want. This can be called dialectical (or reasoned) only by doing violence to language and, while it might be called a 'tradition', continued adherence to a tradition when a mountain of empirical facts and scientific analysis point to the urgency of change, seems to be not only wrong, but even perverse.

Concerning Hayek's 'relational' sensibilities, which certainly exist, we are told that:

The 'final cause' or 'purpose', i.e., the adaptation of the parts to the requirements of the whole, becomes a necessary part of the explanation of why structures of the kind exist: we are bound to explain the fact that the elements behave in a certain way by the circumstance that this sort of conduct is most likely to preserve the whole — on the preservation of which depends the preservation of the individuals, which would therefore not exist if they did not behave in this manner.¹¹

There is a 'circularity' here which I shall address more generally later, but the immediate point is that Hayek wanted to eliminate certain social antagonisms (the existence of which he elsewhere denies) over power, politics and social justice that are manifest in society today. He aims to do this by 'rationally constructing' a constitution aimed to achieve this and to preserve the dominance of 'priority of the market' in perpetuity.¹²

He also portrayed the ideal model of capitalist society that he is offering as being near enough to a utopia, at a time when it was already becoming clear that it was getting further away from being one. I do not object to the use of 'utopia' in the sense of an 'ideal type',

but do object to Hayek continuing to use the word utopia until his death, when it was already clear that in terms of what was being done to the environment, society was departing ever further away from any sort of society that might be considered ideal. And an 'internally consistent model' seems rather akin to a constructivist one which, as we've seen, he disavows. Not only do its construction and uses contradict his general stance, more important than the contradiction is the content. He would, I have no reason to doubt, genuinely have liked to see the whole world at peace and prosperous; but how? He answers with a description that is factually true of capitalism, but is it the type of society most people actually want to live in?

Most people are still reluctant to accept the fact that it should be the disdained 'cash-nexus' which holds the Great Society together, that the great ideal of the unity of mankind should in the last resort depend on the relations between the parts being governed by the striving for the better satisfaction of their material needs.¹³

This in turn requires, in Hayek's view, that people should enter the 'catallaxy' (market game) blindly:

only a mental reconstruction of the overall order of the Great Society enables us to comprehend that the deliberate aim at concrete common purposes, which to most people still appears as more meritorious and superior to blind obedience to abstract rules, would destroy that larger order in which all human beings count alike.¹⁴

It is more likely that the solutions to global warming and the larger related issue of long-term sustainability will require a major departure from blind obedience to the rules that have brought them about. So, too, will consciousness that the increasing scarcity of resources brought about by the environmental crisis will, given those rules, confer on those with the most cash still greater power than they now possess. Unless, that is, the means are sought and put in place to ensure a greater degree of equity than presently exists.

Sciabarra's own views are positive:

If utopian ideals are to have any useful function in social theory, they must inspire people to reach for all that is within their grasp by stretching the limits of the human potential. There is some evidence that certain figures on both the socialist left and the

libertarian right are beginning to examine the essential questions: To what extent do the strictures on human knowledge preclude rational, efficacious, social action? Despite the differences among them, and regardless of the success of their respective endeavours, such thinkers recognize that partially knowing human actors, living under concrete social and historical conditions, can achieve efficacy in their lives by shifting the tacit dimensions of mind towards greater articulation. Out of this movement can emerge the possibility for radical social transformation.¹⁵

Together with devising restraints on how much more we can exploit nature, these are challenges requiring much intellectual work and social intervention.

Antonio Gramsci

Gramscian theory is valuable at this point because it deals with a major 'dialectical' relationship of 'system and ethics', or 'base and super-structure', an issue that has long plagued Marxism, and an emphasis on the necessity of working towards a new, prevailing, 'common sense', that can supersede a failing one.

Born into a poor family on the island of Sardinia in 1891, Antonio Gramsci had little formal schooling but in 1911 he was awarded a place at university in the northwestern Italian industrial city of Turin. He became a member of the Socialist Party and from 1915 worked on its paper *Il Grido del Popolo* ('The Cry of the People'). In 1919, with Palmiro Togliatti and two others, he founded a bimonthly journal *Ordine Nuovo* ('New Order') and helped to found the Italian Communist Party (PCI) in 1921.

The working class of Turin was notable for its militancy prior to, during and after the First World War, and it was in Turin that Gramsci observed and actively and creatively participated in its activities, helping to create what could be called 'shop committees' and forms of workers' control which he considered to be an embryonic Italian form of the Russian soviets. He participated in the work of the Communist International in Moscow and, as Mussolini's fascist movement developed, became general secretary of the PCI from 1924-26. A member of the Italian parliament, he was arrested and imprisoned in accordance with a series of 'exceptional laws' enacted by the fascist-dominated Italian legislature and committed to solitary confinement where he began writing his famous *Prison Notebooks* until his death in 1937.¹⁶

Gramsci made many theoretical contributions to Marxism, but the central one focussed on the main tension in Marxism, that is, the relationship between the 'base' of society – or the production of the means of life by human beings with an historically given set of productive forces – and the ideas, thoughts, values, and more generally the 'culture', of those same human beings. The issue was this: to what degree does the former determine the latter? Though in practice Marx did not see this in a strictly deterministic way, in Gramsci's view Marx was significantly influenced by the scientific and positivist ideas prevalent, even predominant, in nineteenth-century Europe. That is, the idea that the only authentic knowledge was that which came from measurement and analysis of the object(s) in question, information about which came to us through our senses, and which, in important ways, was the basis of the methodology of natural science.

On this subject, we have seen that when formulating his 'Abuse of Reason' project in the early 1940s, Hayek emphasised, as we have already noted, that people's views include all they know and believe about themselves, about other people, and about the external world, in short everything which determines their actions, including science itself.

Though I endorse this view – it emphasises the importance of human consciousness, and thus is closely connected with Gramsci's ideas – I must also point out that after he abandoned that project (although not its main proposition), Hayek turned to the study of complex phenomena, a category to which human society certainly belongs. Complex phenomena are characterised by embracing so many variables that, even though they can sometimes be expressed in equations with algebraic symbols, it is still impossible to find all the quantities for which the symbols stand. Thus no definite solutions, and especially no concrete predictions, can be arrived at. Hayek's reasonable solution was to point out that we might nevertheless be able to discern some of the principles involved in the phenomena, and to point out certain patterns of events and processes embraced within them.

Since natural science also exhibits such phenomena (i.e. eco-systems, climate, cosmic processes), Hayek concluded that social and natural sciences were coming closer together, the former always, and the latter sometimes being 'complex' in his particular conception of that term. However such a conclusion ignores the remaining crucial difference between the social and natural sciences in that the former involves human consciousness, but is absent in the latter. Without its consciousness, including speech, reason and imagination, what would remain to differentiate the human species from all others?

For Gramsci, the central point was indeed the dialectical relationship between two 'opposites' – the processes of production being 'objective' in Marx's understanding and the attitudes, or consciousness, of people being 'subjective'. Gramsci saw each historical period, or 'moment', as a fusion of all the objective and subjective elements involved, for which he used the term *immanentism*. Though originally mainly a religious term meaning the presence in all things and entities at all times of a deity, it was also used to mean mind or spirit, and was in this sense applicable to Hegelian-type views. For Gramsci, it meant that nothing could be considered as 'external' to the historical process itself, as this contained the motivations, causes and destination of its development. In any given case, sometimes it might be factors considered 'objective' that were most important, while at other times 'subjective' ones were; but both were always present, interacting with each other.

Gramsci would not have denied that the earth, for instance, was already there before conscious human beings existed. But for him this was a question that effectively ceased to have any significance for political and cultural action once such beings did exist. To insist always on the primacy of the 'material' over the 'spiritual', the 'mindful' or the 'conscious', he argued, was either irrelevant, or served to cloud our understanding of the very forces involved in seeking change.

Marx and Marxism

Were Marx's views on this topic to be taken as an essential starting point? Would he, instead of turning Hegel upside down, of 'inverting' him by replacing the spiritual by the material, have done better to have stopped halfway and turned Hegel on his side, leaving a greater theoretical space and role for subjectivity? Lloyd D. Easton and Kurt H. Guddat, authors of *Writings of the Young Marx on Philosophy and Society*, draw just this conclusion:

For Hegel the dialectic of history was subordinate to the development of the Idea in art, religion, and philosophy. This enabled him to insist repeatedly that individuality, the element of subjectivity, is inherently eternal and divine as an intrinsic part of the Absolute Idea. For Marx, however, the dialectic of history had no such superstructure and hence no systematic support for the principle of subjectivity. In this respect he was less of a "child of the Enlightenment," less a proponent of the "principles of 1789" than Hegel, and the implications of his thought are more congenial to

totalitarianism than to the emphasis on the individual person and his self-direction which characterizes liberal democracy.¹⁷

They go rather too far, failing to take into account, for instance, the first of Marx's theses on Feuerbach:

The chief defect of all hitherto existing materialism that of Feuerbach included is that the thing, reality, sensuousness, is conceived only in the form of the *object* or of *contemplation*, but not as *human sensuous activity, practice*, not subjectively. Hence it happened that the *active* side, in contradistinction to materialism, was developed by idealism but only abstractly, since, of course, idealism does not know real, sensuous activity as such. Feuerbach wants sensuous objects, really differentiated from the thought objects, but he does not conceive human activity itself as *objective* activity.¹⁸

Nevertheless, it cannot be denied that the tension in Marx's orientation remained, and neither he nor most of his followers were able to satisfactorily resolve it. According to Engels, Marx was well aware of this, having said of those who accepted the materialist conception of history that they used it 'as an excuse for *not* studying history' and to a reference to many 'French "Marxists" of the late [eighteen] seventies', he responded "All I know is that I am not a Marxist."¹⁹ Engels also laid out his own concern about the direction of many supporters in a letter to Joseph Bloch, editor of *Sozialistische Monatshefte* ('Socialist Monthly'):

Marx and I are ourselves partly to blame for the fact that the younger people sometimes lay more stress on the economic side than is due to it. We had to emphasize the main principle *vis a vis* our adversaries, who denied it, and we had not always the time, the place or the opportunity to give their due to the other elements involved in the interaction.²⁰

Detecting change

By 'hegemony' Gramsci meant the domination of a culture, a set of ideas, or a common way of thinking and even to some extent, feeling and emotion, over the majority of people in a country, which included the complicity of the dominated in their own domination. Thus he used the term to emphasise to those seeking radical social change that these

mindsets had to change before any attempt to establish an alternative regime could be lasting, even if a conjuncture of circumstances caused or allowed it to occur. This especially applied to the struggle for change in economically and politically developed capitalist countries, as distinct from other places, especially in the East, where the anciens régimes and the hold of their ideologies over the populace were already in a state of decay.

Gramsci further argued that in the West, advocates of change could not create such conditions at will. They had to patiently work on all fronts involving ideas and ethical values, not least those areas where the ideas and values were practically expressed in policies and institutions. But they should also, and especially, be aware of incipient signs of any movement towards a new 'common sense' among people, and work at all levels of intellectual and practical endeavour to raise those first indications to a hegemonic position.

I believe that the issues of climate change and environmental sustainability have even now stirred the thinking of most if not all sections of the population, particularly in the West, and that, combined with the re-occurrence of financial instability which many thought had been overcome, this is shaking the hegemonic power of a 'market knows best' notion of which Hayek and his supporters are the foremost modern representatives. One swallow doesn't make a summer, nor do two, but as the attitude of an increasing number of members of the general population changes, I also detect that the tone of comment among Western and Eastern politicians and political commentators is noticeably changing quite radically and speedily.

In an article, 'On The Cusp Of Economic History', in the *International Herald Tribune* dated 23 January 2008, journalist Katrin Bennhold quotes a number of examples. For instance, Pascal Lamy, director-general of the World Trade Organisation, is quoted as saying: 'The year 2008 is a crucial year that could end up setting the tone for some time to come. What we need is an ideological mutation without falling into the trap of protectionism.' Kenneth Rogoff, professor of public policy and of economics at Harvard University and former chief economist of the International Monetary Fund, said: 'We are seeing the seeds of a new paradigm. Whoever wins the U.S. election will have to pay more attention to equity. And whatever comes out of the next climate change agreement will be international economic cooperation on a scale never seen before.' Stephen Roach, chief economist for Asia at Morgan Stanley Bank, said: 'Economic theory tells us that globalization is a win-win, but it isn't, at least not in the West. The theory was written for another era. We have to ask some hard questions about unfettered capitalism. We need a new script.'²¹

Sentiments such as these, reflected in other ways by an increasing number of voluntary organisations and 'ordinary' people protesting and putting pressure on governments in various ways, whatever the immediate outcome, might turn out to be the focus of a Gramscian-type drive for a new 'common sense'.

People's power

Gramsci linked his ideas to the aim of developing a particular type of political party which was focused on a defined ultimate endpoint. I do not think that path is viable today, which is not to say that existing political parties have no role to play. But most parties (some green parties may be an exception) in most nations around the world no longer possess or campaign for a radical vision of a better society, for a new paradigm, for a new common sense. This can – should and must change, but the movements arising from time to time that are referred to as 'people's power' are perhaps more suited to impacting upon ordinary people in present conditions than traditional political parties are. The traditional political parties may still have a role to play: they remain important because they aim for power through the state, the role of which may increase precisely because fully free markets are no longer suited to generating human benefit.

These present conditions include the ending of the previous, largely 'class-based', solidarities which were expressed in many ways, such as in the long-term, often lifelong, adherence to a particular political party. And these parties were ones that clearly stood and campaigned for a reasonably coherent set of principles and policies for the future expressing its leaders' and members' particular life-situation, values and 'common sense'. Life and politics today are far more pluralistic in this regard, partly reflecting a post-modernist stress on difference in the period following the Second World War but also – perhaps more so – as a result of the huge upheavals resulting from the end of the Cold War and from the new technological revolution with its associated changes in working, civic, and private life. This pluralism means that the big upsurges in public activity now in evidence, and increasing, are unlikely to become the property of a single party. Rather, they are more likely to take the form of coalitions of different groupings coming together for a more particular, in some ways more limited, set of demands that, once satisfied, will leave people as a whole more advanced politically, but not necessarily more organisationally united as in the earlier period.

While coalitions of one sort or another have characterised virtually all past major social changes, they have been particularly evident in the

post-Second World War era, and have been named 'people's power' a term that itself may well have arisen spontaneously. The revolts in East Germany and Hungary in 1953 and 1956, the Czechoslovakian 'Prague Spring' in 1968 and the Rumanian revolt in 1997 all took this form. We had the 1968 student uprising in France and its spread to other countries. In 1986 such a movement deposed the seemingly all-powerful Ferdinand Marcos, president of the Philippines. In 1989 students demonstrating for a measure of greater democracy in Beijing's Tiananmen square shook Communist Party rule in China to the core. In 1990 popular forces headed by Aung Sang Suu Kyi achieved a landslide electoral victory over the ruling military junta in Burma (Myanmar). And in the biggest victory of all, Nelson Mandela and the African National Congress peacefully conquered the apartheid regime in South Africa in 1994. More recently, in Ukraine, we have seen the 'Orange Revolution', and other similar events are apt to occur in many countries around the world.

People's power movements are not always successful, and even successful ones can be then defeated by force, as in Burma in 1990, and again in 2007, when Buddhist Monks led massive street marches. The point is, rather, that they are new types of movement adapted more closely to current realities, and which, to an extent, can be anticipated and prepared for. They may even, in time, give rise to a renewal of old forms.

Deriving from, and further advancing, such trends is the rapidly growing number of organisations basing themselves on the internet. In these, large numbers of younger people and others not directly involved in politics, find a user-friendly way of becoming active. As this continues to expand (Barack Obama, the Democratic Party candidate for the US presidency in 2008, set an international example), citizens who once never engaged are now finding an avenue to do so. In the process, 'politics' promises to become something very different from that which is now being practised.

In brief, both objective and subjective elements, aims and methods, may be in the process of transformation, impelling society towards a new paradigm in social theory and practice, that is so sorely needed at the present time.

6 Built in Marx's name

Knowing now the repulsiveness of the regimes built by dedicated followers of Marxism as they understood it, we cannot in conscience simply be satisfied with the view that Marx would have vehemently opposed that end result because, at the very least, it savaged the democracy he fought for, and greatly increased, rather than diminished, the alienation he had dedicated himself to overcome. Socialists are, rather, obliged to clarify what kind of society was in fact created in their name and, among other factors, to analyse what part, if any, Marx's theories played in that outcome.

Three Hungarian dissidents, Ferenc Feher, Agnes Heller and George Markus, who migrated to Australia in the late 1970s, wrote a book on the subject, *Dictatorship Over Needs: An Analysis of Soviet Societies*, in which they identified the existence of three major theories on the type of society that was in fact created, which they rejected and then formulated their own.¹ Though their conclusions remain open to challenge, they were well equipped for the task they set themselves because of their long experience of life in a socialist society, and because they were, as they describe themselves, 'former Communist theoreticians' in the Budapest School.² This was not a formalised institution, but referred to a body of people that gathered around the socialist philosopher, Georg Lukács.³

Soviet deviations

There were three main theories purporting to explain why Soviet society, and the European satellite societies set up by it, deviated so far from the socialist ideals. These were: first, society akin to a totalised state capitalism; second, social formations largely identified with the particular type of feudalism that had prevailed in Asia, old China being the exemplar; or third, transitional societies that, starting in an

economically and politically backward society, would in time develop into ones more in line with socialist ideals.

State capitalist society

The 'state capitalism' designation involves equating certain features of capitalist and Soviet societies, especially the increasing concentration of economic power in a particular body of people. But in capitalism this is based on the private possession of wealth and the power to freely dispose of it. The state in a capitalist country may serve this class in various ways but is not identical with it, and neo-liberal ideology requires it to be as small and as restricted as possible. Yet the regimes under discussion always determinedly presented themselves as anti-capitalist, not only because it became their only available source of ideological legitimation, but because they were in fact *not* capitalist in any meaningful sense.

No individual or group could own any part of the means of production. Market relations, entailing exchange between owners, were small and subsidiary. The state and the economy were entirely integrated. Workers, as the subjective factor in production, were not fully wage-workers in the capitalist sense, being to varying degrees and in various ways shackled to the state and often assigned to a particular enterprise. The state, in its turn, could not simply shut down unprofitable and wasteful enterprises because this would create unemployment, the presence of which was a key feature of capitalism.

The members of the state apparatus had a significantly greater level of consumption on a sliding scale from higher to lower, such as the possession of a dacha (country cottage), access to generally unavailable goods, some possibility of overseas travel. But it could in no way compare with or approach the proportion of the surplus taken, as of right, by owners and managers in capitalist countries. Such privileges were known to exist, and resented, but were subject to restraints because of awareness that if any member of the apparatus tried to overdo the privileges, this would put the whole in jeopardy.

Asiatic type feudal society

The notion of an Asiatic Mode of Production and other similar theories base themselves on loose analogies. They are able to point to the brutal elements of Russian life and history, along with its stagnancy, servility before authority, and empire-building tendencies. But the Soviet Union was becoming a largely urban society; it had a substantial

education system at all levels based largely on the principles of the Enlightenment, even if in sometimes hypocritical and distorted ways. The official pseudo-socialist ideology the regime used and sought to develop was not a remnant carried over from the past, but accorded with an anti-capitalist social formation, though being far from a socialist one.

Transitional society

The Hungarian researchers used the theory of transitional society to refer to those which displayed a hybrid combination of capitalist and socialist characteristics, forming a transitional stage between capitalism and socialism – more specifically as a form of arrested development between the two social formations. The causes of this gap were generally located in the political sphere, in the bureaucratic distortions or degeneration of socialist development, which led to the emergence of a privileged parasitic stratum of party-state functionaries, and kept the mass of direct producers in a subordinate, impotent position.⁴

Proponents of this theory, however, insist that important elements of socialism were also present, such as the liquidation of private property and the absence of market relations in the production of means of production. Feher et al. contended that this proposition was repeated in some form by the Eurocommunist parties of the 1970s when they were compelled to articulate their (muted) criticism of Soviet society if they were to survive.⁵ While praising Leon Trotsky for his trenchant criticisms of the Soviet Union under Stalin, the authors also pointed out that Trotsky himself presupposed a 'logic of planning' that tended to confer a certain 'socialist' content on the regime. This ambiguity, they wrote 'tends to identify the socialist constituents of these economies with central planning, and the capitalist ones with the market and its related economic phenomena'. While themselves rejecting markets as the panacea of all social ills, they continued:

the fact that even these ideologies [connected with markets] often meet with broad popular resonance and support bears witness not to the lack of class-consciousness among a backward working class, but to the mute and correct realization that without limiting in some way the very mechanisms of a command economy, without dismantling their omnipresence and omnipotence, there can be no restraint imposed upon the power of its social vehicle, the bureaucratic apparatus itself ... their popularity is indicative of an attempt to break away from the tutelage of the state in basic

matters of private life, to reduce the force of the pressure which the apparatus may apply on individuals.⁶

They furthermore pointed out that the notion of a 'command' economy was more apt than a 'planned' one, because planning became increasingly ineffective and often very wasteful as economic development occurred. The commanding, moreover, included the often compulsory allocation of labour, as well as arbitrary decision on the wages paid. The administrative determination of the prices of consumption goods, meanwhile, along with the failure to increase supply to meet even the effective demand, created a centralised 'dictatorship over needs' concurrent with political repression and ideological control. These types of control, though they have sometimes existed alongside markets, are not inherent in markets as such. The 'transitional' theory therefore fails and the writers conclude:

One of the basic lessons which the historical experiences of Eastern European societies [and of course of the Soviet Union itself] consists of the realization that the diametric opposition between planning and market (so ingrained in classical Marxism itself) is a false one which has to be transcended both in theory and in practice. The very idea of control from below demands the overcoming of this rigid alternative choice between planning or market, this fetishization of economic mechanism *per se* as part and parcel of the legitimating ideology of the very system of dominance.⁷

Understanding Soviet societies

In the opinion of Feher et al., the only way to understand Soviet societies was to see them as a separate and unique social formation, with the following fundamental characteristics:

- A very large bureaucracy whose power depended on the size of the totality of the means of production that it, and it alone, controlled.⁸ It was a kind of corporate entity, the 'property' of which it controlled but could not appropriate, sell or otherwise dispose of. Collective farms also existed as a separate form of property, and the shortcomings of the regime were frequently blamed, by the regime itself; in practice, though, the working personnel of the farms only ever restricted the scope for independent thought or action.
- Parallel to a bureaucracy containing ministers of production sectors, production managers, administrators, legal personnel and so on,

there was another bureaucracy – that of the Communist Party, with cadres everywhere who forwarded reports to higher Party echelons. All crucial matters eventually came to the Politburo, consisting of less than twenty people whose decision was final, with no appeal.

- Workers, though often members of trade unions, had no actual collective rights; the unions were controlled by the Party, as were other voluntary organisations such as literary and artistic bodies. Individuals had formal rights to question decisions, make suggestions or even ask for favours, but people had to be careful, or retribution would be exercised. The overall consequence was that individuals became atomised: this they felt and in many cases partially internalised the condition.
- Though controlling – having a dictatorship over – consumption, the bureaucracy from time to time became aware of the need for some improvements. This occurred to a small extent in the 1960s and 1970s, but became increasingly difficult as the worldwide shift from extensive to intensive economic development gathered pace. But even then, consumers had to take or leave what was on offer, having no permanent means for influencing what was supplied.
- Anti-capitalism was the only basis for claiming legitimisation open to the apparatus. This, and the accompanying theoretical rationale, was based on a bowdlerised and corrupted ‘official’ version of Marxism. Credible acceptance of this ideology was compulsory for the members and aspiring members of the apparatus. But this destroyed any remaining credibility in Marxist or ‘left’ social theory. Indeed, genuine investigation and even comment was crushed by every possible means, not only in the Soviet Union itself and its satellites, but also in parties in other nations which still regarded themselves as members of a great world movement, even though the Communist International had long been dissolved.⁹ The thinking of the apparatus was, not without justification, that if even a single ‘deviation’ was permitted, the cancer would spread.
- There were a number of revolts against the regime in the Western satellites and one in Czechoslovakia in the mid-1960s, led by the Communist Party itself, but crushed by the 1968 invasion. More isolated revolts also occurred in the Soviet Union itself. But the important point stressed by Feher et al. was that the regime was able to restore its control by force and other pressures because, strange though it may seem, the controlling apparatus was necessary for the economy to work at all, while the possibility of forming a movement with a coherent programme had been destroyed in the Soviet Union over a period of three generations.

Much more could, and no doubt will, be said about how and why socialist societies failed. But the above is a substantial and evidence-based analysis: Soviet societies constituted a specific socio-economic formation, neither capitalist nor socialist, which for the reasons advanced above was able to reproduce itself, for a considerable period of time. Though this type of regime has now disappeared in Russia and Europe, regimes related to it in being led by all-powerful communist parties still exist in China, Vietnam, Cuba and North Korea, each with its own particularities, though China seems to be the key. They are in fact 'transitional', but on the way to what is not yet clear.

The Peoples' Republic of China

The future of China is a huge subject. Its Communist Party, a vast organisation with tens of millions of members, penetrates every pore of Chinese society and acts as a bureaucracy within a wider bureaucracy in a fashion similar to that practised in the Soviet Union and its satellites. It recruits new members in the same way – that is, with the test of a high degree of inner acceptance of the theory and strategy of the leadership at the time. This may also be acceptable culturally, in that such a practice historically characterised the recruitment of the Mandarinate – the 'public servants' of the old regime, where any person who passed an examination could qualify. The present regime educates its recruits in a way that puts loyalty to the Party, and therefore to its leadership, before all other considerations. It collects material on each individual member's personality, past behaviour and ideological tendencies through written and verbal 'ideological introspections'.

The Chinese Communist Party formulated a theory and an ideology based originally on a modified version of Marxism expressed in the *Thought of Mao Zedong*. The difference now is that the present type of economic development is creating at least the possibility for centres of power outside those of the Party to develop. The Party is aware of this but unable to completely prevent it. At the same time, the rapidly growing urban working class shows signs of developing demands for rights to organise and for higher wages, and it is known that the rural population at times resists assaults on their rights and the confiscation of their lands. Rigorous censorship, however, makes it impossible to know the extent of such resistance.

The many people throughout the world who still subscribe to socialist values – though not to the 'socialist' societies so far seen – are faced with the problem, among others, of advancing ways of combining an extensive though not unlimited use of markets with institutions that

promote those values. China faces this challenge and its government the Communist Party has the power and opportunity to pursue it if it has the will and vision to do so. In setting out to overcome the decade-long disaster of Mao Zedong's Cultural Revolution, they displayed both strong will and caution, as I personally observed in 1983. However, I could gain no impression as to what their longer-term thinking might be and they possibly did not themselves know.¹⁰ In any case, they used their method of proceeding from the point to the whole first in the countryside where they dissolved the communes, initially in the national minority areas where the communes were especially unpopular, then took these reforms to the rest of the countryside. In 1983 the authorities had just turned to the cities, where they initially proceeded with similar caution, though soon after they stepped on the accelerator.

China is a country that, partly because of the size of its territory and its population, has experienced, and continues to experience, separatist, centrifugal forces which the government feels it necessary to restrain. Another potential area of instability and reaction or repression will be Taiwan; it is extremely unlikely that the government will ever cease seeking re-unification in some form. On the important issues of moral values and how the challenges of global warming and sustainability will be confronted, the jury is still out as to what direction in the medium term the nation will take. Whatever the direction, it will, of course, have a major influence on the Pacific region and on the world as a whole.

Marx's contribution to socialist societies

Besides Marx's strong opposition to market exchanges (on which I comment further below), two other aspects of Marx's social philosophy contributed to the type of societies that were created in his name. These are his view of human nature, and his exaggerated view of 'alienation' and the possibilities of overcoming it.

Human nature is an inexhaustible subject and will be discussed further in a later chapter. Here we are concerned with those views of Marx that are related to the kind of society based on them and not on their gross violation, as with Stalinism. The crux of the issue was the relationship between human nature and the structure of the society in which they lived. Though Marx had no doubt that humans were *natural* creatures, like all others, he held that their specific difference was that they *produced* their means of life, utilising for the purpose every aspect of the natural environment, and in ways unique to their species. He concluded from this that: 'in the mode of life activity lies the *entire* character of a species, its species character'.¹¹

Marx re-stated this still more firmly in the sixth of his *Theses on Feuerbach* where, commenting on Feuerbach's view that religion emanates from humans themselves and not from a divinity, he said: 'the human essence is no abstraction inherent in each single individual. In its reality it is the ensemble of the social relations.' This statement, as the Princeton University professor of bioethics, Peter Singer, points out, implies that 'if you can totally change the "ensemble" of the social relations, you can totally change human nature ... [this view] affects much of the thought of the entire left'.¹² Or, to put it another way, Marx seemed to believe in the utopian 'perfectibility' of humans.

Singer's general comment is valid. But in accepting it we should not deny the existence of *any* connection between social relations and human nature: the prominence of this or that side of human nature (we have many 'sides') is significantly affected by social relations. The dominance of a 'greed is good' mentality, for example, is a particular product of capitalism, one strongly endorsed by neo-liberalism.

Another related and perhaps even more widespread utopian view was that the working class, particularly the industrial proletariat working in large-scale industry, would, by its very nature as well as through its position in society, be compelled to act in a revolutionary way. As Marx and Engels put it:

Indeed private property, too, drives itself in its economic movement towards its own dissolution, only, however, through a development which does not depend on it, of which it is unconscious and which takes place against its will, through the very nature of things; only inasmuch as it produces the proletariat *as* proletariat ... The proletariat executes the sentence that private property pronounced on itself by begetting the proletariat ... When the proletariat is victorious, it by no means becomes the absolute side of society, for it is victorious only by abolishing itself and its opposite. Then the proletariat disappears as well as the opposite which determines it, private property ... The question is not what this or that proletarian, or even the whole of the proletariat at the moment *considers* as its aim. The question is *what the proletariat is*, and what, consequent on that *being*, it will be compelled to do.¹³

Published in 1844, this was an early work but the sentiments and principles expressed in it remained an integral part of Marxist theory, and around the middle of the twentieth century during the period following the Great Depression and the victory over fascism when a 'new

order' was seemingly on the agenda, it sometimes seemed to have that potential. But times have changed considerably – economically, politically and culturally – and this possibility is now utopian and the 'class analysis' on which Marxist political analysis was largely based is no longer adequate for our times and tasks.

Alienation revisited

Alienation is a word that has somewhat different connotations in European thought compared with what it means in English-speaking countries. Two major English dictionaries define alienation with reference to a feeling of estrangement, withdrawal, emotional isolation or dissociation from self or between various aspects of self, from other people, or from the outside world.¹⁴ None of these meanings conflict completely with the features of alienation in Marx's theory outlined earlier. These were: alienation of workers from their product because it belonged to another; workers' alienation from nature because of the conditions in which they worked, rather than their unity with it; workers' alienation because labour was forced rather than voluntary; and alienation between fellow humans through the buying and selling of labour power, and also because people buying and selling even their own products engendered indifference to others.

The main difference in connotation does not lie in these particularities but in the fact that, for Marx, in line with major trends in the German philosophy of his day, alienation was not simply a set state of affairs. It was a moment in a dynamic, dialectical process from which a new, and qualitatively different, state of affairs would emerge. Or, as philosopher Roger Scruton put it when discussing Marx's relationship to Hegelian philosophy:

No process can be arrested in the moment of alienation, which is essentially 'to be overcome' in a higher unity. Private property, therefore, which sunders man from his 'species being' must be transcended, so that man can be 'restored to himself', to live in free community with his fellows.¹⁵

We can endorse Marx's objective that assuring every individual's opportunity to develop their potentialities to the full should be a major social objective, without accepting as fact all the propositions of a now obsolete philosophical system, or even Marx's inversion of it, and look instead at alienation in more practical ways. The following dot points outline Marx's thinking on this issue.

- The exchange of products and services is both essential and unavoidable when there is a widespread division of labour – now international as well as national. To make exchange dependent on the existence of some kind of interpersonal relationship would be impossible under any form of ownership or other conceivable social arrangements, except marginally on a local scale, and then only for a few commodities. Elimination of this form of alienation, if such it be, is utopian and, as social practice has shown, any effort to put it into effect is certain to have damaging, if unintended, consequences. The common human element in trading, at all levels, must, and can, be developed at a more abstract and higher level of human understanding.
- Similar considerations apply to the notion of alienation from nature, where even very bad working conditions in a wood-working factory, for example, need not prevent an employee from having a genuine feeling for the natural material, and the environment from which it came. Even occupations that completely cut off sense-relations with nature may promote feelings for it, rather than the reverse.
- Difficult, bad and exploitative work relationships certainly need to be overcome. These were particularly abhorrent in Marx's early years, but even then they were under successful assault from workers themselves and from social liberals, some of whom had humanistic motives, as well as, perhaps, concern for the fate of capitalism, which may have been the sole concern of others. But even in some of the areas where work was hardest, those involved were not necessarily alienated from labour itself. In Australia, for example, miners, cane-cutters, sheep shearers and builders often developed a pride in what they did. Today, surveys show, most people want to work, and not only because of the money, important though that is. Neither is it self-evident that people would automatically feel qualitatively different, or be easily enabled to control procedures in large, nationalised enterprises.
- The fact that the capitalist takes a portion of the surplus produced in an enterprise does not mean that it all rightfully belongs to the workforce involved. The impression that this is the case is given by Marx's calculations of the rate of exploitation which were based on the application of an erroneous labour theory of value, though he corrected this point about the surplus in his *Critique of the Gotha Program*.¹⁶

In sum, Marx's project of ending alienation is questionable in a number of respects, including the dialectics of its development. But that project,

including a higher consciousness concerning our relations with nature, is completely in line with the present-day more positively posed value of progressive and 'left' dedication to the maximum development of each individual's potential. Or, as the *Manifesto* puts it, the achievement of a society in which 'the free development of each is the condition for the free development of all'.

Marx did not attempt to lay down a blueprint for the new society though he made important suggestions in the *Manifesto* as well as in *Critique of the Gotha Program* in 1875. But his absolute opposition to exchange was a powerful negative influence on what was attempted, exposing the fact that nearly all the revolutionaries of the day lacked even rudimentary knowledge of economic processes. This was trenchantly commented on by von Mises in his 1920 essay, *Economic Calculation in the Socialist Commonwealth*, in which he spoke openly about markets and ethics.

Early Soviet priorities

After the Brest-Litovsk Treaty (February 1918) had bought a separate peace with Germany, Lenin's first major report two months later, entitled 'The Immediate Tasks of the Soviet Government', outlined the primary task facing the nation as one of organising the administration.¹⁷ For Lenin, the chief requirements were the 'organisation of the strictest and nationwide accounting and control of production and the distribution of goods', and 'to march unswervingly towards transforming the banks into nodal points of public accounting under socialism'.¹⁸ There was nothing wrong in any of these propositions given the desperate circumstances of the time, but it demonstrated a view of the workings of an economy as primarily one of organisation and counting, rather than of ensuring the coordination of all its sectors and components, and of being in tune with and promoting innovations.¹⁹ For this, a market mechanism and the prices it generates along with the matching of supply to demand are fundamental.

Lenin changed his view after the defeat of internal revolt and foreign intervention had wrecked what remained of Russian industry and it became clear that markets, competition, and competitors, were essential to get the economy going again. In the first place, it was imperative to establish trade between town and country, and to expand production of manufactured goods to exchange for grain. This was a crucial step towards replacing the arbitrary confiscations made necessary by the civil war and the foreign intervention, but which were no longer tolerable to the peasantry.

To Lenin's credit he later fought, and was forced to fight by fierce opposition on (Marxist) theoretical and other grounds, for a theoretical about-turn towards markets. This significant change in direction adopted in April 1921 at the 10th Party Congress became known as the New Economic Policy. It is clear from the speeches and debates how difficult it was for the leaders and members of the party to overcome their own ingrained Marxist view of markets as being identified with capitalism, and even then it was accepted only as a 'temporary retreat'. Although it led to economic recovery, after Lenin died in early 1924, there was much debate about the future in which the 'planning versus markets' dispute figured prominently and was linked with fierce struggles for power.

Stalinism triumphed when this opening towards markets was closed by the first five-year plan in 1928 and the accompanying trial and execution slaughter is more accurate of all opposition and the elimination of the Kulaks, a class of relatively wealthy and efficient farmers. There followed the establishment of a new type of bureaucratic apparatus, forged with the aid of terror, that evolved into a form that was able to survive and survived the transition from Stalinist terror to the period after Khrushchev's partial denunciation of Stalin in 1956. It was partial because it laid the blame for the problems of the regime on 'the cult of the individual', in fact only a relatively minor 'superstructural' factor, thereby masking a failure to examine the deeper roots of economic and political difficulties. These lay primarily in the lack of market mechanisms, and the monopoly of all the peaks of power economic, political and ideological by the Communist Party itself.

These old battles persist in sections of the left today, while the left as a whole is only slowly coming to realise that times have changed, society has changed, the working class has changed, and so have humanity's tasks. Old theories and approaches are no longer adequate and do not apply even to the extent they once did; and responses in new ways, appropriate for our times, are called for.

7 Social justice

Marx did not see the need for a theory of social justice separate from his general view of the good, human-friendly society based on a community of interests of associated producers; that is, he saw it as a part of his project of ending alienation. He supported those principles we now put under the heading of 'human rights', opposed the censorship of his day, supported women's liberation in his understanding of it, condemned discrimination based on race or ethnic origin, and supported national independence for colonial peoples. His view of personal liberty focused on the desired relationship between the one and the all – that is, 'an association in which the free development of each is the condition for the free development of all'.¹

Marx did not advocate equal incomes, knowing that people were individuals and differed from each other in abilities, strength and commitments. He envisaged two stages in socialist development; in the first, all would work according to their abilities receiving payment for the work done; in the second, as socialist values developed, they would work voluntarily according to their ability and receive or, rather, take, according to their needs. Though this second stage may have been utopian, regrettably these principles were never tried out in practice.

These considerations serve as a backdrop to Hayek's views on the subject of social justice. He vehemently opposed recognising *any* validity, or even content, in the concept, though he sometimes reluctantly relented slightly as when he wrote: 'Though the phrase has undoubtedly helped occasionally to make the law more equal for all, whether the demand for justice in distribution has in any sense made society juster or reduced discontent must remain doubtful.'²

One can only wonder what experiences he drew upon or which authorities he consulted to conclude that 'making the law more equal for all' or conceding demands for higher and more equitable wages does not 'reduce discontent'. In his longer discussion of this issue

elsewhere in volume 2 of *Law, Legislation and Liberty*, he shifted his position from the notion of greater income equality, which is what most socialists and others sought in a 'system that gives more to those who already have', to that of 'equality of incomes', or payment on the basis of 'moral merit', which few have seriously pursued. He sought to justify his extreme position, denying even the conceptual, let alone practical, possibility of a state of affairs in which a society might be considered to be just. Indeed, he declared such a possibility to be a nonsensical 'category mistake': 'It does not belong to the category of error but to that of nonsense, like the term "a moral stone"', and from that extreme standpoint he questioned the intellectual integrity of those still speaking of 'social justice', writing:

If political discussion is to become honest it is necessary that people should recognize that the term is intellectually disreputable, the mark of demagoguery or cheap journalism which responsible thinkers ought to be ashamed to use because, once its vacuity is recognized, its use is dishonest ... I have come to feel strongly that the greatest service I can still render to my fellow men would be that I could make the speakers and writers among them thoroughly ashamed ever again to employ the term 'social justice'.³

And he expressed further contempt for the concept and the people who use it, arguing that social justice is:

simply a quasi-religious superstition of the kind which we should respectfully leave in peace so long as it merely makes those happy who hold it, but which we must fight when it becomes the pretext of coercing other men. And the prevailing belief in 'social justice' is at present probably the gravest threat to most other values of a free civilization.⁴

I will discuss the meaning of categories and the conclusions Hayek draws from them in Chapter 14.

Hayek's arguments

These are strong, and doubtless heartfelt feelings, and the aim of this chapter is to examine, as soberly as possible, the factual evidence and theoretical arguments which justify and feed those emotions. I discuss categories in Chapter 14, but note here that Hayek's stance ultimately rests on the unproven contention that society, just like the market, is a

spontaneous or self-generated entity in which human beings were of course involved, but played no part in consciously creating it, and so it simply spontaneously evolved to its present state.

This tends to contradict other statements he made, but it is not simply inconsistencies that are involved here, though I will sometimes note them. More important is the question of the basis, if any, on which society could be declared spontaneous, and so exempt from the requirements of justice. On this latter point, Hayek held that 'Justice is not concerned with those unintended consequences of a spontaneous order which have not been deliberately brought about by anybody'.⁵ On the former point, he believed it was the nature and function of markets, as 'impersonal mechanisms', to establish prices which are transmitted throughout society almost instantaneously and without the need for a costly and necessarily imperfect apparatus. The prices, he argued, are established by competition between buyers and sellers, whether individuals or collective (usually company) entities. And it is the prices which tell those individuals and entities what they should do *now* within the extensive commercial field which may well be different from what they did yesterday or last year.

But do markets, in fact, constitute the whole of society as Hayek sometimes seems to think and to strive for? Such a contention would be akin to that of Marx who held that the mode of producing and exchanging played a major, even determining, role in the social ideas that people formed and in their 'culture' in the broadest sense. Marx's purpose in pointing this out was to mobilise working-class and other social forces to change the existing mode to a more human-oriented one based on the values that he thought (somewhat utopianly) should direct each individual's activity. But there are other areas of society and social life which markets do not, and should not, dominate. In some parts of his works Hayek recognises this, conceding that 'if we were always to apply [the rules of just conduct in commercial affairs] to our more intimate groupings, *we would crush them*. So we must learn to live in two sorts of world at once'.⁶ But occasional inconsistencies cannot be allowed to blur the main line of his reasoning.

I will provisionally accept an over-generous version of the spontaneity of markets for the sake of the argument, but from it Hayek then concludes that the 'states of affairs' created by markets that is, the state society is in at any given time is just that: a factually existing state for which no one can be held responsible because no person or group of persons deliberately brought it about. Putting that same thought in another way, he writes:

Though there can be no justification for representing the rules of just conduct as natural in the sense that they are part of an external and eternal order of things, or permanently implanted in an unalterable nature of man, or even in the sense that man's mind is so fashioned once and for all that he must adopt those particular rules of conduct, it does not follow from this that the rules of conduct which in fact guide him must be the product of a deliberate choice on his part; or that he is capable of forming a society by adopting any rules he decides upon; or that these rules may not be given to him independent of any particular person's will and in this sense exist 'objectively' ... The views and opinions which shape the order of a society, as well as the resulting order of that society itself, are not dependent on any one person's decision and will often not be alterable by any concrete act of will; and in this sense they must be regarded as an objectively existing fact. Those results of human action which are not brought about by human design may therefore well be objectively given to us.⁷

The point missing in this rather convoluted argument – and in much of Hayek's theoretical reasoning – is that many if not most social events are a mixture of the spontaneous and the designed. For instance, Marxism recognised that social outcomes are usually the result of struggle between contending political forces, in which the design of any one single element is seldom realised. But to then speak of social outcomes, including the nature of the society that results, as being spontaneous and on that account immune to judgments of their justness or otherwise, is a rather bizarre use of a treasured concept.

One sees again in this account a kind of circular reasoning, characteristic of significant parts of Hayek's work. Here, what in the beginning was not objective in the substantive meaning of the word, becomes objective in the conclusion, on the putative grounds that this is so because no person, or an act of will by any one person, can change it. He also seems to be asserting that a majority in a society could not, or should not, will it to happen either.

No appeal

Hayek further contended that there can be no appeal when the system of rules of 'just individual conduct' (his favoured term) causes harm to people. He had in mind the booms and busts and their consequent unemployment and other hardships incurred by individuals, whole families and businesses. Most people still hope it is possible to elect a

government that might undertake to amend these rules – or adopt new ones – to counter these tendencies. Routinely today central banks use ‘willed’ rates of interest and governments use fiscal measures, in the hope of restricting the damage that the system with its boom and bust cycles can do. But these measures are clearly interventions that Hayek otherwise condemns, the very aim of interference being:

always to bring about a particular result which is different from that which would have been produced if the mechanism had been allowed unaided to follow its inherent principles ... Interference, if the term is properly used, is therefore by definition an isolated act of coercion ... It is, moreover, an act which will always disrupt the overall order and will prevent that mutual adjustment of all its parts on which the spontaneous order rests.⁸

Hayek claimed that government is but the biggest of the many organisations that exist in a society, and that there is an insurmountable difference between any organisation and the whole order in which it exists. This is quite at odds with the ideal of government as a representative one, and the only one representative of the people as a whole that can be established democratically. Government is thus not simply ‘an organisation’, it is more akin to a corporation in the original Roman sense – that is, an entity that has a legal status separate from those of its members; a body that can, and in practice sometimes does, have a duty of care and represents the views, concerns and needs of a majority of its members.⁹

More inconsistencies

Hayek contradicts the rules he propounds on the basis of his argument that society is wholly spontaneous, as well as the arguments he uses in opposition to social justice when, along with fellow US Nobel laureate economist and free marketeer, Milton Friedman, he agrees that:

There is no reason why in a free society government should not assure to all protection against severe deprivation in the form of an assured minimum income, or a floor below which nobody need to descend. To enter into such an insurance against extreme misfortune may well be in the interests of all; or it may be felt to be a clear moral duty of all to assist, within the organized community, those who cannot help themselves. So long as such a uniform minimum income is provided outside the market to all those who,

for any reason, are unable to earn in the market an adequate maintenance, this need not lead to a restriction of freedom, or conflict with the Rule of Law.¹⁰

This proposal is not without its faults. But it undoubtedly embraces a measure of 'social justice', as Bruce Caldwell remarks: 'Within the covers of the same book he will both argue that policies that aim at income distribution violate the rule of law and endorse the provision of a "safety net" that is itself an instrument of redistribution'.¹¹

Social justice is not essentially about a safety net or welfare, but about what the law ought to be – that is, to quote Hayek, 'a political ideal'.¹² In this case the law, or if preferred 'the rules of just conduct' as Hayek calls them, should apply more widely than simply between individuals. That is, we should not accept Hayek's contention, taken up so enthusiastically by Margaret Thatcher, British Conservative prime minister in the 1980s, that 'there is no such thing as society. There are individual men and women, and there are families.'¹³ Here, markets play a major role – perhaps too major a role – without some external or, in Friedman's phrase 'outside the market', intervention which society, or the community, should take into account to prevent, or remedy. For example, if people become unemployed because of recurring economic cycles, the transfer of production facilities to other countries, or the replacement of old technologies with new, they should receive subsistence support and access to education and training as a right. This would be not only in the individuals' interest but also in the interests of the economy as a whole, especially today when such occurrences are more frequent than ever before, often several times in a single lifespan, and the competition for skilled workers is intense worldwide. On the social side, such provisions would promote the feeling of being a valued individual member of the society and the community.

Hayek's challenge

Hayek made an assertion and issued a challenge. The assertion was that the 'attribute of justice may thus be predicated about the intended results of human action but not about circumstances which have not deliberately been brought about by men'.¹⁴ This is an extremely broad-ambit claim. The person driving a car speeding above the legal limit, or even within the limit, is not likely to aim to kill or injure another person deliberately. But to provide justice to the victim or their family is surely to assign some blame and perhaps compensation. Shouldn't a community or society compensate individuals who are harmed by its

operations, particularly when there is a well known cyclical pattern of damage to large numbers of people, usually set off by some injudicious excesses by those seeking more profit? Shouldn't all who have contributed to global warming pay something towards its remedy, and on a sliding scale to 'make the punishment fit the crime' to ensure that those profiting from it (and who for many years may have known about it) pay most?

The challenge Hayek made was that those who believed in social justice should say what it consisted of. To his assertion that only deliberate harm could be taken into account (and which he insisted should be denied) he added another condition: only matters that can be put in a general form – that is, ones that do not refer to particular individuals – should be considered because 'rules of just conduct' and laws based on them were meant to apply only to situations.

In response to this challenge, accepting this last condition and also acknowledging that no list can be exhaustive because the content of social justice changes as conditions change, I here set out what I believe to be the main characteristics of social justice. Underlying these elements is the attitude we should have towards other people, ably summed up by the French philosopher Simone Weil like this: 'respect is due to the person as such and is not a matter of degree'.¹⁵

- There is opposition to all forms of discrimination based on race, ethnic origin, religion, gender, sexual orientation, age and disability.
- Every person is respected as an equally valued member of the community in their dignity and their equal practical access to the law. This means providing a rising minimum of social insurance in line with national wealth for anyone unable to work or find a job, and a guaranteed minimum wage significantly above that level for those employed.
- Socially recognised standards of health care are equally available to all in no longer than the general average time; there can be no 'two tier' system in which some people are routinely placed at the bottom.
- Standards of entry to higher education institutions are universally applied and not adjusted according to the ability to pay.
- Modern and effective communications networks are available to all.
- Those who are unemployed through no fault of their own – for instance due to business cycles, offshore outsourcing, or the speed of technological change – have the right to re-education and skilling with the prospect of a reasonable income. When no jobs are available for those lacking suitable skills both education and work is

provided in areas such as in restoring or protecting the environment, or developing infrastructure and services.

- Inequalities are reduced over time, not increased.
- Work, production, education and the provision of services possess intrinsic 'non-material' value – that is, these activities should encourage the fullest possible utilisation of individual talents, not just saleable skills. Provision is also made for adequate time to nurture family, friendships, and other social relationships.
- Intergenerational justice, a major component of social justice, means that each generation should pass on at least as good a world as it itself enjoyed.

In effect, social justice as I envisage it, means that no individuals are treated differently and standards are applied universally. It also satisfies Hayek's conception of liberty, ensuring that all individuals will possess social space in which to take the decision on how to use their knowledge, skills and, with social consent, their property, with rights that no one can take away by force, intimidation or deception.¹⁶

Non-discrimination

As noted above, one of the basic principles of social justice – principles that should be observed in any civilised community – is that there should be no discrimination against people because of their ethnic or racial background, colour, gender, sexual orientation or age. It is significant that Hayek seldom mentions such issues. For instance, he deals with the position of gender equality in this startling reference to universal voting rights:

It is useful to remember that in the oldest and most successful of European democracies, Switzerland, women are still excluded from the vote and apparently with the approval of the majority of them.¹⁷

His view that 'the man of independent means is an even more important figure in a free society when he is not occupied with using his capital in the pursuit of material gain but uses it in the service of aims which bring no material return', would make it appear that this is the main source of social justice movements.¹⁸

It can't be denied that some wealthy men and women of independent means have indeed been altruistic. For example, 2007 was the 200th anniversary of the ending of British involvement in the slave trade that provided the labour force for the production of sugar, tobacco, cotton

and other commodities in the Americas. British politician William Wilberforce, son of a wealthy merchant, used his inheritance to lead the struggle to abolish slavery for twenty years before succeeding. He is rightly honoured for his efforts; but in doing so we should also remember the slave revolt in the island of Haiti. One of a number of Caribbean slave uprisings, this revolution which began in 1791, was led by the slave Toussaint L'Overture, who defeated large British armies, causing 40,000 casualties, and achieved Haitian independence in 1803.

But Hayek appears to have been unaware of the existence of altruistic men and women without vast financial resources. Most nations can furnish examples of such moral leaders. In my own country of Australia, one such leader was a Marxist trade union leader, Jack Mundey, who was foremost in the world in preserving historical and other buildings from the developers' hammers through what are widely called 'green bans' imposed by unions, and in promoting many wider environmental concerns.

That wealthy people in the past have played a major role in struggles for social justice, and that some do today on issues including climate change and the environment, is to be applauded. But generally, wealth is wedded to pursuing its own expansion, and it will require concerted action by citizens from every walk of life with the aid of governments to launch an assault on global warming and achieve permanent environmental sustainability.

Equal remuneration; payment for merit

In a section entitled 'The Mirage of Social Justice', Hayek devotes much of his second volume of *Law, Legislation and Liberty*, to contesting the possibility that all incomes could be made equal, or that payment should be based on the moral merit of the particular individual. If this is intended to refute most socialist views, particularly Marxist socialism, it completely misses the target, for this was never its aim. As already noted, Marx specifically recognised that equal payment was impossible in the first stage of communism, stating:

one man is superior to another physically or mentally and so supplies more labour in the same time, or can labour for a longer time; and labour, to serve as a measure, must be defined by its duration or intensity, otherwise it ceases to be a standard of measurement. This *equal* right is an unequal right for unequal labour. It recognizes no class differences, because everyone is only a worker like everyone else; but it tacitly recognizes unequal

individual endowment and thus productive capacity as natural privileges ...

In a higher phase of communist society, after the enslaving subordination of the individual to the division of labour, and therefore with also the antithesis between mental and physical labour, has vanished; after labour has become not only a means of life but life's prime want; after the productive forces have also increased with the all-round development of the individual, and all the springs of cooperative wealth flow more abundantly — only then can the narrow horizon of bourgeois right be crossed in its entirety and society inscribe on its banners: From each according to his ability, to each according to his needs!¹⁹

Though some left rhetoric may at times have given the impression that equal payment, or payment on the basis of moral merit, was a major part of the socialist objective, I don't believe this was ever so. Hayek wastes much effort in demolishing a straw man, no doubt unconsciously, but he fails to adequately confront well reasoned and also deeply felt alternative views.

It is not an impossible absolute equality that social justice requires, but an adequate and increasing degree of equality as against the increasing degree of inequality that prevails. Hayek, however, acknowledges that the present system 'gives to those who already have' and adds that 'this is its merit rather than its defect'.²⁰ But the question in any case must be asked: 'How much?' This question embraces the division between the two main and immediate necessities for the production of wealth — capital and labour — which has varied throughout history and, since the ascendancy of neo-liberalism, has shifted significantly to favour capital. This is widely acknowledged by those such as Stephen S. Roach, chief economist of Morgan Stanley investment bank, who says: 'the returns on capital have never been greater [and ...] the shares of labour income have never been lower'.²¹

One can also ask whether capital — the effectiveness of which depends to a major extent on the condition of the infrastructure of society, both the health and educational level of the labour force, and the hardware such as roads, ports, airfields and communications systems — pays adequately for it.

Not the least of Hayek's objections to social justice is that its realisation involves what he says is the 'coercion' of other men. Here he has in mind the belief that money transfers within society involve taxation, on which he has strong, and sometimes contradictory, opinions. He wants a flat rate of taxation for all — say, 10 per cent of

income. Leaving aside the fact that millionaires and billionaires are often able to avoid paying any tax at all by complicated schemes involving company structures and tax-havens, a flat tax violates most people's view of fairness and justice. Hayek then, rather contradictorily, admits: 'If the known necessity of paying a certain amount in taxes becomes the basis of all my plans ... then I can follow a general plan of my making and am as independent of the will of another person as men have learned to be in society',²² in other words admitting he is *not* then coerced. Furthermore, the assumption that private property, for instance in land or items of fixed capital, confers a right to absolute ownership of the whole surplus above outlays is unwarranted, for it does not recognise the rights of workers to bargain for more, or the requirements of the infrastructure on which capital depends.

Time and profitability

One of the ways in which neo-liberalism impacted upon society was by achieving a transition from the provision of public services on the basis of their success in serving the 'common interests' of all, to turning those services into the equivalent of commercial enterprises whose success would be determined by the profit they made on behalf of the 'shareholders' that is, the 'public'. This was called 'corporatisation' and it involved students, recipients of health care, pensioners and other recipients being called 'customers'. This turned out to be a step towards private ownership while a hybrid form – public-private partnerships (PPPs) – also developed.

On the surface, these changes may appear to signify merely new names without substantial significance. But they hide the more important issues such as how 'success' will actually be measured. The rate of return on capital invested is the commercial principle. But how does this apply in, say, the case of the water-supply dam for a big city? Australian academic and writer Christopher Sheil explains:

Water capital productivity estimates will always be imprecise because the real useful lives of truly major drains and water mains can stretch across the centuries – and this is not to begin thinking about calculating the real annual wear and tear on the eternal value of a catchment, let alone to try to conceptualise apportioning the infinity of intimate and complex relationships bound up in the performance of the hydrological cycle. The longevity of just the humanly constructed physical assets in a water system not only dwarfs the life-spans of generations of accountants and their ephemeral

standards, it transcends all certainty in our contemporary knowledge of construction technology and science.²³

He takes the example of Sydney's main water supply, the Warragamba Dam, some 50 km to the southwest of the city, which was completed in 1960 and currently has an officially estimated useful life of two centuries. But, as Sheil points out, 'no one really knows how long these assets will live, let alone how much value will be consumed in a given year or what their replacement cost will be'.²⁴

As well as such economic considerations which apply to many other aspects of the built infrastructure, Sheil raises moral and environmental issues. This prompts a return to the blunt and unqualified evaluation of markets made by Ludwig von Mises who, as we've already seen, convincingly pointed out that morals and markets don't mix, though the former are just as much motive forces of rational conduct as the search for profit through the market. The environment has unmeasurable utility unmeasurable because we are dead without it and we require its beauty. But how much better, and more realistic, to take both together! Human physical existence, emotions, reason and morality should all be taken together.

Intergenerational justice

In present conditions, having arrived at a juncture where global warming and sustainability have become matters of human survival and not just its well-being, the whole population *must* become involved. More than ever, this requires that social justice should prevail. For unless the majority of people know that burdens are equitably shared, they will continue to think of themselves as individuals and focus on working for personal material betterment rather than see themselves as members of one large global community in which all are equally endangered. They will also need to understand that, not only is the immediate future placing their children at risk, but so too that of all succeeding generations. In short, intergenerational justice is a key part of social justice.

8 Morality

Morals, ethics and values deal with a wide area of human attitudes and behaviour seen in all races and ethnic groups across all nations and social formations. Though they may be used interchangeably, each term has a range of specific connotations: morals are often identified with religious views of right and wrong, with relations between the sexes figuring prominently in their general usage; ethics tend to refer to an articulated code of conduct as practised in the professions; values are invariably applied particularly to relatively permanent dispositions that guide reactions of approval or disapproval in regard to social events and the actions of individuals and social groupings.

The essential common feature of all three concepts is that they are associated with strong feelings or emotions, involving mental and even physical agitation. It is noticeable that the more strongly the morals, ethics or values are held, the more intense are the feelings and the actions likely to be taken by the holders to oppose what they see as a violation of their own values and to promote or try to impose their own. In this sense, one can agree with David Hume's opinion that what he viewed as 'inborn moral sentiments' constituted the ground on which the motivation to act occurred, compared with which reason was inert.

Adam Smith largely agreed with Hume, though in a more nuanced way, as we can see from his book *The Theory of Moral Sentiments* published some seventeen years before *The Wealth of Nations*. Smith's theory was based on the proposition that:

How selfish soever man may be supposed, there are evidently some principles in his nature, which interest him in the fortune of others, and render their happiness necessary to him, though he derives nothing from it except the pleasure of seeing it.¹

Towards the end of the book, Smith deals with the important question raised by Hume concerning the connection between morals and reason:

But though reason is undoubtedly the source of the general rules of morality, and of all the moral judgments which we form by means of them; it is altogether absurd and unintelligible to suppose that the first perceptions of right and wrong can be derived from reason, even in those particular cases upon the experience of which the general rules are formed. These first perceptions, as well as all other experiments upon which any general rules are founded, cannot be the object of reason, but of immediate sense and feeling. It is by finding in a vast variety of instances that one tenor of conduct constantly pleases in a certain manner, and that another as constantly displeases the mind, that we form the general rules of morality.²

I have my own views about the relationship between feeling and reason, and I shall outline these as well as some recent scientific findings on the subject. First, I explore what Marx and Hayek had to say on the matter.

Marx and values

That Marx had strong feelings about values – against those that prevailed under capitalism and for those that would prevail under socialism – is evident in almost every line of the *Manifesto*. For instance:

All fixed, fast-frozen relations, with their train of ancient and venerable prejudices and opinions, are swept away, all new-formed ones become antiquated before they can ossify. All that is solid melts into air, all that is holy is profaned, and man is at last compelled to face with sober senses, his real conditions of life, and his relations with his kind.

Modern industry has converted the little workshop of the patriarchal master into the great factory of the industrial capitalist. Masses of labourers, crowded into the factory, are organised like soldiers. As privates of the industrial army they are placed under the command of a perfect hierarchy of officers and sergeants. Not only are they slaves of the bourgeois class, and of the bourgeois State; they are daily and hourly enslaved by the machine, by the over-looker, and, above all, by the individual bourgeois

manufacturer himself. The more openly this despotism proclaims gain to be its end and aim, the more petty, the more hateful and the more embittering it is.³

He also expresses his views very strongly in *Capital* as, for instance, in his account of the expropriation of the yeoman farmers in the late fifteenth and early sixteenth centuries to make sheep runs in order to cash in on the demand for wool caused by the rapidly expanding Flemish textile industry. Marx wrote sternly: 'The expropriation of the immediate producers was accomplished with merciless Vandalism, and under the stimulus of passions the most infamous, the most sordid, the pettiest, the most meanly odious.'⁴ 'Capital comes dripping from head to foot, from every pore, with blood and dirt.'⁵

Marx also showed his belief in right and wrong in his desire to end alienation and create the conditions in which all individuals could develop their capacities and talents to the full. And he revealed his strong views on morality in the parlour game 'Confessions' that he played with his daughters when he 'confessed' that his chief characteristic was 'Singleness of purpose', his idea of happiness was 'To fight', his idea of misery was 'Submission', and the vice he detested most was 'Servility'.⁶

The question is not whether he possessed a strong set of values, but why he did not write and speak more about it – an issue many commentators have raised. Part of the reason is that many socialists of the time were, in Marx's eyes, utopian, basing their belief on the power of their moral principles to defeat capitalism while the material conditions to make it a practical proposition were absent. He posed and answered in the *Manifesto* many of the objections made by bourgeois opponents at the time: 'The theoretical conclusions of the Communists', he wrote, 'are in no way based on ideas or principles that have been invented, or discovered, by this or that would-be universal reformer.' Marx then replied to statements of opponents that:

religious, moral, philosophical and juridical ideas have been modified in the course of historical development. But religion, morality, philosophy, political science, and law, constantly survived this change. There are, besides, eternal truths, such as Freedom, Justice, etc., that are common to all states of society. But Communism abolishes eternal truths, it abolishes all religion, and all morality, instead of constituting them on a new basis; it therefore acts in contradiction to all past historical experience.⁷

To this Marx replied:

What does this accusation reduce itself to? The history of all past society has consisted in the development of class antagonisms, antagonisms that assumed different forms at different epochs. But whatever form they may have taken, one fact is common to all past ages, *viz.*, the exploitation of one part of society by the other. No wonder, then, that the social consciousness of past ages, despite all the multiplicity and variety it displays, moves within certain common forms, or general ideas, which cannot completely vanish except with the total disappearance of class antagonisms.⁸

Rather than spell out his positive views about moral values, Marx declared that 'The Communist revolution is the most radical rupture with traditional property relations; no wonder that its development involves the most radical rupture with traditional ideas.'⁹ This, however, was far too sweeping a statement and it contributed to the false impression of many of his supporters as well as his critics that the conduct of the class struggle and the society its successful culmination would bring about, would be morality-free. From this failure to specifically deal with moral values it was further inferred that, contrary to general Marxist theory, there would be no superstructure once the socialist base of common ownership of the means of production was established. In 1920 Lenin corrected this impression if in an ambivalent fashion:

The entire purpose of training, educating and teaching the youth of today should be to imbue them with communist ethics. But is there such a thing as communist ethics? Is there such a thing as communist morality? Of course, there is. It is often suggested that we have no ethics of our own; very often the bourgeoisie accuse us Communists of rejecting all morality. This is a method of confusing the issue, of throwing dust in the eyes of the workers and peasants. In what sense do we reject ethics, reject morality? In the sense given to it by the bourgeoisie, who based ethics on God's commandments. On this point we, of course, say that we do not believe in God, and that we know perfectly well that the clergy, the landowners and the bourgeoisie invoked the name of God so as to further their own interests as exploiters. Or, instead of basing ethics on the commandments of morality, on the commandments of God, they based it on idealist or semi-idealist phrases, which always amounted to something very similar to God's commandments. We

reject any morality based on extra-human and extra-class concepts. We say that this is deception, dupery, stultification of the workers and peasants in the interests of the landowners and capitalists. We say that our morality is entirely subordinated to the interests of the proletariat's class struggle. Our morality stems from the interests of the class struggle of the proletariat.¹⁰

Marx and justice

Both supporters and critics have also questioned why Marx never denounced capitalism as being 'unjust', pointing out that he spoke of capitalism functioning by the exchange of equivalents which, on the face of it, seems to be perfectly just. This, however, quite misunderstands Marx's reasoning on the matter. What he aimed to demonstrate was not that capitalism and capitalists never acted unjustly or cheated, but that the system worked just as well, or better, if they did not so act. The 'laws' of the system of private ownership of the means of production on the one hand, and propertyless workers selling their labour power at its cost of production on the other, enabled capital to adequately perform its fundamental function of self-expansion.

Because Marx was not sufficiently explicit or forceful about his ideas on values, they became subsumed in his theoretical work in general and in his explication of the laws of political economic development in particular. A new morality – a new set of values – Marx thought, would arise spontaneously during the course of the revolutionary struggle and develop in the course of constructing the new society. He prioritised this notion of law-governed political-economic development in the chapter of *Capital* headed 'Historical Tendency of Capitalist Accumulation'. The expropriation of capitalist property, he wrote:

is accomplished by the action of the immanent laws of capitalistic production itself, by the centralization of capital. One capitalist always kills many ... The monopoly of capital becomes a fetter upon the mode of production, which has sprung up and flourished along with, and under it. Centralization of the means of production and socialization of labour at last reach a point where they become incompatible with their capitalist integument.

And with an exuberant flourish he ended by declaring this was the point when the integument, or outer coating, 'is burst asunder. The knell of capitalist private property sounds. The expropriators are expropriated.'¹¹

Along with other defects in Marx's thinking about a system of ethics that I deal with in the earlier discussion on Gramsci (see Chapter 5), it is important to note that, while a strong tendency towards monopoly exists and has even accelerated in recent years, it has not had the effect that Marx predicted. Nor has 'the modern labourer ... instead of rising with the progress of industry, [sunk] deeper and deeper below the conditions of existence of his own class [becoming] a pauper [while] pauperism develops more rapidly than population and wealth'.¹² In part, this is because workers' struggles in many/most parts of the world did arouse widespread public sentiment about issues of social justice as well as concern about the future of the system in its absence. It is also due to the fact that, while many individual capitalists kept their wages bill as low as possible, capitalists as a class realised the importance of ensuring the employed maintained a level of effective consumer demand.

The other major structural feature of capitalism that Marx erroneously counted on to bring about its own demise was the so-called 'law' of the falling rate of profit. Though indeed a tendency, he thought that it must eventually prevail, obviating capitalism's need to continually push for constant expansion through the development of the productive forces. At this point, Marx reasoned, the proletariat would necessarily have to take over for its own survival and resume, at a higher level, the development of those forces. His concept of the falling rate of profit, however, was based on the labour theory of value which, as we've already seen, contains theoretical errors, which will be further explored in Chapter 13. It is possible, nevertheless, that the existence of theoretical faults in Marx's ideas concerning monopolisation and a falling rate of profit may actually help us in the search for a means for social transformation more appropriate to the realities and to today's needs.¹³

The importance of values

At this point I'd like to share my own quite painful journey from a position of ignoring or dismissing values to that of appreciating just how important they are. While I don't presume to speak on behalf of others, I know I was not alone, but my experience may shed light on what this Marxist, at least, thought and felt. The 1968 Soviet invasion of Czechoslovakia cutting short the 'Prague Spring' that sought 'Socialism with a human face', was a watershed, though doubts had begun to develop over a decade earlier. The issue for me was this: why had the theory that had seemed to explain social developments so fully, at

least from the First World War (some of the aftermath of which I had experienced as a child) until the victory of the Chinese Revolution in 1949, resulted in this appalling outcome? Why had the theory that had so eloquently and logically explained so much of history not been able to provide its adherents with what was needed to prevent this disaster? The economic and political arguments could not explain or justify the enormity of what had happened.

In 1970 I decided to take time off from full-time Party work to investigate further. The particular driving force was the need to understand why and how Marxist theory had let us down. The theory now seemed to contain some faults that I had previously ignored or only vaguely wondered about: they were, I now realised, much more serious. I still felt as I always had about opposing injustice, great inequalities of wealth and power, war, colonialism, the maltreatment of Aborigines and other indigenous peoples, and the low economic and social status of women. And my views about the need to protect and fight for the opportunity for everyone to develop their full potential had not changed. As I studied and thought more, I came to the conclusion that my values (which I would not have been able to articulate any more than I had a theoretical understanding of them) had been a deeper and more constant motivation for my activities than the theory which I had thought to be their source. I did not on that account reject theory as such, but started to approach it in a different, more open-minded, way.¹⁴

Hayek on values

A growing number of people today are aware that there is a moral emptiness eating at the heart of modern society. Many also see that combating global warming and achieving environmental sustainability presents us with both an imperative and an opportunity to change, and to do so in regard to individual values as well as those institutionally inscribed. But values both their nature and their content remain as contentious today as they did several decades ago in the heyday of socialist ideals and hopes.

Hayek wrote a great deal on the subject, including a declaration that his differences with socialist views were over matters of fact rather than over values, some of which he claimed to share. His explanation was that capitalism:

arose from unintentionally conforming to certain traditional and largely *moral* practices, many of which men tend to dislike, whose significance they usually fail to understand, whose validity they

cannot prove, and which have nonetheless fairly rapidly spread by means of an evolutionary selection the comparative increase of population and wealth of those groups that happened to follow them.¹⁵

Hayek's discussion of values, however, is inconsistent and lacks any inherent unity. The closest he comes to a useful definition is in his reference to a 'lasting disposition' in the following passage:

An act of will determines what shall be done at a particular moment, while an opinion will tell us merely what rules to observe when the occasion arises. The distinction is related to that between a particular *impulse* evoking action and a mere *disposition* to act in a certain manner. Aiming at a particular result, the will ceases when the 'end' is achieved, while an opinion, constituting a lasting disposition, will guide many particular acts of will. ... We shall accordingly say that, e.g., the law or the rules of just conduct serve not (concrete or particular) ends but (abstract and generic) values, namely the preservation of a kind of order.¹⁶

These assertions are peculiar in several ways. For instance, there may be a 'lasting disposition' to do away with a particular kind of order that is, quite other kinds of 'abstract and generic' values may exist. In fact, it is for having values so opposed to those that he thought were inherent and necessary to capitalism that Hayek castigates employees, writing that 'their intuitive craving for a more humane and personal morals corresponding to their inherited instincts is quite likely to destroy the Open Society'.¹⁷ But having made this assertion, Hayek then refuses to allow such reactions to qualify as values: for him they are only 'instincts'. He makes the same assertion about the values of our hunter-gatherer ancestors, writing that he preferred 'to confine the term "morality" to those non-instinctive rules that enabled mankind to expand into an extended order since the concept of morals makes sense only by contrast to impulsive and unreflective conduct ...'¹⁸ The view that hunter-gatherers acted in this way belies their existence for the best part of 200,000 years (those in isolated Australia up to 60,000 years) in which, with only primitive implements and a lack of scientific knowledge (as we know it today), they survived many hazards, including eras of climate change.

Hayek's account also assumes that values are only used to choose between different 'rules of conduct' and he writes as though reason is unconnected with them. This I believe to be wrong and misleading. As

I came to realise in 1972 when writing my first book, *Values for an Exploding World*, reason is an integral part of values. Values deal with the attitudes that people adopt, with what they regard as good or bad, right or wrong, important or unimportant, of high priority or mattering little:

they involve the whole personality ... in a number of ways. First of all values involve both rational thought and emotions ... Secondly, they are involved in what people actually do, not just what they say, the principles they proclaim or the beliefs they assert. Thirdly, they are not necessarily held in some consciously articulated form, but may be adhered to unconsciously or perhaps subconsciously. Fourthly, they refer to the most generalized attitudes as distinct from more particular reactions to given situations or derivative attitudes of which there may be an almost unlimited number in a culture.¹⁹

The contention that values embrace both emotion and reason now has the scientific backing of many leading neuroscientists and behavioural neurologists, particularly in the work of Antonio R. Damasio, professor of neuroscience at the University of Southern California, where he heads the Brain and Creativity Institute. In *Descartes' Error: Emotion, Reason and the Human Brain*, Damasio points to the well known fact that internal body states give rise to *feelings* (or emotions – the two terms are basically interchangeable) that prompt action. For example, dehydration, which increases the concentration of potassium ions in the blood, produces a feeling of thirst, while a drop in the level of glucose evokes a feeling of hunger. The nerve connections involved operate through what in evolutionary terms are the oldest parts of the brain – the brain stem, the hypothalamus, and the limbic systems. Thus, along with many other creatures, we have genetically inbuilt systems that spontaneously alert our brains to direct our limbs to act – to find water to drink, food to eat – that will restore the required composition of our bodily tissues and preserve our lives.

Yet in our wider personal and social lives, we humans also have feelings or emotions that do not have such a direct or automatically operating basis. There are far too many different kinds of experience for each to have a particular physiological system, and the number of different emotions – anger, anxiety, pleasure, pain, disgust and a few others – is very limited. Because he ‘had been advised early in life that sound decisions came from a cool head, that emotions and reason did not mix any more than oil and water’, Damasio writes that he ‘envisaged separate neural systems for reason and emotion’.²⁰

It cannot be assumed that Damasio speaks the last word on the subject (there is none), but he makes a powerful case for the intimate connection between reason and emotion, one that gives some scientific, if partial, substantiation to Hume's emphasis on the 'passions', or emotions, as the mainspring of human intention and action. We make many decisions, often daily, based on a host of personal and social experiences that may give rise to one or other of the few emotions nominated above. We may experience or witness acts of bullying or other actions we believe to be unjust, or be faced with events that promote or hinder our deepest aims or ambitions. Damasio calls the emotions evoked from events and experiences such as these 'secondary', to distinguish them from the 'primary' ones described earlier such as anger, anxiety, pleasure, pain and disgust; but they too require responsive action(s), even though reason may tell us that these should be delayed or planned over a period of time.

The physiology involved in the interrelationship of emotion and reason is this: the cortex or thin covering layer of the frontal lobes of the brain is the focal point of our reasoning capacity. It consists of a concentration of billions of neurons that through their extensions, the axons and dendrites are connected to each other and to the rest of the nervous system, including the parts mentioned above, the brain stem, the hypothalamus, and the limbic systems. But these oldest parts have no direct links with the rest of the body apart from the reflex connections of the primary emotions, so Damasio's conclusion or 'revelation' as he called it was based on the fact that 'secondary' emotions therefore have to go through the cortical reasoning centre to activate the body. It was supported by evidence from two particular case studies which offer a clear explanation of the connections between emotion, reason and action.

Damasio and his colleague, Dr. Hanna Damasio, conducted the first case-study retrospectively. It involved the analysis of contemporary accounts of the case of Phineas Gage, the foreman of a railroad gang in Vermont, USA, in the mid-nineteenth century. In the course of blasting rock, the explosive prematurely ignited and a 6 kilogram, metre-long iron tamping tool penetrated the left side of Gage's skull and the right frontal lobe of his brain and landed 30 metres away covered in blood and brain tissue. Miraculously, he survived and made a complete recovery except, that is, his personality had changed and he no longer seemed capable of relating effectively to others socially as he had before, or of sensibly arranging his life. This clue, though very suggestive, obviously relied only on reported facts.

Corroboration came in the 1970s when a patient (given the name of Elliot) was referred to Damasio. Elliot had had an orange-sized

tumour removed from the right frontal lobe of his brain, and displayed behaviour similar to Gage's. Elliot's memory was intact, his IQ was in the superior range and his results were normal to good in various tests including the Standard Issue Moral Judgment test. In this test subjects are asked to indicate solutions to social problems that pose a conflict between two moral imperatives. Elliot could give a lucid and well reasoned account of possible options but, in indicating where his difficulties lay, he offered Damasio the evidence he needed. At the end of one session after he had produced an abundant quantity of 'options for action, all of which were valid and implementable', Damasio reports 'Elliot smiled, apparently satisfied with his rich imagination, but added: "And after all this, I still wouldn't know what to do!"'²¹ Damasio concluded that his patient lacked some input that would enable him to make choices between alternatives and come to the decisions that real-life situations demand. What had happened, he realised, was that the connections between the emotional and the reasoning centres of Elliot's brain had been severed by the operation to remove the tumour from his right frontal lobe.²²

This account substantiates David Hume's contention that emotion is active, while reason is (at least relatively) passive, as well as Adam Smith's 'theory of moral sentiments'. It also provides clues for understanding why Hume, for instance, found that the moral sentiments were more potent in promoting action than was reason. However this does not explain why some such sentiments are stronger than others. For instance Hume knew the power of self-interest compared with empathy, commenting that: 'this avidity alone, of acquiring goods and possessions for ourselves and our nearest friends is insatiable, perpetual, universal, and directly destructive of society.'²³ Could it be that the capitalist society he lived in fostered this sentiment more than other, more worthy ones?

While endorsing this notion of 'avidity', Hayek does not see anything destructive in it:

Most people are still reluctant to accept the fact that it should be the disdained 'cash-nexus' which holds the Great Society together, that the great ideal of the unity of mankind should in the last resort depend on the relations between the parts being governed by the striving for the better satisfaction of their material needs.²⁴

If this is 'the fact', as Hayek claims, and not the result of particular social arrangements where capital, together with its imperative for endless growth, dominates, we are in real trouble, for it clashes with objective

limitations on the exploitation of the earth's resources. It furthermore poses a war which we cannot win. I believe, on the contrary, that it is an extreme expression of one side of human nature to the exclusion of another, one that rejects its opposite which puts emphasis on collective needs, as our hunter-gatherer ancestors were compelled to do for other reasons. If reason, as Hayek contends, develops only in the conditions of 'civilisation' characteristic of just the last few thousand years, the time to use reason is *now*!

My belief and value is that humans in all societies, from the most primitive to the most sophisticated, possess instincts, emotions and values of both a self-directed and an other-directed, individualistic and collective, kind. These are but two examples of the dualities in human nature which need recognition and expression. The challenge is to devise new social conditions or, more likely, to change present ones so that they permit appropriate expression for both sides of the dualities consonant with the necessities of our times.

The 'rules'

In his last book, *The Fatal Conceit: The Errors of Socialism*, Hayek attempts to establish a theory of values that turns them into both a source and expression of his contention that human society is a spontaneous and self-generating entity based on (preferably blind) observance of 'universal rules of just individual conduct'.²⁵ But what are these rules? In his earlier major works, especially *The Constitution of Liberty* and *Law, Legislation and Liberty*, Hayek writes at length about them, but does not specify what they are, except for repeatedly quoting David Hume who wrote of 'the three fundamental laws of nature, *that of stability of possession, of its transference by consent, and of the performance of promises*'.²⁶

In *The Fatal Conceit*, Hayek spelt them out: several property [in effect, private property], honesty, contract, exchange, trade, competition, gain, and privacy. It is important to note that these are all commercial rules: in this context privacy refers to 'commercial in confidence' transactions that are frequently used, particularly in private-public partnerships, to hide important facts from the public; honesty is often lacking, but the aim for gain, never. In Hayek's view these 'Abstract rules operate as ultimate values because they serve unknown particular ends'.²⁷ They are ultimate 'because they are a restriction on what we may do without upsetting an order on whose existence we all count in deciding on our actions'.²⁸

How did these rules, and the social order that in Hayek's view they gave rise to, come about? In *The Fatal Conceit* he explains that

‘Mankind achieved civilization by developing and learning to follow rules (first in territorial tribes and then over broader reaches) that often forbade him to do what his instincts demanded, and no longer depended on a common perception of events.’²⁹ By this he seems to be asserting that the thousands of years separating hunter-gatherer society from capitalism were all part of a single process proceeding to an endpoint the society that we now inhabit, and which has to be preserved, ideally, according to Hayek, by allowing unfettered markets, activated by the need for exchange and pursuit of gain, to dominate society in perpetuity.

This view of history is so simplistic that it cannot be taken to represent Hayek’s actual historical knowledge: it is clear from his other writings that he knew much more about history than this suggests. The only conclusion to draw is that he is trying to make his social philosophy into a coherent whole, by over-generalising in order to make it appear so. Nor did he write much beyond this that would substantiate his contention that morals ‘constitute a separate tradition “between instinct and reason”’.³⁰

Two important questions arising from what Hayek writes concerning early history are these: Did our ancestors fail to evolve morals and systems of thought suited to their circumstance? Did they lack the common human reasoning faculty that we now have, even if to varying degrees? Hayek seems to be claiming that they did not possess either values or reason; what they did, how they lived, according to him was accomplished by hard-wired instincts and innate reflexes. But to assert, as he does, that peoples like the Australian Aborigines could have lived and even flourished for up to 60,000 years, largely isolated from others in a vast and often forbidding Australian continent by ‘impulsive and unreflective conduct’, displays no reasoned thought on his part. That the Aborigines have succeeded in overcoming more than one period of major climatic change – when so many people in developed nations today appear incapable of facing up to the environmental problems, only accentuates the failings of Hayek’s social philosophy. After all, like other indigenous peoples, both educated and uneducated Aborigines have shown they can master any of the disciplines and skills widely admired in industrialised society. In addition, their art is greatly praised and valued throughout the world, the oldest known musical instrument, the didgeridoo, is welcomed in many world-class orchestras, and many of their land management skills are now being adopted by farmers and land-managers who once used only Western agricultural methods. Moreover, it is now recognised that their moral rules and culture as a whole were intricate and well-adapted to their circumstances.

The source of values

Hayek's contention that values constitute 'a separate tradition between instinct and reason' does not greatly advance our knowledge about their origin or the processes in which they are formed. However, he goes further in telling us that the function of the particular values or 'rules' set out above, are 'ultimate' values:

The contention that we are constrained to preserve capitalism because of its superior capacity to utilize dispersed knowledge raises the question of how we came to acquire such an irreplaceable economic order – especially in view of my claim that powerful instinctual and rationalistic impulses rebel against the morals and institutions that capitalism requires. *The answer to this question ... [is] that our values and institutions are determined not simply by preceding causes but as part of a process of unconscious self-organization of a structure or pattern.*³¹

This, though not very informative and even opaque, seems to be related to the issue of unknown and even unknowable 'rules' operating from the mind discussed later in Chapter 14. Or could it mean that the self-organising capitalist market confers the ability to be self-organising on society as a whole, following which, society, now self-organising, then both requires and produces values which themselves perform a self-organising function? We are a long way from receiving a clear or testable account.

Marx's account, received through Feuerbach, is that 'the human essence is no abstraction inherent in each single individual. In its reality it is the ensemble of the social relations ...'³² Though wrong in denying the genetic element in human nature and leading many Marxists to the conclusion that nurture can mould human beings to any degree desired, it does indicate that the social environment has a strong influence. And this is the crucial issue today because we need to change our values, which requires replacing at least some aspects of the 'irreplaceable economic order' that has led us to our present pass.

In other respects also Marxist analysis got much closer to an understanding of this nature/nurture issue than Hayek, because it linked the social formation, modes of thought and cultural patterns to the level of development of the productive forces, as did the Scottish Historians in a less specific way. The contention can be over-emphasised, but it contains an important element of truth.

For example, to return to the issue as discussed by cultural anthropologist and primatologist Christopher Boehm – the existence for 150

to 200 millennia of egalitarianism in hunter-gatherer societies peopled by a species belonging to a line noted for its tendencies towards domination, especially among males. Why was this so, especially when we know that succeeding forms of society were characterised by slavery, serfdom, and savage exploitation? As Boehm relates, those hunter-gatherer peoples found ways in which to prevent dominators from destroying their societies. There was already an 'economic' base for this, because their productive capacity was too low to permit a system featuring slavery to develop. The total labour of such a society was adequate only to maintain subsistence. No individuals (apart from the young, old and incapacitated) could live without working, because the tribe or group, with the productive forces available, could produce only enough for all. If one person ceased to work and made another a slave, one of them – the slave – would probably die from lack of sustenance, then the slave-holder would have to return to working to obtain the necessary wherewithal to live.

But productivity gradually and spontaneously increased because human attributes such as discovery, creativity and imitation, all of which engage reason, gave rise to a long transition to different types of society featuring different forms of private property.³³ In brief, these are slave, feudal, capitalist, and socialist societies.³⁴ Each appeared in many variants, influenced by history, geography, ethnicity and innumerable other factors which promoted or inhibited various aspects of human nature and, interacting with each other, gave rise to a variety of cultures.

Though it is unlikely that human nature will ever be fully mapped or pinned down, a view of what it is, and the mode and nature of its influence on the characteristics of any feasibly viable society clearly underpins the social philosophies of both Marx and Hayek, and I shall address this in the next chapter. Before doing so, however, I first look a little more closely at the contradictions in what Hayek says about rules and values.

In 1976 he declared that: 'Abstract rules operate as ultimate values because they serve unknown particular ends.'³⁵ In the same year, during his visit to Australia, he stated categorically: 'However much we dislike it, we are again and again forced to recognize that there are no truly absolute values whatever.'³⁶ Asked in an interview with the Chilean newspaper *El Mercurio* in 1981 'What role does morality play in political theory?' Hayek replied:

I believe that our moral beliefs are not the construction of our intellect. On the contrary, like other natural organisms they have

been selected by an evolutionary process which is not directed by us. In order to understand why certain moral rules have, so to say, proved more successful, we need to understand what we mean by morally more successful. I have arrived at the conclusion that in the process of evolution we have managed to select those moral values that allow us to maintain the largest number of persons alive.

How are we to interpret and reconcile these seemingly contradictory statements? I don't think we fully can, because Hayek is trying to serve several different purposes: to defend his view that humans are primarily rule-following beings; to substantiate his contention that the commercial rules he nominates are the basis of the operation of capitalist society considered as a whole, and of the law; to 'prove' that reason plays no part in the formation of values; to provide support for the particular traditional values that are useful to capitalism while condemning others such as social justice; and, finally, to shore up his contention that society is an entirely spontaneous entity which, on that account, cannot be considered either just or unjust, or even embody values at all since these can only be possessed by individual human beings.

This last is a view that denies the possibility of the existence of any national culture, while the calculation of lives today looks a little wobbly because of global warming, growing food shortages, and high prices. Put in another way, Hayek did not have a coherent theory of values. Because of their complexity, I do not entirely blame him for that. But I do criticise the ad hoc way in which he uses values as a purported support for other conclusions he draws in attempting to prove the validity of his social philosophy as a whole.

The basis of values

It is clear that imitation, learning and habit are a major input into values, and Marx recognised this when he ruefully declared that 'the tradition of all the dead generations weighs like a nightmare on the brain of the living'.³⁷ But this is only a part of the story, for experience in life is an even greater teacher. Experiences take an infinite variety of forms from individual to class and other forms of collective experience, such as unemployment, war, deprivation, and present ones of financial crisis, the impact of global warming and the over-exploitation of resources.

Experience has almost unlimited facets, and no single theory exists or is likely to be found that will be able to predict, or even fully

explain, why any individuals have their particular values or act in the way they do. But students of society in all its manifestations consistently find degrees of commonality in the values, attitudes and behaviour of groups of people which contest or collaborate with that of other groups with differing life experiences as well as different types of education.

The inputs mesh and conflict with Hayek's assertion as

an indisputable intellectual fact ... the conclusion which the individualist philosophers drew ... that [the individual] *cannot* know more than a tiny part of the whole of society and that therefore all that can enter into his motives are the immediate effects which his actions will have in the sphere he knows.³⁸

Leaving aside what might be thought arrogant in this assessment of the average person's intellectual capabilities, this assertion defies common experience, despite Hayek's attempt to focus everyone's concerns on money and better satisfaction of material needs, and to treat people's end aims beyond these as being 'incommensurable' with each other.

Soviet experience

Hayek makes the all-too-valid point that the Soviet practice of enforced ideological and value conformity was an oppressive denial of freedom and also ultimately self-defeating. The communists certainly sought power, but were also pushed into it by the overwhelming mass demands for peace, land and bread in the wake of the economic and social catastrophes of the First World War and the long years of brutal tsarist rule. This created a situation where only the small class of proletarians (and by no means all of them) understood and accepted the corresponding values of a socialist society. Because of the faults inherent in the concept of socialism as it was then interpreted and practised, and because no system can function without a widely accepted and internalised set of values, it now seems inevitable that compulsion would be exercised ever more generally once Stalin had executed all those who proposed a different path of economic and social development to his. As Gramsci pointed out, there is a strong lesson here for advocates of radical change – the necessity of winning majority support for proposals that appeal to at least a majority of the people's 'common sense'. This is a course that requires long and patient work throughout all aspects of society. It needs to be guided by intellectual and theoretical understanding and strategic sense in selecting and prioritising from innumerable options those issues that are the most significant at any given time.

Experience is important in another way, and values should not be seen as some kind of proselytising text or sermon. As already suggested, values embrace pairs of concepts – emotion and reason, saying and doing, interpreting and changing. In general terms, without prescribing or proscribing what ought to be done in any particular situation, values which are always present – are best promoted when their role in actual events, campaigns and issues clearly emerge. Hayek was correct in pointing out that people often hold to rules or values tacitly, without necessarily being able to formulate them in words. But discussing values within the context of potential and actual action helps people make their emotions and thoughts explicit, thereby strengthening them.

This integration of passionate conviction and well reasoned measures is the key to achieving a positive outcome from our present challenges.

9 Human nature

In 1999 the philosopher and ethicist Peter Singer wrote a booklet entitled *A Darwinian Left: Politics, Evolution and Cooperation*. In his introduction he writes:

It is time for the left to take seriously the fact that we are evolved animals, and that we bear the evidence of our inheritance, not only in our anatomy and our DNA, but in our behaviour too. In other words it is time to develop a Darwinian left.¹

Singer begins the book with an account of the conflict between Marx and the anarchist Mikhail Bakunin over the latter's book, *Statism and Anarchy*. This also proves to be a useful place to start looking more closely at the often conflicting, sometimes overlapping, ideas underpinning the social philosophies of Marx and Hayek in this chapter.

Bakunin argued that the state – the government, with its extensive apparatus of rule – constituted a, perhaps the greatest, danger to freedom, as did democracy based on majority rule, because it embodied a despotic instrument in relation to minorities as well as individuals. He held that workers were no different from any other type of person or persons who aimed to take over government. Once workers took control, Bakunin maintained that:

from the heights of the state they begin to look down upon the whole common world of the workers. From that time on they represent not the people but themselves and their own claims to govern the people. Those who can doubt this know nothing about human nature.²

Neo-liberals and libertarians have a somewhat similar view. Based on the contentions that the market is an *impersonal* mechanism, and that

society itself is a self-organising and spontaneously operating entity, they focus on giving major precedence to the market over reasoned human agency. Hayek, who not infrequently referred to himself as a libertarian, shared these worries about majority rule, though for him its validity was dependent upon which body of opinion prevailed in society and whether those prevailing agreed with his view of 'what the law ought to be'.³ To this end he was willing on occasion to support a regime such as the Pinochet military dictatorship in Chile from 1973–90.

In supporting Bakunin's criticism of Marx, Singer quotes Marx's statement that 'the human essence is no abstraction in each single individual. In its reality it is the ensemble of the social relations' noted in the previous chapter. Marx is emphasising here that humans do not simply exist naturally as other animals do, but are moulded by the nature of the society they inhabit. This, in turn, has a character determined by the way humans organise the production of their means of existence. As we have seen, Marx wrote these words in 1845 when, while still endorsing most of Feuerbach's theoretical critique of Hegelianism, he had begun to criticise what he called Feuerbach's 'abstract' socialism. Unlike his one-time mentor, Marx called for action as well as theoretical criticism to realise the 'demands of reason' in a modern state that many Germans aspired to at the time.

Marx's comment offers further evidence of his view that human nature was infinitely malleable and infinitely perfectible *provided* society was suitably organised. That we should have a vision and strive for better is, of course, good and necessary. But once it gets so far removed from reality or likelihood, as it does here in Marx's view, it becomes self-defeating, and generates only disappointment and disillusion. Perfect societies, perfect economic systems and perfect people are not to be found. So what do we know, or what can we know, about human nature? The best place to start may be to look at our ancestry.

Human ancestry

Many, perhaps most, people today agree that humans are part of a line of hominids that branched off from the anthropoid apes (chimpanzees, bonobos and gorillas). This means we share a common ancestry. According to recent estimates our common ancestor, *Ardipithecus*, died out over four million years ago. There followed the still living great apes, the *Australopithecines*, from which the human, or *Hominine*, line developed. This also branched giving rise to the *Neanderthals* who existed between 200,000 and 30,000 years ago, and in

whose passing we *Homo sapiens*, arriving on the scene maybe 250,000 years ago, may well have been implicated.

Differing from us in only about 300 of our 30,000 or so genes, chimpanzees are probably our closest living relative. Because so many studies of their behaviour in the wild have shown close similarities with human behaviour, numerous scientists have concluded that the reason lies in our shared genetic sources – in other words, that how they and we behave and act is in part due to our in-built ‘nature’. The risks involved in such a conclusion are considerable, but Christopher Boehm, a cultural anthropologist who also works in primatology, developed a more careful methodology. He did not immediately draw parallels between chimpanzee societies and our own. Rather, he concurrently studied chimpanzee societies and existing human ‘hunter-gatherer’ societies of similar or greater size, and he compared his findings with the accounts of other anthropologists.⁴

Boehm’s own research and that of others showed that in chimpanzee society the alpha males dominate groups of 50 to 100 individuals. We know from experience that dominating behaviour also exists within groups of humans and to varying degrees in most societies. What particularly struck Boehm, however, was evidence that in many hunter-gatherer groups such as the Aborigines, the Inuit and others, a substantial degree of egalitarian behaviour had prevailed for scores of thousands of years. His work consolidated that of another anthropologist, Bruce Knauft, who noted that in these societies little political centralisation and no social classes existed, and individuals were basically equal with everyone participating in group decisions, and with no dominators outside the family unit.

Both Boehm and Knauft saw that over the last 5,000 or so years, the main trend had been towards hierarchy of various kinds, rather than towards greater equality. In some, though not in all societies in recent years, this non-egalitarian tendency had been mitigated by democracy and universal adult suffrage, but it had also often been reinforced by increasing concentrations of wealth. These observations are of course not new: Engels and Marx eagerly seized upon the evidence of social inequality and exploitation resulting from inequalities in the distribution of wealth accumulating in the nineteenth century. But Boehm’s specific project was to *explain* those particular developments in political terms – which are no doubt important – but not, as Marx did, on the basis of developments in the productive forces. In particular, it was to explain how, if we were so closely related to chimpanzees whose social groups were dominated by alpha males, humans could have lived for ages as egalitarians. The contradiction is encapsulated in

his book title, *Hierarchy in the Forest: The Evolution of Egalitarian Behaviour*.

The resolution, or explanation, of the contradiction is to be found in observing actual behaviour in both chimpanzee and human groups. Among the former he noted how, on occasions, alpha males were restrained from some forms of dominating behaviour by the whole group emitting loud and repeated sounds – something like *waa!* This observably warned the alpha male that he was transgressing behaviour acceptable to the group, and though instances were noted of alpha males who persisted being set upon and killed, mostly the offender would realise the danger and desist. The researchers also observed competition and conflict between males for the alpha position, one which carries some privileges in food and access to females. Competition for the top position occasionally occurred among males and also among females, though never for overall group leadership. Another finding was the formation of shifting ‘alliances’ or ‘coalitions’ for power among males as well as among mixed male and female groups.

In Boehm’s theory these manifestations are of a proto-political character which in humans, aided by speech and behaviour such as ‘gossiping’ about the character of potential transgressors, then develops into an ethos, or set of major values. This then gives rise to our present developed forms of politics. Boehm sees ideologies (in the sense of ‘sets of ideas’) as the core of his analysis, involving the need for the rank and file members of the group to constitute themselves into a ‘moral community’ uncannily similar to the formation of a ‘new common sense’ as postulated by Antonio Gramsci.

Boehm reports that one typical method of insisting upon equality employed in hunter-gatherer societies was to prevent successful hunters from boasting about their prowess even when they observed egalitarian rule concerning sharing the meat – all important for health and survival when protein is relatively scarce and hard to come by.⁵ There are also well documented instances of practices for dealing with domineering types, upstarts, and ‘free-loaders’ who shirk doing their share of public duty. Boehm further suggests that to some extent egalitarianism may have become genetically fixed by group rather than individual selection. The middle of the late Pleistocene era, about 160,000 years ago, for example, was characterised by a number of ice ages interspersed with warmer periods. During the ice ages, survival would have been highly problematical and resulted in extinction sweeping through early humans. But clearly humans survived: it is likely that those groups lucky in their choice of migration routes and those with a greater degree of cooperation were the ones to survive.⁶ Today we don’t have

the option of migrating away from global warming; cooperation has to be the route to take.

The basis of morality

The psychologist, primatologist and ethnologist Frans de Waal, another researcher in this field, disagrees with those such as the Nobel prize-winning ethnologist Konrad Lorenz who stress the biologically fixed aggressive aspect of animal (and human) behaviour.⁷ De Waal points to the many examples of forms of conflict resolution. 'Animals have big fights', he notes,

but they also somehow get along, even despite all these fights ... this conflict, resolution and reconciliation that's going on in a chimp group is not superfluous. It's absolutely essential. They have to do these things in order to preserve peace and in order to survive.⁸

Defining 'culture' as the 'non-genetic spreading of habits and information', De Waal also holds that humans are not the only species to use a cultural means to assist survival.⁹ It is in this connection that he defines morality, which he believes exists in embryonic form in many animals as 'a recognition by one individual of what another is feeling', and goes on to say:

I think [morality] is as much a preserve of biologists who can tell you how moral tendencies may have evolved. That doesn't mean that the reinforcement of moral tendencies is not a task for religions or for any other leaders in any sort of system, but the tendencies themselves, the psychological tendencies that underlie morality, are much older.¹⁰

Sociobiology

The relatively recent discipline of sociobiology, promoted in particular by the biologist and environmentalist E. O. Wilson, tends to downgrade 'nurture' or 'culture' in most versions of the nature nurture debate.¹¹ This frequently takes the form of posing as an almost self-evident Darwinian truth that, if a human character trait exists, there must be a single gene for it. Genes are the entities that transmit existing traits and chance mutations (often deriving from naturally occurring radiation, or constructed nuclear devices). It is these mutations that, along with changed environments, provide the variety without

which no evolutionary change could occur. And, since genes are able to replicate themselves within the cells from which bodies are built, they have been called 'selfish', notably by Richard Dawkins who published his ideas in his book, *The Selfish Gene*. This notion led many sociobiologists to assert that there can be no genuinely altruistic behaviour except towards biological relatives who share some of the same genes.

These approaches lead logically to a determinism which many evolutionary scientists and humanists reject on scientific and more general experiential grounds. Even Dawkins, who believed that genes had created the bodies of whole individuals so that they could replicate, had to concede that 'we, that is our brains, are separate and independent enough from our genes to rebel against them'.¹² This refers to the fact that people today routinely use various means to prevent conception, thus 'frustrating' the genes which 'thought' the sexual urge was enough to guarantee their replication. Of course, genes do not think, brains do, and brains can only exist in bodies: these facts alone are sufficient to show that the reductionist view of a gene determining every sort of behaviour is a false simplification. Many genes, rather than a single one, are involved in most personality characteristics and behavioural traits, as are most organs of the body, of which the brain is the most complex and powerful.

The brain is a bodily structure that has a virtually unlimited capacity for the discovery of the multifarious interrelations that exist in the world outside our bodies, within it, between our persons, and in all aspects of the natural world. A structure, whether created by design or by 'blind' Darwinian evolutionary forces for a particular function or purpose, may turn out to have properties that can be used for other, or additional purposes.¹³ This can also happen with relatively simple physical structures, such as a building. For example, the adjacent arches created to support the roof of a cloister surrounding a quadrangle creates a spandrel between the curves of the arches that is available for other uses, such as decoration, that might have been quite unintended. So in a far more complicated structure such as the human brain, we have no grounds for assuming that its functions are confined to those that originally brought about its formation. This serves to emphasise the fascination, the inexhaustibility, indeed the glory of human life.

Limitations of the brain

One of many things that the brain cannot do, however (with all due deference to believers in immortality), is to alter the fact that humans remain animals, ultimately dependent like all other animals and living

things on natural forces, natural land, atmosphere, waters, natural resources both living and inorganic. And we are also dependent in that, evolving upon this earth, our physical being, spiritual identity and inner life, our feelings, emotions and well-being are irredeemably tied up with that totality.

Today we have reached a unique point in human evolutionary history because we have both a social evolutionary history as well as a biological one. The biological evolutionary history of animals, including humans, probably varies significantly only over thousands of generations, so can be discounted as a factor in face of the major issues of global warming and sustainability which have arisen only over recent times.¹⁴ These are matters that can and must be tackled at the societal level, both nationally and globally, by the combined use of our reasoning brains, our emotions, an ethos corresponding to the task, and by our political capacities. But we are currently far from doing so at the required speed and intensity. What is holding us back?

When we ask why we appear incapable of addressing issues that threaten to destroy humanity and our very planet, two points become apparent. First, to put it briefly, the brain both receives and creates ideas, values, ethos, habits and an assortment of theories from both experience and disposition. But the brain seems to become so attached to certain ideas, values and theories that it, and thus we, become resistant to change. This attachment is further cemented when material gains – the avidity for which David Hume could find no limit – along with status and other forms of self-interest, are promoted by the very structure of our present society. Second, various aspects of our individual dispositions, all of which have some degree of genetic input, will be enlarged or diminished, promoted or inhibited by our societal surroundings. Today, therefore, both natural and social environments require us to change substantially both our thinking and our practices for the sake of the physical and, shall we also say, the moral and spiritual survival of most of the human race.

Boehm's account of hunter-gatherer society and its development has considerable supporting evidence. But it does not, perhaps, sufficiently consider some other social aspects which both the eighteenth-century Scottish philosophers and later Marx emphasised – Marx more so than Hume, Smith, Ferguson and their fellow thinkers. Hunter-gatherers possessed only simple productive implements, in the case of Aborigines, spears and woomeras to launch them, boomerangs, clubs, some flint cutting stones and tips, stone axes and hammers, stones for grinding seeds, digging sticks, and fish traps constructed from rocks at suitable sites on rivers, and fire. No significant surplus beyond what

was needed at any one period of time could be produced or stored.¹⁵ In the conditions prevailing in most of Australia, the survival of the whole group, society or nation was jeopardised if a powerful individual attempted to dominate since this would lead to the splitting of the group. Survival of the group as a whole therefore depended upon controlling such would-be dominant individuals.

In the wider world, conditions changed when animals were domesticated as it enabled those with larger herds to become powerful and to dominate. But this, as Boehm and others have pointed out, could be precarious because of the variability of supplies of fodder and the fertility of herds. Domination only became more or less fixed when agricultural settlements (sometimes in conjunction with herding) became permanent and as the productivity of labour, reproduction of the human species, private property and the concept of 'rulership' became constant factors of societal life.

So far as we know, and as Jared Diamond relates, this may have occurred in a few places throughout the world 15,000 to 13,000 years ago.¹⁶ The fertile crescent of southwestern Asia which includes today's most troubled region, the Middle East, has been the subject of much research. There, a favourable climate and water supply, animals capable of domestication such as the goat, sheep, cow and pig, and annual crops suitable for food cultivation are plentiful, including and especially wheat and barley, lentils and peas, and the flax fibre plant which provided material for ropes and textiles.

I do not suggest that the resulting domination, private ownership of property and concentration of wealth is simply to be condemned – it happened virtually wherever conditions enabled an enduring production of a surplus. Without this, it is doubtful whether knowledge of many kinds – written languages, art, buildings and irrigation systems of many kinds, science, industry, commerce and finance – could have developed. It is well documented that, along with many others, both Marx and Hayek welcomed the way in which capitalism developed all these to a qualitatively higher level, albeit from a wide range of ideological perspectives. Marx, because he thought it would inevitably create conditions for the return of common property and egalitarianism. Hayek, because he thought this was the ultimate end of a line of development that would quantitatively continue to expand – one that could be tinkered with, but not qualitatively changed.

Both were wrong. Capitalism, particularly in its neo-liberal and neo-conservative varieties over the last few decades, fostered an ethos that has brought us to a critical point, where major social change, for good or ill, will have to take place. The crucial questions will be in what

direction, how, how fast and how much. According to the figures in the 2005 update of *The Limits to Growth*, the 1972 report which modelled the consequences of a rapidly growing world population and finite resource supplies, human demands on nature at the turn of the twentieth century exceeded nature's capacity to supply by 20 per cent. Noting that at present growth rates human demands will double by 2025 and quadruple by 2050, we can get an idea of the sheer enormity of the challenge humanity faces. In many of the extremely vicious local conflicts around the world which have erupted over the last decade, as in Rwanda and Darfur, a major factor has been the struggle over possession of productive land in conjunction with historically existing ethnic, tribal and colonial legacies.

The Iraq war, though waged in the name of humanity and democracy, not only saw many violations of those principles, but the forces that initially claimed to be concerned only with human rights are now beginning to admit that oil and territorial power were, in fact, among the concerns. The neo-conservatives in particular promoted that war, their ideology being based on neo-liberal economics fused with the conviction that, if you possess power, you should use it to promote your view of what is right.

Hayek on human nature

Hayek's view of human nature goes to the opposite extreme of Marx's over-optimistic and idealistic perception. As we've seen, he downgrades the possibility for human reason to cope with disorders in the social system. He regards humans as being basically rule-followers (though also declaring that we can rely on them to produce the innovations needed to survive and flourish). He declares that the individual (always a male) 'cannot know more than a tiny part of the whole of society and that therefore all that can enter into his motives are the immediate effects which his actions will have in the sphere he knows.'¹⁷ He furthermore insists that the only things that can unify human society are the 'cash-nexus' and 'the striving for better satisfaction of their material needs'.¹⁸ As to motives – the values that drive people to action – these are not to be thought about, but taken from tradition.

It may be that Hayek, the agnostic, would not have agreed with those who view humans as 'fallen creatures' but his convictions about most of humanity read very much as though he did.¹⁹ On several occasions he invoked the biblical injunction to 'be fruitful and multiply, and replenish the earth, and subdue it; and have domination over the fish of the sea, and over the fowl in the air, and over every living thing that moveth

upon the earth'.²⁰ This is a poverty-stricken, even misanthropic, view of human nature and clearly not one that Marx could have accepted. Hayek might agree with Marx that humans are also the products of the society they live in, but unlike Marx he wanted to preserve an inegalitarian society with its concentrations of wealth, rather than change it.

The point is, we cannot alter our genetic nature (though since the mapping of the human genome numerous attempts are being made to do so). Therefore the main way to tackle the forbidding environmental challenge currently confronting us must lie in effecting change in the social realm, in our values, institutions and practices. But it will need to be done in light of the knowledge that human nature includes persistent competitiveness, even though in varying degrees in each individual.

Equally, there are people whose nature it is to direct their concerns toward the self and those who direct them toward others; there are those who pursue domination and control, and those who resist power. But all too often human nature is conceptualised in terms of an 'either/or': we are cooperative or competitive, extrovert or introvert, optimistic or pessimistic, and so on. It is, of course, easy to turn the properties of any entity into dichotomies or oppositions which, by their very nature, can never be resolved or united, and this is a common feature of the mode of thinking in many cultures. But most of us possess some of each and apply them in different measure in different circumstances. And this, I argue, is precisely what we need to do today if we are to find the will to adjust to the circumstances that become ever more demanding every day.

Today, in the face of these challenges, it seems evident that the individualist side, and the market side that cannot even 'see' morality, must give up its present dominance, and that we should not accept that more should be given to those who already have. But we also need to reject the trend towards binary oppositions. Mao Zedong's Cultural Revolution, for example, expected and attempted to enforce everyone to be guided by moral incentives, precepts that had been tried in the rural communes as well as in industries and institutions. The attempt, it should not be forgotten, was made by someone who became a tyrant and who thought that the peasants' minds were blank sheets on which beautiful Chinese characters and sayings could be written. This is a variant of the view that people were, if not perfectible, then totally malleable.²¹

Human diversity and creativity

The fact that we have an ineradicable genetic basis to our nature may seem to support the cliché that we are all basically the same, there is

'nothing new under the sun', and that we will therefore eventually either bore each other to death or follow some Nietzschean superman who will do it for us. I don't believe so. Despite the samenesses, there remains an inextinguishable diversity which, together with the inexhaustibility of the relationships with nature and each other, will keep us engaged indefinitely into the future.

Even the apparent samenesses in human nature can be seen to possess variations that will occupy us. The great German literary writer, Johann Wolfgang von Goethe, for example, author of the operatic poem *Faust*, who once shared the view of his day that the German race and German culture were unique, even superior to others, changed his mind after reading an old Chinese novel. He told his close friend and personal secretary, Johann Peter Ackermann, that the novel had demonstrated that:

the Chinamen think, act and feel almost exactly like us, and we soon find we are perfectly like them ... they likewise differ from us, inasmuch with them external nature is always associated with the human figure ... I am more and more convinced that poetry is the universal possession of mankind.²²

Such sentiments are more necessary than ever today.

10 Law and the rule of law

Law and the rule of law, two different but related concepts, figure in both Marx's and Hayek's theories, though more prominently in those of the latter. Put simply, the main questions raised by these notions are these: is law merely an ideologically driven institution embodying injunctions backed by force to protect a particular regime based on private property in a polity featuring antagonistic classes? Or is it a body of impartial rules designed to ensure all citizens' sense of security and provide for the peaceful resolution of disputes among them?

The equally simple answer is that law is, or can be, both. In addressing just one aspect of the matter, Adam Smith explained:

Civil government, so far as it is instituted for the security of property, is in reality instituted for the defence of the rich against the poor, or of those who have some property against those who have none at all ... ¹

Such simplification, however, does little to clarify how the law actually operates at any given time, or how it might operate in the future in a radically different society from any that currently exist. A fuller answer needs to incorporate ideas about what it means to be a member of the species *Homo sapiens* who are by nature social creatures. While we are, of course, also competitive and capable of war and destruction of many kinds, we have evolved with characteristics enabling us to live together and to cooperate – not least in order to take from nature the basic means for our physical survival and reproduction.

Humans have needed to live socially for a variety of purposes: to provide protection from predators and different groups of their own kind; to find, build or make clothing and other protection from the elements; to share and use fire for warmth, cooking and nutrition; and for 'fire-stick farming'.² Another social activity or skill, that of language,

would also have had considerable survival value by conferring the capacity to communicate extensively and deeply and thus achieve the level of cooperation needed for all other activities. Once established, the capacity to use and create languages then became available for other, artistic, cultural, philosophical, and ‘rule-making’ purposes. That is, humans could make laws of a general or abstract kind, speculate about the cosmos they inhabited, and communicate to each other the meaning of the thoughts and images their brains produced.³

In his theory of law, Hayek elevates the ‘rule-making and rule-following’ human attribute to a major degree. The deeper philosophical reasons for this will be discussed in Chapter 14, though one is because it is a necessary ingredient of his desire to establish that ‘society’ is an entirely spontaneous entity:

Only when we pass from the biggest kind of organization, government, which as organization must still be dedicated to a circumscribed and determined set of specific purposes, to the overall order of the whole of society, do we find an order which relies solely on rules and is entirely spontaneous in character.⁴

The origin of rules

As we saw in the earlier discussion of morality, though Hayek repeatedly emphasises the importance of rules, he nowhere fully spells out what these rules are, and how they came to be established. To David Hume’s ‘three fundamental laws of nature, *that of stability of possession, of its transference by consent, and of the performance of promises*’,⁵ he adds that ‘a modern writer sums up the essential content of all contemporary systems of private law, “freedom of contract, the inviolability of property, and the duty to compensate another for damage due to his fault”’.⁶

In a 1981 interview with the conservative Chilean newspaper *El Mercurio*, Hayek made it clear that he regarded ‘private property and contract’ to be the most crucial rules.⁷ He later identified some more:

The toleration of bartering with the outsider, the recognition of delimited private property, especially in land, the enforcement of contractual obligations, the competition with fellow craftsmen in the same trade, the variability of initially customary prices, the lending of money particularly at interest.⁸

In *The Fatal Conceit*, he amplified the rules to include: ‘private property, honesty, contract, exchange, trade, competition, gain, and privacy’.⁹ It

is not altogether clear here, however, what exactly rules were, or the differences, if any, between them and instincts, though he added that these were 'handed on by tradition, teaching and imitation, rather than by instinct, and largely consist of prohibitions ("shalt nots") that designate adjustable domains for individual decisions'.¹⁰

Despite all the ambiguity and obfuscation, there is no doubt that in Hayek's view the fundamental content of 'the law' meant that its purpose was to pursue gain in the context of private property with rules enabling the market to function fully and effectively. It is also worth noting that he variously refers to the 'rules of conduct', 'rules of just conduct', 'rules of just individual conduct' and 'universal rules of just individual conduct'. He then distinguishes these from 'the law' proper by noting that government expenditure on the public sector 'creates problems of regulation which are determined today by legislation. The "laws" which are made for this purpose are, however, of a very different character from those universal rules of conduct which we have so far considered as *the law*'.¹¹

Nowhere do we find clear evidence substantiating this conclusion, but only a rather confusing account of the interrelations of spontaneous events, rules, customs, traditions and laws, with the following assertions:

- rules may not necessarily be spontaneously developed because we can deliberately alter them;
- an order may still be called spontaneous even if it rests on rules deliberately designed;
- this last is firstly because most of the rules of morals and customs will be spontaneous growths, and secondly because, even if most of the rules are made, their particular manifestations will rest on circumstances which the designers did not and could not know. And because the content of the order will occur through the application of the rules to circumstances known only to the individuals, both rules and facts will determine the resulting order.¹²

The possibilities that Hayek outlines allow for virtually any combination or integration of the spontaneous and the designed. I also believe that a fusion occurs. But to draw this conclusion requires the sort of detailed analysis that Hayek fails to make. He furthermore draws conclusions that are not justified on the evidence he advances. However, it does fit in with his assertion that 'a successful defence of freedom must therefore be dogmatic and make no concessions to expediency, even where it is not possible to show that, besides the

known beneficial effects, some particular harmful result would also follow from its infringement.¹³

Nevertheless, we can readily accept that some rules or regularities preceded laws. Also the corollary that major changes in conditions require changes in laws and may affect even deep-seated 'rules' including, for instance, acknowledgement that the present 'balance' markedly favouring self-interest needs to be changed. The emphasis on private gain has always been a feature of traditional liberalism, as the evidence from David Hume below shows, but it has been greatly magnified in these neo-liberal times.

Interventionist chaos

As Hayek himself explained, from the classical Liberalism of the seventeenth and eighteenth centuries, he set out to develop a body of thought which would effectively oppose socialism. He thought that the social liberals who had introduced the ideas of positive liberty, public good and the common interest in nineteenth-century England had, in fact, departed from liberal principles. Following from this, he believed that the influence of classical liberalism had further declined largely as a consequence of the First World War and the Great Depression. At the same time, demands for a 'new order' in the wake of the defeat of fascism had resulted in what became known as the welfare state. All this drove Hayek to conclude that 'the world of today is just interventionist chaos'.¹⁴ He furthermore maintained that:

It is thus a misunderstanding to blame classical liberalism for having been too doctrinaire. Its defect was not that it adhered too stubbornly to principles, but rather that it lacked principles sufficiently definite to provide clear guidance, and that it often appeared simply to accept the traditional functions of government and to oppose all new ones. Consistency is possible only if definite principles are accepted. But the concept of liberty with which the liberals of the nineteenth century operated was in many respects so vague that it did not provide clear guidance.¹⁵

As already noted, Hayek's fundamental theoretical proposition is that society is an order that generates itself and operates spontaneously because its elements — individuals and families — display regularities in behaviour, following rules, customs, habits and traditions. This proposition was based on the theories of society and of the individual developed by the eighteenth-century Scottish philosophers Adam Ferguson and Bernard Mandeville, and is closely related to Adam Smith's

notion of an 'invisible hand'. They held that people stumble upon establishments, which, though they were the result of human action, were not the execution of some human design.

Law

It was on the basis of such ideas that Hayek developed his views about what 'law' was, how it developed and how it operated. He reasoned that, in the first instance, law arises from the regularities humans exhibit in society rather than the other way round – that is, that law established the regularities – though he also believed individuals and society informed each other in positive and negative ways. But realising the law was more complex than this, he argued that, if the law was to develop further and preserve the Great Society, then the very concept of law had to include the notion of what it ought to be as well as what it was: 'The rule of law', he wrote, 'is therefore not a rule of the law, but a rule concerning what the law ought to be, a meta-legal doctrine or a political ideal.'¹⁶

The law in this sense and context is founded on something outside itself. It recognises that law cannot be considered apart from the economic and political regime in which it is applied. Marx's view is very similar as he makes clear, for instance, in his rhetorically posed question: 'Are economic relations regulated by legal conceptions or do not, on the contrary, legal relations arise from economic ones?'¹⁷ This idea is common to social and many 'natural law' theorists who may differ from neo-liberals and Marxists, as well as among themselves in other ways. But it is opposed by legal positivists who take the view that the law consists of those edicts which, once propounded by a lawfully established legislative body, are interpreted and enforced in courts of law by appointed trained legal personnel.

In an attempt to overcome the problems created by the many meanings given to the word 'law' Hayek wrote: 'What "law" is to mean we can ascertain only from what those who used the word in shaping our social order intended it to mean.'¹⁸ He seems to have made this rather strange assertion without realising that 'shaping' a social order contradicts his contention that society 'self-generates' and operates spontaneously.

Laws of nature

Hayek, as we know, particularly admired David Hume and approved his contention that major matters concerning property were 'fundamental laws of nature'. There can be no doubt that they are important,

but by what reasoning did Hume call them 'laws of nature'? Australian philosopher Stephen Buckle traces the connections of Hume's account to those of earlier writers on the subject, particularly the Dutch jurist Hugo Grotius in the seventeenth century, when Holland was already well on the capitalist road. The key point for Hume, Buckle writes, is that 'even though there is no original instinct to observe rules of property, time and the natural workings of the human mind combine to generate distinct inclinations to respect what is connected with others ... [they] arise necessarily and therefore naturally'.¹⁹

As noted earlier, Hume observed that, unlike other passions which are quite inconstant, material interest, or 'avidity ... of acquiring material goods' as he referred to it, is a constant and also difficult to restrain. Hume also states that the possibility of founding social advantage on a disinterested regard of the public good is 'too difficult to support', and he looks to various sources which might animate restraint of that greed which he declared to be 'destructive of society'.²⁰ He fails, however, to find an adequate source, prompting Buckle to conclude: 'In Hume's moral and political thought, the relationship between the motives to material advancement and to respecting what is another's remains awkward and complex.'²¹

'Time and the natural workings of the human mind', to borrow Buckle's phrase, now need to work overtime, together with some policy and law changes, if we are to meet the challenges confronting us today. It is not going to be enough, however, to say this unless we also confront the implications of private ownership of the means of production. This has always been at the core of the socialist project which never wavered in the determination to end private property. The proposals for how it might be ended, however, have differed widely and still do, while the consequences of abolishing markets have never been adequately dealt with.

Avidity

The avidity Hume refers to is acknowledged by Marx and others since to be the motivating force for the rapid development of the productive forces of society. Unlike his subsequent supporters, Marx thought this would come to an end. The destructiveness of society has been noted and it has taken many forms: it can be seen in the colonial wars for economic gain and sovereignty over others; in the economic booms and busts that continue to wreak havoc at more or less regular intervals; and in the 'alienation' and relative impoverishment of many members of the working classes.

We now have extensive knowledge of the consequences of abolishing private property and of the state taking over not only the main means of production but also the property of most small producers. Marx did not say much on this subject but, because of the massive predominance of small producers in Soviet society, Lenin was greatly concerned with it, stating: 'small scale production *engenders* capitalism and the bourgeoisie continuously, daily, hourly, spontaneously, and on a mass scale'.²² He also stated that:

the system of economic relations in the 'community' village does not at all constitute a special economic form ('people's production', etc.), but is an ordinary petty-bourgeois one. Despite the theories that have prevailed here during the past half-century, the Russian community peasantry are not antagonists of capitalism, but, on the contrary, are its deepest and most durable foundation.²³

But, apart from some brief periods, the main means of production did not grow as quickly in socialist society as it did under capitalism. As we also know, socialism as practised in the twentieth century created the basis for the development of repugnant and repressive regimes. This is not to suggest that there were no other factors besides mistaken economics operating at the time, such as the violence of the Second World War and the severe divisions that became violent in Russia and carried over into some of the defeated nations, but my focus here is on the former.

For those of us concerned to address today's challenges, I suggest it is necessary to stop treating law as if it pertains primarily to property ownership under socialism versus Hayek's concept of entirely unregulated private property. Rather, we need to pursue a mixture of forms of ownership in such a way as to restrain the destructiveness that has accompanied both socialism and capitalism. This would, I believe, enable us to develop the means to advance rather than destroy society, and to develop measures based on the values of long-term sustainability. It has been difficult for many socialists and Marxists to face up to these problems, but it is essential if they are to become a part of the movement for necessary change.

Systems of law

Major changes in systems of law have occurred throughout history the world over and they invariably show that Hayek's conception of human society as an entirely spontaneous entity in which human reason basically plays no part is false. Perhaps one of the most sweeping changes

in Western Europe took place in France after the 1789 Revolution, particularly when Napoleon declared himself emperor in 1804. He changed and systematised not only the law, but weights, measures and other systems as well. This had been preceded by a period in which the French people engaged in armed conflict to challenge the old law based on the 'divine right' of kings.

In addition to the smaller revolutionary struggles and demands for change throughout the Middle Ages and in the early modern period, a struggle for major constitutional change also occurred in England in the mid-seventeenth century. Hayek mostly underplays such struggles, attributing them in the case of England, for instance, to more individual and peaceful processes:

Most of these steps in the evolution of culture were made possible by some individuals breaking some traditional rules and practising new forms of conduct not because they understood them to be better, but because the groups which acted on them prospered more than others and grew.²⁴

Regarding the transition to capitalism in Europe and England, he wrote that the new rules were:

inevitably learned by all the members of a population consisting chiefly of independent farmers, artisans and merchants and their servants and apprentices who shared the daily experiences of their masters. They held an ethos that esteemed the prudent man, the good husbandman and provider who looked after the future of his family and his business by building up capital, guided less by the desire to be able to consume much than by the wish to be regarded as successful by his fellows who pursued similar aims.²⁵

This is a highly inadequate account of the prolonged turmoil and bloody civil wars in the years leading up to the settlement of the 1688 'Glorious Revolution' when Prince William of Orange and Mary Stuart replaced Mary's father, James II, to become the first constitutional monarchs anywhere in the world.

When in Chile in 1981, Hayek was asked about his attitude towards dictatorships in an interview by the right-wing Chilean newspaper, *El Mercurio*. Chile at the time was ruled by Pinochet, the dictator who had led the 1973 military junta against Salvador Allende's democratically elected socialist government. In response to the question 'What opinion, in your view, should we have of dictatorships?', he replied:

Well, I would say that, as long-term institutions, I am totally against dictatorships. But a dictatorship may be a necessary system for a transitional period. At times it is necessary for a country to have, for a time, some form or other of dictatorial power.²⁶

Whether temporary or not, a dictatorship is hardly evidence for a society working as a 'spontaneous' or 'self-generating' entity, nor one in which reason plays no part: no dictatorship and the overturn of the law that it usually entails can be embarked upon, and it certainly cannot persist, without much meticulous planning.

Marx and law

Marx introduced the idea of the 'dictatorship of the proletariat' but this did not mean he was opposed to democracy – on the contrary. Marx lived at a time, following the major revolutions in England, France and America, when a series of demands for democracy led to upheavals and bloody struggles throughout Europe. Against this background, his formulation of a proletarian dictatorship did not mean the concentration of power by a dictator, but a society in which the working class would temporarily hold power to replace the existing political system controlled by the property-owning class. Marx saw it as a transitional period between capitalist society and a classless, stateless and essentially democratic society.

The main aspect of Marx's theory – widely referred to since as 'workers' democracy' – was that once power was in the hands of the workers, productivity levels would surpass those achieved under capitalism, classes would be abolished, and the state would begin, spontaneously, to 'wither away'. In relation to law, all control or coercion of people necessary in capitalist society would gradually cease and be replaced by the planned administration of the production of commodities involving the self-controlled activities of 'associated producers' as the workers would be known. In other words, 'law' in the sense in which we have come to know it in Western democracies would 'wither away' along with the state of which it was a part.

In the post-revolutionary period in Soviet society, the law received considerable attention. The main focus was whether and, if so, how, Marx's ideas on the subject might be implemented. One of those deeply involved in the debates concerning these issues was the Lithuanian-born legal scholar Evgeni Pashukanis, author of *The General Theory of Law and Marxism*. He argued that, because economic factors are paramount in the organisation of a Marxist, or socialist, society, legal

and moral principles and institutions form the 'superstructure', and can only reflect the economic organisation of society. He reasoned that, when the communist state was finally achieved, law and the state would wither away and morality, as understood in capitalist society, would no longer perform any function. Hayek referred to Pashukanis, one of the legion of tragic Soviet figures, more than once quoting, for example, this statement of Pashukanis' basic position:

To the administrative technical direction by subordination to a general economic plan corresponds the method of direct, technologically determined direction in the shape of programs for production and distribution. The gradual victory of this tendency means the gradual extinction of law as such.²⁷

Other necessities in law

Law would not be able to perform its ideological role, let alone its more practical one, if legislators, theorists and practitioners did not observe some standard of intellectual rigor and consistency. Ideology, in one sense – that is, a set of propositions which are biased in favour of a regime dominated by sectional social interests – cannot serve that purpose if the aim is too obvious. Marx's view of ideology was not that it was blatantly untrue, but that it distorted reality in a non-obvious way. He compared it to the camera obscura which produces an inverted image of what it portrays.²⁸ Bearers of ideology, whether right or left, frequently do not realise that they are presenting a distortion, so this point is not intended to accuse most proponents of law of bad faith, or to portray the law itself as being inherently, and intentionally, biased.

Liberal principles

In this examination of Hayek's and Marx's views on the role that struggle and force played in major changes in law, it is important to avoid underestimating the importance of several liberal principles: their absence in socialist practice contributed to the grievous toll of lives and liberties in the Soviet Union, China and elsewhere. In addition to a general tolerance and the democratic right to change governments and leaders by voting, the most important liberal principle is that of the 'rule of law'.

The 'rule of law' is interpreted in many ways. Normally, it is of utmost importance that the rule of law is the *known* law. In other words, no individual or group, however powerful, should be the decider

of disputed issues. It precludes arbitrary governance whether by an elected government, prime minister, president, charismatic or dictatorial 'leader', a group through its commercial or media power, or an organised mob. Put another way, this means that no individual or group should be above the law. It should be noted that what the law *ought* to be is legitimately disputed, and radical, even revolutionary, action may be required to effect changes. This means that the rule of law at any particular time cannot be taken as an absolute principle.

There are, however, growing signs that rights and freedoms once held to be inviolable and protected by the rule of law are being threatened nowhere more so than from those who, in the name of conducting a 'War on Terror', have created 'exceptions' to this rule. The most notable example is US vice-president Dick Cheney who, with the advice of powerful legal figures and the agreement of President George W. Bush, sought to interpret the law in a way that legalised the use of greater presidential powers in the name of a 'war' than ever before. The interpretation not only permits draconic measures in virtually any social process and restricts pre-existing civil rights, it also requires them.

The USA is not the only nation where the rule of law is threatened. Elsewhere the division of powers between executive, legislature and judiciary, which provides the checks and balances to maintain the rule of law, is under assault from a spate of laws passed in the name of combating global terrorism. Nor is the USA the only country where the right of access to the law before which everyone is presumed to be equal (and innocent until proven guilty) has come under attack when there is a perceived (or imagined) threat from terrorism.²⁹ At the same time, wealthy, powerful and supposedly democratic nations offer military support and succour to many of the governments and regimes that are adding to the sum total of global lawlessness. And organisations such as the United Nations, set up in order to protect and impose the rule of law, prove virtually powerless.

Such problems and conflicts are inherent in the very nature of law which, as this chapter has endeavoured to show, cannot be divorced from human nature: ethics are an inherent constituent of who and what we are as humans. Nor can the law be separated from the power relations prevailing in the society with which it deals, or with the requirements of that society to survive. For the first time ever in history, the present period is confronted by issues affecting the survival not only of some countries, races or ethnic groupings, classes or governments, but of the entire human species and of a host of other species that are dependent on what we do. Law and legislation have a vital part to play as they do in 'justice' itself, which I discuss next.

Justice

Justice was discussed earlier in the context of social justice, but it needs to be looked at more closely in any discussion of law, particularly in the context of analysing ideas about society governed by the rule of law. While definitions can vary from society to society and from person to person, at its simplest, justice is about 'fairness': a just society is composed of members who are treated fairly. It is not too strong, I believe, to call perverse a view that a society which discriminates against citizens on grounds of race, ethnic origin, gender, sexual orientation, or age is nevertheless just. But this is just what Hayek claims, listing a series of assertions to support his claim in his discussion of justice and law.³⁰

- 'If we the apply the terms [just or unjust] to a state of affairs, they have meaning only in so far as we hold *someone* responsible for bringing it about or allowing it to come about' (emphasis added).
- 'Government certainly ought to be just in all it does ... but how far its duty in justice extends must depend on its power to affect the position of different individuals in accordance with uniform rules'.
- 'Only those aspects of the order of human actions which can be determined by rules of just [individual] conduct do therefore raise problems of justice'.
- 'Rules of individual conduct, as we have seen, determine only certain abstract properties of the resulting order, but not its particular, concrete content.'
- 'Since only situations which have been created by human will can be called just or unjust, the particulars of a spontaneous order cannot be just or unjust.'
- 'Our contention is ... that the law which consists of rules of just conduct has a very special standing ... '
- 'Such states as "ownership" have no significance except through the rules of conduct which refer to them; leave out those rules of just conduct which refer to ownership, and nothing remains of it.'
- 'We have also seen that rules of conduct cannot simply prohibit all actions that cause harm to others. To buy or not to buy from, and to serve or not to serve, a particular person, is an essential part of our freedom ... '

If a spontaneous order cannot do anything about such issues, so much the worse for that order. In fact, societies and their laws have done quite a bit about them in recent decades, and these achievements have

by no means been spontaneous, thus offering yet more evidence to demolish a major tenet of Hayek's theoretical edifice.

The struggle for justice today is as important as in times past, if not more so: people starve because food grains are used for the more profitable production of ethanol to fuel automobiles. And this is but one small example of the issues now confronting us, in which law, including the laws of property, requires close examination, some aspects of which will be discussed in the next chapter.

11 Freedom, coercion, property

The concepts of freedom, coercion and property are closely inter-related, though they are all too often conceived as independent of each other. Looking at each in turn, I shall explore where and how Marx's and Hayek's ideas about these concepts diverge and overlap.

Freedom

Hayek paid great attention to defining freedom because the particular meanings he assigned to it were crucial to his overall social philosophy and carried over into his treatment of democracy and property. By freedom he was avowedly not referring to what most people would include in their concept of it, such as the political freedom to vote and participate in public affairs, the absence of discrimination on the grounds of race, ethnic origin, gender or sexual orientation, or national independence and the freedom from domination by another nation. It was not that he was necessarily opposed to any of these, though if he wrote or spoke at all against their violation he did not think it important, or necessary, to make his views widely known. Rather, as he carefully explains, the specific meaning of the term in his employment of it 'refers solely to a relation of men to other men, and the only infringement on it is coercion by men ...'.¹ This made such relations a personal issue between individuals that could not be applied to negative outcomes from social arrangements which were 'not deliberately brought about by men'.

Hayek insists that 'strictly speaking, those various freedoms are not different species of the same genus but entirely different conditions, often in conflict with one another, and which therefore should be kept clearly distinct'. The central point of his reasoning is that his concept of freedom 'presupposes that the individual has some assured private sphere, that there is some set of circumstances in his environment with

which others cannot interfere'.² The importance of this aspect of freedom and of the need to see the sphere of the individuals' autonomy widened should not be underestimated. But the question to ask is whether it should have priority over the other freedoms that are needed, including for the achievement of such enlargement. The only way in which this would fit in with Hayek's overall philosophy is to accept that it means the state or government should not interfere with the unfettered right of individuals to use their own knowledge, skill and property (that is, capital) in whatever way they choose.

Some have criticised Hayek from a libertarian perspective, on the grounds that he put more emphasis on people's free use of knowledge for their own purposes than on the free use of their property, or even failed to speak of property at all in this context.³ This is clearly mistaken for, throughout his writings, he makes his views on this clear, very specifically asserting that 'to divide the material objects of our environment into what is mine and what is another's is the principal aim of the rules which delimit the spheres, ... [and] that "a people averse to the institution of private property is without the first element of freedom"'.⁴ Hayek further declares:

The question of how many courses of action are open to a person is, of course, very important. But it is a different question from that of how far in acting he can follow his own plans and intentions, to what extent the pattern of his conduct is of his own design, directed toward ends for which he has been persistently striving rather than towards necessities created by others in order to make him do what they want.⁵

The importance of 'how many courses of action are open to a person' was a central question for Marx, as it is for all those seeking social justice. Leaving that to one side, Hayek's statement may seem an innocuous or even laudable extension of individual autonomy concerning the state, and it may appear to be subsumed by the concept of 'civil society'. This last concept comes from a widely accepted Hegelian proposition that there are three basic components of a society: the family, civil society and the state, the middle term signifying an intermediate and largely autonomous institution between the family and the political state.

Marx would not have disagreed with Hayek's above contention, because he favoured a far greater scope for individual autonomy than capitalism allowed for. But he also saw that it required more than a political right to achieve this. For instance, discussing the right of Jews to freely worship Judaism, always a major issue in Germany, he wrote:

Judaism reaches its height with the perfection of civil society, but civil society achieves perfection only in the *Christian* world. Only under the reign of Christianity, which makes *all* national, natural, moral, and theoretical relationships *external* to man, was civil society able to separate itself completely from political life, sever all man's species-ties, substitute egoism and selfish need for those ties, and dissolve the human world into a world of atomistic, mutually hostile individuals.⁶

The significance of the relation between the spheres of political and the civil meaning to Marx, commercial life to the philosophies of both Marx and Hayek will be discussed later, as will their significance to the conclusions we may draw. For now I simply note that Marx is referring to the fact that much of Jewish life was connected with trade and dealing in money, which he felt was a very one-sided and alienating existence, this one-sidedness being expressed in 'free trade' and commerce generally which had been brought to its peak by Christianity. This state of affairs was an anathema to Marx; he was not opposing political freedom for the Jews to worship as they wished, but was pointing out that, in his view, a much more radical freedom from the domination of capital and markets required a transition to socialism.

I suggest that neither such a complete change nor complete commercial freedom offers a way forward if we are to actually do something about the environmental threats facing us today.

Coercion

Hayek saw coercion as the opposite or antonym of freedom. But he qualified this absoluteness by noting that, while individual freedom required the reduction of coercion to a minimum, its complete elimination was impossible because there may have to be an entity able to use coercion to prevent the violation of individuals' social space. This was a space in which individuals were entitled to use for their own purposes the knowledge, skill, and property they possessed, free of interference from any source, including and especially, the state. In modern society it is the state (Hayek prefers the term 'government') that has been given the right to use force, in consequence of which government becomes a, or even the, main threat to freedom.⁷ This is why he wanted to enshrine in the new type of constitution that he devised the principle that the main task of government is to maintain in perpetuity the sanctity of property and the rules, as he saw them, of the market.

Hayek was astute and objective enough to recognise that direct physical force is not the only means by which people can be coerced:

Coercion occurs when one man's actions are made to serve another man's will, not for his own but for the other's purpose ... [But it can also occur if] my mind is made someone else's tool, because the alternatives before me have been so manipulated that the conduct that the coercer wants me to choose becomes for me the least painful one. Although coerced, it is still I who decide which is the least evil under the circumstances.⁸

It is not clear whether this is meant to be a limp form of coercion, or a weak form of freedom. In practice, manipulation and intimidation are very common in the employment relationship because the power almost always lies predominantly with the employer. In reference to this relationship, Hayek wrote in his early work, *The Road to Serfdom*, that:

the impetus of the movement towards totalitarianism comes mainly from the two great vested interests, organized capital and organized labour. Probably the greatest menace of all is the fact that the policies of these two most powerful groups point in the same direction. They do this through their common, and often concerted, support of the monopolistic organization of industry ... this movement is, of course, deliberately planned mainly by the capitalist organizers of monopolies, and they are thus one of the main sources of this danger.⁹

One could question the assertion that organised labour combined with organised capital for the purpose he stated, especially during the period of the Second World War when he wrote this book. Most workers (and Marxists) at the time saw the main task was to defeat fascism, which sometimes led them to take action to restrain the conduct of specific companies that harmed production.

It is instructive to note that years later, when trade unions were declining in strength and corporations were becoming more organised and powerful, both nationally and transnationally, Hayek significantly changed his attitude and defended, even supported, large corporations.¹⁰ It is also widely known if not always acknowledged that a person with little wealth, though nominally 'equal with anyone before the law', is at severe disadvantage when challenging a rich person in court. In other words, capital is a social, not simply a personal power.

The corrosive tendency of power to corrupt, particularly when absolute, is something the classical liberals had first-hand experience of

in their struggles with the Stuart monarchy and the Cromwell directorate. In order to minimise arbitrary and undemocratic coercive measures of state or government, they gradually developed a series of legal instruments to separate the powers in the state between executive, legislature and the judiciary. These were, and remain, important in protecting citizens from coercion. In recent years, however, the executive (in the British Westminster tradition, the prime minister and Cabinet) has, in a two-party system especially, increasingly turned the legislature into little more than a rubber stamp in several Western nations. It is also observable that the judiciary today is subjected to constant pressure whenever it identifies and dismisses politicians' attempts to diminish democratic rights in the name of the so-called 'war on terror', as events at the Abu Ghraib prison in Iraq and in the Guantanamo Bay Detention Centre have demonstrated.

Property

The view that markets, including the labour market, constitute a level playing field is characteristic of classical and neo-classical liberalism. This contention plays two major roles in Hayek's social philosophy. First, through his implicit denial that capital has power and that, even if it has, this does not amount to the power to coerce. He maintains that '[t]his concern about size and power of individual corporations more often than perhaps any other consideration produces essentially anti-liberal conclusions drawn from liberal premises'.¹¹ Second, because of his belief that the impersonal nature of the market mechanism is intended as support for his contention that society is a wholly spontaneous entity that is, contains no conscious human intention or deliberation.

But, as noted earlier, this glosses over the fact that, while the market is simply a mechanism, those operating in it are actively and avidly seeking gain under the guidance of the universal rules of just individual conduct.¹² Hayek wants to turn this inconvenient fact into a virtue when he writes that: 'The aim for which the successful entrepreneur wants to use his profits may well be to provide a hospital or an art gallery for his home town.'¹³ This is disingenuous: Hayek was well aware that the first task of capitalists is to make profit for re-investment, otherwise they are likely to go under in competition with other capitalists. As already discussed, some wealthy people do indeed perform the good deeds Hayek mentions, but this in itself does not negate the point that Adam Smith made when discussing capitalist cupidity and

how merchants got together to fleece the public. While Hayek was well aware of this, he nevertheless sought to dilute this argument too, stating:

I ought probably to have explained earlier why I prefer the expression 'each being allowed to use his own knowledge for his own purposes' to the essentially equivalent expression of Adam Smith that everyone should be free 'to pursue his own interest in his own way'. The reason is that to the modern ear Smith's phrase suggests a spirit of selfishness which is probably not intended and certainly inessential to the argument.¹⁴

Hayek's attempt to introduce moral motives into the market process is in direct conflict with the view of his mentor, Ludwig von Mises, who, as we have seen, put the absence of moral sentiments in the market with admirable straightforwardness. The US Nobel laureate economist and public intellectual, Milton Friedman, says the same thing in his flippant and morally repulsive way:

If a chemist feels it is immoral to make napalm, he can solve his problem by getting a job where he doesn't have to. He will pay a price. But the ultimate effect will be that if many, many people feel that way, the cost of hiring people to make napalm will be high, napalm will be expensive and less of it will be used.¹⁵

As we've already seen, Marx theorised that the development of capitalism, in accordance with its own inherent laws of growth, would create conditions for the triumph of first socialism and then communism. The means of production, he reasoned, would become public property, and buying and selling in the market would be replaced by planning. From this would follow the allocation of the means of life according to the work done and, finally, work would be performed voluntarily, enabling people to take what they needed from the general stock or output.

There is no need to repeat that 'planning' became, instead, all-commanding and that a society of an unwelcome, unexpected and abhorrent character was created instead. But even then, for many Marxists the central issue of property ownership remained intact and undisputed, in line with the sentiments expressed near the end of the *Manifesto*:

Communists everywhere support every revolutionary movement against the existing social and political order of things. In all these

movements they bring to the front, as the leading question in each, the property question, no matter what its degree of development at the time.¹⁶

However, like many others, I have come to the conclusion that markets are necessary not least because they cannot exhibit some of their important virtues unless there is genuine competition – a situation that cannot exist when all the means of production are state- or publicly owned. But that does *not* mean markets must dominate all aspects of society, or that they should retain the priority they now have in determining social outcomes.

Michael Keating, a former senior Australian public servant who, as head of the Department of the Prime Minister for many years, served politicians of different political persuasions, explains how this can occur – that is, how socially concerned governments can retain control in privatised economies.¹⁷ The principal means, he said, was the use of incentives and disincentives – that is, increases and decreases in what market prices would have been without intervention. The carrots and sticks can be either direct, such as subsidies or imposts, or indirect ones such as tax ‘holidays’, guarantees on bank loans, free access to resources, and others often concealed from the public gaze. On this basis, incentives and disincentives will be involved in measures to counter global warming. An example of this is the complicated carbon trading system which many now believe to be necessary – though who will pay how much of the costs remains a hotly contested issue. But when it comes to solving the larger issue of sustainability, far greater changes in social practices and in the values of the citizenry as a whole than simply monetary incentives and disincentives will be necessary. In particular, social justice, a conception that includes environmental sustainability, requires both the diversion of large material and human resources from their present destinations, and the development of a moral community which adopts this view and ensures that government carries it out.

If order or ‘rule’ is to be applied to this issue, it will first require a far greater set of skills to listen to, understand and somehow balance the conflicting interests and values that exist between individuals, political parties, governments and nations than we have so far proved capable of. The main point is that large resources will have to be diverted from their present destinations and applied in those areas which we now realise are not just important but *essential*. In addition to the basic food and other commodities necessary for human survival, these resources are connected with issues of social justice, the promotion of

'caring' activities, and the needs of all living creatures. In short, this is about the quality of our lives in the present and medium terms, and about ensuring that we actually have a future.

These conflicting interests, needs and values constitute the major problems which it is the task of the present and near-future generations to resolve. At the heart lies the complex issue of property — who owns it, for what and for whose purposes. On this, the ideas of the Hungarian political economist Karl Polanyi, who related economics to society and culture, are valuable. Like Hayek, his views were also considered unorthodox when they were first published, although the two have an entirely different approach. As it happens, Polanyi published his important book, *The Great Transformation*, in 1944, the same year as Hayek's *The Road to Serfdom*. Neither could have anticipated that the Cold War would bury their projects — Hayek's for over thirty years, Polanyi's until the present when circumstances, such as the failure to regulate financial markets and the threatening global recession, are promoting a widespread rethink of the relationships between markets, the economy, and society as a whole.

Polanyi's main contention concerned the idea that the economy and the whole of society should not be turned into an adjunct of the so-called self-regulating market. This, he argued, would be doomed to failure. The source of this trend in economic and political thinking, Polanyi held, lay in the moral sphere, when labour and land came to be regarded as commodities — that is, useful and often necessary items that had been produced for the purpose of sale, and generally at a profit. People, he believed, while they do of course have a capacity to work, are not 'produced' for such a purpose, and land is not 'produced' at all. Once living people are regarded in this way, their inherent worth and dignity is demeaned or abolished. And once land and the environment are treated like chattels, their fundamental importance for all life is undermined.¹⁸

Property in the sense of productive property or capital (as distinct from personal possessions) has some similarity with people and land in the sense that it is not an individual creation and that its use involves the whole of society. Therefore the members of a society should have a say in how it is regarded and used or, as Marx put it: 'Capital is a collective product, and only by the united action of many members, nay, in the last resort, only by the united action of all members of society, can it be set in motion.'¹⁹ This may well be one of the reasons why more law is devoted to property than to any other single subject. Another is that there are many forms of property, each with its own set of requirements and liabilities, such as: the giant transnational

conglomerates with public shareholdings and liability limited to the value of the shares held; business partnerships providing medical services where, for instance, the whole property of a partner is held to be involved in cases of negligence; public companies subject to particular rules, where liability is limited to an agreed sum; and cooperatives of various kinds and charities. While laws affect and delimit each type of property-owning company, this is not a fixed category: laws about what a company can do with its property may be and are changed all the time. Polanyi's main point is that the economy has to be re-embedded in society, from which it was withdrawn in the 'Great Transformation' brought about by capitalism.

Scientific knowledge as property

Marx makes the point that the laws of nature, once discovered, cost nothing: 'science, generally speaking, costs the capitalist nothing, a fact that by no means hinders him from exploiting it'.²⁰ This was indeed the case in his day, and scientific discoveries and procedures were freely available for a major part of the twentieth century. Today, however, science is highly privatised and competitive. As is well known, this is particularly true of the booming pharmaceuticals industry. But privately owned and directed scientific research is also a reality in many public universities around the globe.

This trend notably applies in areas of science such as genetics where patents can be acquired in, for example, human genome research. In one such case, a scientist obtained a patent for the so-called 'junk DNA', the stretches of the 'ladder' of bases between genes: without access to this knowledge which will, of course, have to be paid for, further understanding of the genome as a whole will be impossible. In other cases, companies have patented particular genes said to be linked with certain diseases, such as breast cancer, a premium on treatment for which has to be paid by the patient. There are also instances of certain types of rice, the dietary staple developed over the centuries by indigenous peoples which have been patented, while whole new strains of the oil crop canola (rapeseed) have been transferred to private ownership. Science today is in many respects less a social possession than it was in the past.

Raising these questions about the future of property in its capital form is not intended as a prelude to an argument for the Marxist principle of ultimate control, of converting privately owned property into public property, of transforming capitalist society into socialist society. This is an issue, one feels, that has already been settled by the failed attempts in the last century. Rather, it is to seek solutions along

the lines suggested by Polanyi in which, though it has never been and never could be complete, the trend towards separating markets from the rest of the economy and from society as a whole is reversed. This would also mean reversing the trend, to some extent at least, towards the commodification of labour and land.

The market, it can never be stressed too much, is an impersonal mechanism, and there is no way in which it can be turned into a moral one. Developed morality is a trait characteristic only of humans, though, as suggested earlier, we can nevertheless learn something about its origins from the behaviour of other creatures. Many economists and others recognise that the free play of market forces will not bring us the best of all worlds, and Hayek himself, though not all of his followers, accepted that: 'the fact that most people will follow this rule [of seeking the highest return] will still leave the character of the resulting order very indeterminate, and by itself certainly would not be sufficient to give it a beneficial character'.²¹ And he also accepted that some normative moral rules are also required. It is therefore the nature, purport and aim of the regulatory intervention rather than intervention as such that is crucial; this means that the values of governments and their individual members must properly reflect the values of the majority of citizens, as well as dealing with the issue of distribution, though this is no simple matter.

Production and distribution

As long as different forms of productive property, including private property, exist, the objective of near-exact equality of incomes for all becomes all the more of a fantasy, because the form of production has a relationship to the form of distribution, and vice versa. In Mao's disastrous Cultural Revolution a type of such equality based on moral incentives alone was introduced in the rural communes. Predictably, it failed dismally, and the first step in overcoming its legacy was to abolish the communes and introduce the 'responsibility system', where families or groups were given use of a piece of land for which they paid a set rent in kind – the surplus above that they could consume or sell.

John Stuart Mill, the mid-nineteenth century British philosopher, political economist and Member of Parliament, made this important, though flawed, distinction between the production of commodities and their distribution:

The laws and conditions of the Production of wealth partake of the character of physical truths. There is nothing optional or

arbitrary in them. Whatever mankind produce, must be produced in the modes, and under the conditions, imposed by the constitution of external things, and by the inherent properties of their own bodily and mental structures. Whether they like it or not, their production will be limited by the amount of their previous accumulation [i.e. their capital], and, that being given, it will be proportional to their energy, their skill, the perfection of their machinery, and their judicious use of the advantages of combined labour ...²²

It is not so with the Distribution of wealth. That is a matter of human institution solely. The things once there, mankind, individually or collectively, can do with them as they like. They can place them at the disposal of whomsoever they please, and on whatever terms. Further, in the social state, in every state except total solitude, any disposal whatever of them can only take place by the consent of society, or rather of those who dispose of its active force.²³

Hayek's response to this can be found in *The Fatal Conceit*, where he wrote:

What there is to share depends on the principle by which production is organized – that is, in a market economy, on pricing and distribution. It is simply wrong to conclude that ‘the things once there’, we are free to do with them as we like, *for they will not be there* unless individuals have generated price information by securing for themselves certain shares of the total.²⁴

Marx partially agreed with Hayek on this point. Not that Marx thought it was just (he stood for higher wages and for the abolition of private property), but because he knew that the law governing production in any society presupposed also a law of distribution. This law, in the capitalist view, was that, after the payment of contracted wages and other costs, the whole remainder belonged to the capitalist. Taxation on it was an impost, even amounting to coercion, which was reluctantly complied with, together with a Hayekian proviso that it should be a set percentage (say 10 per cent) for all and not a progressive rate increasing with income. On this Marx wrote:

just as the capitalist mode of production is conditioned upon this definite social form of the conditions of production, so it reproduces them continually. It produces not merely the material products, but

reproduces continually the conditions of production, in which the others are produced, and with them the corresponding conditions of distribution ... wages are conditioned upon wage labour, profit upon capital. These definite forms of distribution have for their prerequisites definite social characters on the part of the conditions of production, and definite social relations of the agents in production. The definite condition of distribution, therefore, is merely the expression of the historically determined condition of production.²⁵

Marx made two qualifications for the period in which capital still ruled. First, that this did not mean there exists some naturally fixed proportion of the total that had to go to capital. This is something Marx emphatically denied in his lectures entitled 'Wages, Price and Profit' delivered to the General Council of the International Working Men's Association in 1865. He gave these lectures in response to the contention of a member, one Citizen Weston, 'that the *amount of real wages*, that is to say, of wages as measured by the quantity of the commodities they can buy, is a *fixed* amount, a *constant* magnitude'.²⁶ He also said that the only way that particular division of the total product could be abolished was to end the capitalist system itself.

In view of the consequences that flowed from actually abolishing private property and the markets they involve – even if this was desirable for some reasons specific to the time and place – confronted by the immensity and transnational nature of the problems we face today, there really is no option other than to find a mix of planning and market, a mix of forms of property, and a division of the total product consonant with social justice in the widest sense.

12 Politics, democracy

It may seem strange to say that neither of two such overtly political people as Karl Marx and Friedrich Hayek had substantial or consistent theories of the specifically human, and universal, social activity of politics. However, this becomes more understandable when we recognise that, in their different ways, the views they held about politics were essentially derivative from the thrust of their social philosophies, on which they would not compromise.

Marx viewed the actual means and processes of production – that is, the productive forces – of human subsistence as the base, or primary, factor of social life. Culture, law, politics and intellectual life in general belonged to a superstructure, a derivative or secondary social construct that he designated as ‘relations of production’. For him, politics thereby became an activity directed towards the predetermined goal of the rapid development of the productive forces, which the existing, capitalist, form of society would eventually hamper or even prevent. But the processes of production would also, inexorably, produce a human social force – the class of wage-workers – which, at least for the sake of their own survival but ideally also for society as a whole, would return property to public ownership at a qualitatively higher level than at the hunter-gatherer stage. This would end human prehistory and begin real history.

For Hayek, the key factor in all social formations was private property, the ‘universal rules of just individual conduct’ concerning property; capitalism in which the market system dominated, was in effect the peak of social development. In this context it is worth noting again what Hayek wrote on this topic:

The rule of law is therefore not a rule of the law, but a rule concerning what the law ought to be, a meta-legal doctrine or a political ideal. It will be effective only in so far as the legislator feels bound by it. In a democracy this means that it will not prevail

unless it forms part of the moral tradition of the community, a common ideal shared and unquestioningly accepted by the majority.¹

He immediately goes on to say: 'It is this fact that makes so very ominous the persistent attacks on the principle of the rule of law.' This does not, however, follow from his premise: people cannot be accused of attacking the rule of law simply on the basis that they disagree with Hayek's 'political ideal', or without examining what others may accept as the content of the rule of law. But so sacrosanct did he believe his own political ideals to be that he even devised a new form of constitution. This would have an upper house whose prime purpose was to preserve this constitution, allowing at the most only some 'tinkering' (his word) around the edges.

Between the political ideals of Marx and Hayek there is clearly no meeting ground, no possibility of reconciling these extremes, no possibility of a resolution by the usual forms of political activity – struggle, negotiation and compromise. The crucial question this raises is whether persisting in one or other of these dogmatic assertions is likely to offer a way forward to meet today's challenges.

Classes and class struggle

Marx came to maturity near the middle of the nineteenth century when the working class was beginning to get organised into trade unions and was involved in the revolutionary struggles of the times. These struggles were complex: those participating in them included not only the burgeoning industrialised working class but also different sectors of the developing capitalist class, as well as the peasantry that comprised a majority of the population in most European countries. Marx drew two important conclusions that he outlined in the *Manifesto*.

The first was that 'society as a whole is more and more splitting up into two great hostile camps, into two great classes directly facing each other: Bourgeoisie and Proletariat'.² The second was:

The advance of industry, whose involuntary promoter is the bourgeoisie, replaces the isolation of the labourers, due to competition, by their revolutionary combination, due to association. The development of Modern Industry, therefore, cuts from under its feet the very foundation on which the bourgeoisie produces and appropriates products. What the bourgeoisie, therefore, produces, above all, are its own grave-diggers. Its fall and the victory of the proletariat are equally inevitable.³

As noted earlier, by arguing that the proletariat would at some stage be compelled to act in this way, whatever any individual worker or even all of them thought at a given time, Marx revealed a tendency to treat 'the worker', and thus the total of workers as mere 'body' rather than a collection of individuals, each of which, and the total of them all, as a combination of body and mind. He expressed this attitude in another way in his claim that the communists 'have over the great mass of the proletariat the advantage of clearly understanding the line of march, the conditions, and the ultimate general results of the proletarian movement'.⁴ Despite this, those communists still had to try to develop the consciousness necessary to achieve the objective, and thereby had also to appeal to the workers' minds, to develop 'class consciousness' as they defined it.

Both Marx and Engels had to reckon with the fact that this was by no means straightforward, and they were forced to seek the reasons why it was so difficult to develop class consciousness. They, and more emphatically their followers, including Lenin, sought to explain the difficulty away by claiming that an upper-income stratum of workers (often called 'the labour aristocracy') had been 'bribed' from the super-profits gouged by the capitalists out of colonial peoples. This was at best misleading, in that communists often did not look any deeper into other possible causes. At worst, it perpetuated the myth that workers were by nature revolutionary – a misconception which persists to this day.

Marx would have helped solve this apparent problem had he applied his own perceptive understanding of the complex relationship between a class and its mental and theoretical expression, as he did, for example, here:

little must one imagine that the democratic representatives [in the revolutionary France of the mid-nineteenth century] are indeed all shopkeepers or enthusiastic champions of shopkeepers. According to their education and their individual position they may be as far apart as heaven from earth. What makes them representatives of the petty-bourgeoisie is the fact that in their minds they do not get beyond the limits which the latter do not get beyond in life, that they are consequently driven, theoretically, to the same problems and solutions to which material interest and social position drive the latter practically. This is, in general, the relationship between the *political* and *literary representatives* of a class and the class they represent.⁵

Hayek got into a similar tangle, though in a different way. He worried greatly that employees, though keen to obtain higher wages and the

like, did not offer evidence to support his dictum that social unity depended on the cash-nexus and on focusing concern on the better satisfaction of material needs. He complained that, instead, they craved 'a more humane and personal' set of moral values. This was a proposition which he then had to reject by asserting that 'the ideals of socialism (or of "social justice") which in such a position prove so attractive, do not really offer a new moral but merely appeal to instincts inherited from an earlier type of society'.⁶

Since morality does and must play such a large part in today's environmental struggles, we can only count ourselves lucky that what Hayek claimed were the 'morals of the tribal society', are still with us.

'Everyday' politics

Though their ultimate goals formed the core of their politics, neither Marx nor Hayek stood aloof from everyday political issues and demands. Marx, for instance, welcomed legislation that put limits on the working day, and was particularly concerned about the conditions of children and women:

[The] organization of the proletarians into a class, and consequently into a political party, is continually being upset again by the competition between the workers themselves. But it ever rises up again, stronger, firmer, mightier. It compels legislative recognition of particular interests of the workers, by taking advantage of the divisions among the bourgeoisie itself. Thus the ten-hours' bill in England was carried.⁷

This was a persistent view about every class and all general democratic demands – that is, an injunction to his followers to study the class and sectional differences, and to use all avenues available, including parliamentary and legislative processes, to promote and achieve these demands.

Hayek commented on everyday issues, though mainly economic ones, such as when he opposed monetary nationalism (exchange rates established by national governments) and the concurrence of high inflation and high unemployment ('stagflation').⁸ However, he rarely, if at all, commented on issues connected with human and political rights. He hated, for what he thought to be good reasons, the way politics was being conducted, as he demonstrated by his use of the title 'The Containment of Power and the Dethronement of Politics' for chapter 18 of *Law, Legislation and Liberty*.

Although pursuit of gain was one of the main rules of just individual conduct, Hayek wanted only capitalists to engage in it. What he wanted to 'dethrone' was, in fact, the form of politics that arose as more and more, then finally all, adults won the right to vote and endorsed political leaders who were able to articulate and develop what they believed to be fair, what their needs were, their rights, and the ethos or body of values on which they rested. Hayek expressed his contrary view particularly clearly when he wrote:

Once politics becomes a tug-of-war for shares in the income pie, decent government is impossible ... The strongest support of the trend towards socialism comes today from those who claim that they want neither capitalism nor socialism but a 'middle way', or a 'third world'. To follow them is a certain path to socialism, because once we give licence to the politicians to interfere in the spontaneous order of the market ... they thus initiate that cumulative process which by inner necessity leads, if not to what the socialists imagine, then to an ever-growing domination over the economic process by politics. There exists no third principle for the organization of the economic process which can be rationally chosen to achieve any desirable ends, in addition to either a functioning market in which nobody can conclusively determine how well-off particular groups or individuals will be, or a central direction where a group organized for power determines it. The two principles are irreconcilable, since any combination prevents the achievement of the aims of either.⁹

If we were to accept this injunction, what possibility would then exist to meet today's challenges?

Government

Politics is about more than government but government is an important part of it. Hayek objected to the use of the term 'state' and thought 'government' quite sufficient.¹⁰ In this he was seriously mistaken: even hunter-gatherer societies had a form of government, though they did not have, and could not have had, a separate apparatus to carry out its decisions. There are two reasons for this. First, their labour did not produce enough to support a separate body of people who were mainly engaged in that particular type of activity. Second, no class differences existed that would have required such a body as Christopher Boehm's research on chimpanzee and human societies

shows, the people as a whole took decisions, and did so on all major questions.

As a general rule, in democratic nations, governments are elected by universal franchise in elections held at regular intervals, with political parties advancing competing policies.¹¹ The elected government endeavours to implement its policies and for this process it relies upon a separate apparatus. The apparatus itself consists of a more or less extensive body of permanent government servants, who keep official records and advise ministers and cabinet as a whole, hopefully without fear or favour, on how to best implement their policies in the general public interest. (Though what that means in practice is contested when different social philosophies exist.)

Marx thought that such bodies of people – particularly those engaged in coercion, where necessary, to ensure laws are observed, public order maintained and the decisions of government carried out – would gradually become redundant. As we've seen, he thought that this separate body of people comprising the state apparatus would 'wither away', leaving only the administration of things, not people, to be carried out. This, in turn, would progressively be replaced by the direct activity of the associated producers. In time, as productivity increased and new values developed, he argued, there would be such an abundance that even the 'administration of things' could increasingly be left to people voluntarily 'working according to their ability, and taking from the common pool according to their need'.

But this aspect of Marx's project had been revealed to be utopian even before the present environmental challenges became known: an increasing number of people now realise that the state apparatus as well as the moral, social and political orientations of governments have become more, not less, important if planetary sustainability is to be achieved. The importance of mass movements and pressure on governments to do what is necessary must be affirmed, but the nature and scope of the problems involved are so extensive that the outcome will ultimately depend also on what governments actually do.

Hayek wanted to make the government role as small as possible, including presumably the size of the state apparatus. Yet he would not have aimed to abolish army and police since they would be required should a temporary dictatorship become necessary to restore a completely free market. But the 'economy as a whole' includes that increasingly large part that lies (or used to lie) beyond the domination of the market mechanism where the rate of profit performs the function of adjusting both the social division of labour and supply to demand. This, broadly speaking, is the infrastructure of both society

and of the economic system at large, which Hayek recognises, but finds difficult to integrate into his system:

Where government is concerned with providing particular services, most of them of the kind which have recently come to be described as the 'infrastructure' of the economic system, the fact that such services will often aim at particular effects raises difficult problems.¹²

It is evident, and Hayek recognises this, that the infrastructure continues to grow. But he does not appear to have fully appreciated just how large it will have to be. Obviously, his calculations did not include what the impact of the environmental crisis would have on the size of the infrastructure. Furthermore, because it does not figure in economic statistics, he completely ignored much socially necessary activity such as caring for children, the aged, the infirm, the unfortunate which could never be entirely commoditised in the market. He also failed to include a great deal of other work such as preparing meals, housework, house repairs and other productive activity not included in the gross national product. If all these activities, and those required for environmental reasons, were valued in commercial terms today, the total would at least approach the total of the market. According to social commentator Anne Manne, in 2008 'the value of unpaid work was between 48 and 64 per cent of GDP, while German studies give figures of up to 55 per cent'.¹³

Not all these facilities and services are completely removed from the market, an issue further discussed below. But the central point is that the division of labour between different *market* sectors is signalled by profit. Dropping profit rates tell capital that it should move to another area of production where they are rising. But where non-commercial entities, whether localized, regional or central, are responsible for provision of services, it is those institutions themselves that must make the basic decision, and will, rightly, be liable for political punishment if they do not meet people's legitimate expectations. And, it should again be noted, most of those expectations come within the parameters of social justice, a concept Hayek wants to expunge from consciousness, or even from the lexicon.

Today, increasingly, sections of private enterprise have their eyes on the infrastructure as a source of profit, and the World Trade Organisation has for years been trying unsuccessfully to get the General Agreement on [free!] Trade in Services (GATS) internationally agreed upon. This would largely amount to privatising the infrastructure, though that could never be complete because government subsidies would be required in many cases.

Those arrangements often take the form of public-private partnerships (PPPs) which mean that services formerly provided to people cheaply or even free by governments are now priced high enough (road tolls, for example) to include private profit. When the private side of the deal fails commercially, it is often found that the government has guaranteed the bank loans involved and now has to meet the repayment commitment – arrangements described as ‘privatising the profit, nationalising the losses’. Though GATS has not yet been endorsed, it is presently being introduced piecemeal.

Divisions will occur

Marx sometimes spoke of the capitalist class as consisting of ‘brothers’ in the sense of accepting that they ‘shared’ profits on the basis of an average rate of profit calculated on the total capital involved in any enterprise. As already noted, he insisted:

there is no doubt that, aside from unessential, accidental, and mutually compensating distinctions, a difference in the average rate of profit of the various lines of industry does not exist in reality, and could not exist without abolishing the entire system of capitalist production.¹⁴

However, he also knew that things were different when it was losses that had to be shared, each fighting tooth and nail to see that their particular losses were the smallest. That is, in other words, the capitalist class was not an undifferentiated entity and the proletariat should study and utilise the differences whenever they occurred. He even predicted:

in times when the class-struggle nears the decisive hour, the process of dissolution going on within the ruling-class, in fact within the whole range of old society, assumes such a violent, glaring character, that a small section of the ruling class cuts itself adrift, and joins the revolutionary class, the class that holds the future in its hands. Just as, therefore, at an earlier period, a section of the nobility went over to the bourgeoisie, so now a portion of the bourgeoisie goes over to the proletariat, and in particular, a portion of the bourgeois ideologists, who have raised themselves to the level of comprehending theoretically the historical movement as a whole.¹⁵

While I am not counting the present challenges as a ‘final battle’ in the sense Marx was referring to, it is important to note that there are

differences developing among capitalists today since global warming, for instance, affects different industries in different ways. This is important and should not be ignored. Summing up, though Marx thought it necessary for the proletariat to politically exploit every opportunity provided by reforms to the system and divisions that might occur within the dominant class or classes, he would never compromise on, or tone down, his ultimate objective.

Similarly, capitalists in general, and certainly those following neo-liberal or neo-conservative paths, will neither compromise their basic commitment to the existing system nor accept reforms that might benefit an opposition committed to a radically different path. Hayek made his position crystal clear in his postscript to *The Constitution of Liberty*, which he entitled 'Why I Am Not a Conservative', when he wrote:

Let me now state what seems to me the decisive objection to any conservatism which deserves to be called such. It is that by its very nature it cannot offer an alternative to the direction in which we are moving. It may succeed by its resistance to current tendencies in slowing down undesirable developments, but, since it does not indicate another direction, it cannot prevent their continuance. It has, for this reason, invariably been the fate of conservatism to be dragged along a path not of its own choosing. The tug of war between conservatives and progressives can only affect the speed, not the direction, of contemporary developments. But though there is need for a 'brake on the vehicle of progress,' I personally cannot be content with simply helping to apply the brake. What the liberal must ask, first of all, is not how fast or how far we should move, but where we should move. In fact, he differs much more from the collectivist radical of today than does the conservative. While the last generally holds merely a mild and moderate version of the prejudices of his time, the liberal today must more positively oppose some of the basic conceptions which most conservatives share with the socialists.¹⁶

There are certainly some indications that different attitudes between the neo-liberals and the neo-conservatives developed in relation to the war in Iraq. We have yet to see how the two groups will align on the measures required to combat global warming.

Where we should move to, in Hayek's view, is clear – it is towards making the market spontaneous, free from morality, and with inter-individual relations the overriding feature of social life. This, he believed,

may be mitigated by traditional moral values external to market processes, though this then raises the issue of which moral values are to be selected. From traditional religious sources Hayek selects 'family and private property', while rejecting 'a social justice' orientation.¹⁷ (Indeed, the very term 'social justice' originated with the Jesuit scholar Luigi Paparella in the 1840s, based on the teachings of Thomas Aquinas.)

Hayek's preferred arrangement

Hayek believed in moving humanity to a kind of end point and making its position there permanent. This is clear from his proposals for an alternative constitution aimed at saving democracy from itself. It was an idea he persistently pursued, although he prefaced it with a disclaimer, 'My purpose in presenting such a sketch is not to propose a constitutional scheme for present application.' After an initial fleeting reference in *The Constitution of Liberty* in 1960, he expanded upon his ideas during a visit to Australia in 1976, and again three years later when he published the third volume of *Law, Legislation and Liberty*. The following points give his proposals in outline.

- There would be a supreme legislative body with the power 'of making laws in the classical sense of general rules guiding individual conduct', one that could only 'tinker' with those rules and in all probability would have very little to do.¹⁸
- It would consist of men and women 'representing general opinion ... who could take a long-term view, and would not be swayed by the temporary passions and fashions of a fickle multitude which they had to please'.¹⁹
- They would be aged forty-five years and elected for a fifteen-year term, when they would retire on an adequate pension.
- One fifteenth of them would be replaced each year.
- All citizens would vote once in their life (when aged forty-five) for a replacement person in this legislative house.
- There would be another 'practical government' chamber, whose members would be bound, like everyone else, by the rules of just individual conduct decided by the upper chamber.
- There would be a constitutional court to decide on disputes, should they arise, about whether the legislative and government chambers had observed their briefs.

If these aspects of Hayek's social philosophy were applied to the market today, it would mean continuing and expanding its freedom to

pursue profit, unconstrained by any requirement to modify the processes that might be considered necessary to deal with the sort of threats humanity is currently facing.

Democracy

For many, the key to meeting today's challenges lies in strengthening, not diminishing democratic processes. Hayek, however, believed democracy was in terminal decline:

though I profoundly believe in the basic principles of democracy as the only effective method which we have yet discovered of making peaceful change possible, and am therefore much alarmed by the evident growing disillusionment about it as a desirable *method* of government ... I am becoming more and more convinced that we are moving towards an impasse from which political leaders will offer to extricate us by desperate means.²⁰

His particular concerns were that democracy had come to mean that a government elected by a majority was entitled to pass any law, and that present practices under universal suffrage compelled political parties to pander to the particular interests of groups of electors. These groups, Hayek said, often pursuing what they believe to be 'social justice', demand that governments take from some to give to others. This undermines 'the rules of just individual conduct' based on the sanctity of private property, leading to eventual destruction of the spontaneous society and then totalitarianism.²¹ Hayek had cause to be concerned: not a few national constitutions do, in fact, put restrictions on what a government can do. Constitutional principles, moreover, can be found that provide such protection for minority views including, not least, charters of individual rights which are often under attack.

Nevertheless, most can agree that large numbers of people are becoming increasingly disillusioned with democracy in its present incarnation; it is weak and getting weaker. Some attempts to redefine democracy have added adjectives, as in 'liberal democracy' or 'representative democracy'. But as the Australian social commentator and public intellectual Donald Horne concluded just before his death in 2005, the most that could be said for what Australians had was that it was an 'electoral democracy'.²² In other words, that the people had and exercised the right to vote for the government they favoured. This remains of considerable importance but is far from an adequate definition of the concept.

There are many reasons why democracy is not flourishing in the West, nor spreading to many of the newer nation states, the chief one being that capital, or money, with the support of most governments, has increased its weight relative to that of other social forces – so much so that people feel powerless to change things. This is particularly true when the impact of globalisation means – or is experienced as meaning – that individual nations with their cultural specificities and inadequate strength to resist transnational economic forces are on the way out. Other causes of public apathy include the concentration of the powerful media monopolies, and others such as the cult of cheap celebrity, the elevation of the trivial, and the absence of any challenging national objectives larger than individuals and small groups, though we now have them in abundance.

Citizenship

Democracy is not identical with citizenship but the two are closely related. Citizenship concerns the forms of participation of individuals in public life on the basis of both their personal autonomy and membership of a community. Ideally, every member of society has an equal right – and duty – to so engage. But Hayek was particularly worried that the majority – employees and their dependants – would come to agree on what is needed for our times, and would be unlikely to favour his so-called ‘democratic constitution’.

Ultimately, in Hayek’s view, democracy is important simply as a means to an end:

As the only method of peaceful change of government yet discovered, it is one of those paramount though negative values, comparable to sanitary precautions against the plague, of which we are hardly aware while they are effective, but the absence of which may be deadly.²³

This, I believe, is seriously mistaken, because a particular end must first be established before the support of a majority can be built around it. To establish that end is the right of the majority, and though it is growing, a majority has not yet been established around the burning issues of the day. To develop a majority around these objectives must become the central democratic task of politics and political activity today. As this is achieved, as I believe it will be, the next act of democracy would have to be an election which firmly establishes what must be done, and puts in the hands of those dedicated to doing it the government and state power required.

13 Marx and methodology

The previous chapters explore the views and theories of Marx and Hayek on particular subjects — economics, politics, morality and other relatively separate areas of human and social life. But to complete the picture we need to look at the general ways in which they approached ideas and the methods they employed to develop their social philosophies. This includes how their individual predilections led them in particular directions and impacted upon their conclusions. Perhaps surprisingly, these two powerful thinkers, whose theories are usually taken to be diametrically opposed, at times used similar approaches and followed parallel procedures. Less surprisingly, they often diverged in their methodologies but it is equally instructive to see the ways in which they did so.

It should be remembered that both were strongly political although, as we saw in the previous chapter, they each lacked substantial and consistent theories about the social activity of politics. Marx differed from Hayek in being a political activist as, for example, in the first Communist Party from 1836–52 and the First International of workers from 1864–76. He never deviated from the political objectives he formed in the early 1840s and which he set out with clarity and verve in the *Manifesto*. This saw the light of day in early 1848 on the eve of the German and other European revolutions, events which, as we've seen, greatly influenced his thinking. As a writer and thinker Marx was engaged in intense and prolonged study to provide the theoretical weapons for what he believed was the imminent proletarian socialist revolution.

In Marx's day, Isaac Newton's discovery in the seventeenth century of the laws of physical motion of earth-bound and cosmic material bodies exerted a powerful influence on those studying other phenomena and disciplines. Political scientists and others sought similar laws that governed the operation of the processes they were studying;

analogous laws of development or laws of motion were looked for and sometimes found or believed to have been found. This was what Marx had in mind when, introducing the first volume of *Capital* in 1867, he said:

It is the ultimate aim of this work, to lay bare the economic law of motion of modern society – it can neither clear by bold leaps, nor remove by legal enactments, the obstacles offered by the successive phases of its normal development. But it can shorten and lessen the birth pangs.¹

He also told his German readers that ‘their tale had been told!’² This, he explained was not intrinsically:

a question of the higher or lower degree of development of the social antagonisms that result from the *natural laws* of capitalist production. It is a question of these laws themselves, of these tendencies working with iron necessity towards inevitable results. The country that is more developed industrially only shows, to the less developed, the image of its own future.³

This was not a conclusion that Marx had arrived at before he set out to systematically study the political economy of capitalism, but one which he reached from studying enormous amounts of material on economics, politics and history, even though his conclusion was faulty.

Marx did not stick rigidly to his theories when practice showed them to be flawed. Towards the end of his life, for example, he changed his views about the imminence of the proletarian revolution in Western Europe, as his expectations were disappointed. Upon shifting his focus to Russia, he learned the language so he could study material at first hand because he recognised the value of studying primary sources. He publicly expressed this change of mind on two occasions and, in doing so, revealed just how important he believed an empirical study of actual conditions to be. The first was at the end of 1877 when he wrote to a Russian journal rebutting a contributor named Zhukovsky, who favoured the development of capitalism in Russia at the cost of destroying the traditional village community and assumed Marx would agree with him.⁴ Marx pointed out that what he had in fact said was: ‘if Russia continues to pursue the path she has followed since 1861 [when serfdom was abolished], she would lose the finest chance ever offered by history to a people and undergo all the fatal vicissitudes of the capitalist regime’. Referring to the different

developments of the proletariat in ancient Rome and the American South, Marx declared:

Thus events strikingly analogous but taking place in different historical surroundings led to totally different results. By studying each of these forms of evolution separately and then comparing them one can easily find the clue to this phenomenon, but one will never arrive there by using as one's master key a general historico-philosophical theory, the supreme virtue of which consists in being super-historical.

He repeated this point in 1881 in response to a request from the Russian populist, Vera Zasulich, for his opinion on Russia's way forward.⁵

It is clear that Marx held the study of empirical material to be of the utmost importance to his approach to analysing the world if he was to contribute to changing it. At times this has been underestimated, even by his supporters as I have already pointed out, when contesting the impression that Martin Nicolaus gives about Marx's use of dialectics. Nicolaus implies that Marx arrived at his conclusions by using the formulae of dialectics to arrange, or rearrange, the facts. Marx was not immune from methodological errors but this was not one of them.

Abstraction

One aspect of method on which Marx and Hayek largely agreed was the necessity of employing the process of abstraction, particularly in the study of society and social phenomena, as a popular encyclopedia explains rather well:

Abstraction is the process or result of generalization by reducing the information content of a concept or an observable phenomenon, typically in order to retain only information which is relevant for a particular purpose. For example, abstracting a leather soccer ball to a ball retains only the information on general ball attributes and behaviour. Similarly, abstracting happiness to an emotional state reduces the amount of information conveyed about the emotional state. [In thought processes] abstraction uses a strategy of simplification, wherein formerly concrete details are left ambiguous, vague, or undefined; thus effective communication about things in the abstract requires an intuitive or common experience between the communicator and the communication recipient.⁶

Marx outlined the significance of abstraction as follows: 'In the analysis of economic forms, moreover, neither microscopes nor chemical reagents are of use. The force of abstraction must replace both.'⁷ However important this process may be, it is not without its traps and difficulties, which Marx considered could be minimised, as he described in his unfinished *Introduction to the Critique of Political Economy*.⁸ Under the heading 'The Method of Political Economy', Marx criticised a common practice of starting from 'population' to examine a country's political economy. He wrote:

Population is an abstraction, if we leave out e.g. the classes of which it consists. These classes, again, are but an empty word, unless we know what are the elements on which they are based, such as wage-labour, capital, etc. These imply, in their turn, exchange, division of labour, prices, etc. Capital, e.g. does not mean anything without wage-labour, value, money, price, etc. If we start out, therefore, with population, we do so with a chaotic conception of the whole, and by closer analysis we will gradually arrive at simpler ideas; thus we shall proceed from the imaginary concrete to less and less complex abstractions, until we get at the simplest conception. This once attained, we might start on our return journey until we would finally come back to population, but this time not as a chaotic notion of an integral whole, but as a rich aggregate of many conceptions and relations. The former method is the one which political economy had adopted in the past at its inception ... but in the end [the political economists] invariably arrived, by means of analysis, at certain leading, abstract general principles, such as division of labour, money, value, etc. ... The latter is manifestly the scientifically correct method. The concrete is concrete, because it is a combination of many objects with different destinations, i.e. a unity of diverse elements. In our thought, it therefore appears as a process of synthesis, as a result, and not as a starting point, although it is the real starting point and, therefore, also the starting point of observation and conception. By the former method the complete conception passes into an abstract definition; by the latter, the abstract definitions lead to the reproduction of the concrete subject in the course of reasoning.⁹

Marx did not himself always do what he recommended to others, as we next see in regard to the labour theory of value. This reinforces the point that, however important one holds the conscious knowledge of

correct methodological procedures to be, there is never any sure way to prevent or eliminate all errors.

The labour theory of value

Marx did not invent the theory, but took it over from economists such as Adam Smith and Ricardo, who developed it from earlier commentators. These included Aristotle in the days of slavery, and others in the feudal setting of the Middle Ages. Then, production was mainly agricultural, where serfs could see how long they worked for themselves and how long for the lord of the manor. Many other needed items such as clothing were supplied by domestic craft labour, and some by village and then town guild craftspeople. Thus Smith wrote:

Every man is rich or poor according to the degree in which he can afford to enjoy the necessities, conveniencies, and amusements of human life. But after the division of labour has once thoroughly taken place, it is but a very small part of these with which a man's own labour can supply him. The far greater part of them he must derive from the labour of other people, and he must be rich or poor according to the quantity of that labour which he can command, or which he can afford to purchase. The value of any commodity, therefore, to the person who possesses it, and who means not to use or consume it himself, but to exchange it for other commodities, is equal to the quantity of labour which it enables him to purchase or command. Labour, therefore, is the real measure of the exchangeable value of all commodities.¹⁰

When capitalism triumphed over feudalism and large-scale manufacturing triumphed, the outlays on capital equipment escalated, upsetting previous economic ideas and calculations. The literature of this period shows concern and confusion about matters that had previously seemed straightforward. David Ricardo, a few decades after Adam Smith, was particularly concerned with finding a stable measure of value:

When commodities varied in relative value, it would be desirable to have the means of ascertaining which of them fell and which rose in real value, and this could be effected only by comparing them one after another with some invariable standard measure of value, which should itself be subject to none of the fluctuations to which other commodities are exposed. Of such a measure it is impossible to be possessed, because there is no commodity which

is not itself exposed to the same variations as the things, the value of which is to be ascertained; that is, there is none which is not subject to require more or less labour for its production.¹¹

Ricardo went on to say that even if in the production of money (gold):

the same quantity of labour should at all times be required, still it would not be a perfect standard or invariable measure of value, because, as I have already endeavoured to explain, it would be subject to relative variations from a rise or fall of wages, on account of the different proportions of fixed capital which might be necessary to produce it.¹²

It was to solve the problem mentioned at the end of this last quotation – the different proportions of labour to capital – which ostensibly brought the labour theory of value into question and for which Marx developed his solution. But the way he conceptualised the transformation of the labour theory of value into ‘prices of production’ proved to be a major error. In the context of this chapter, the question to be asked is this: what element of his overall views, if any, contributed to this error in his methodology? In my view the problem lay in Marx’s dedication to the proletariat as physical producer, its struggle against its alienating conditions, and his assumption about its revolutionary role.

To explain the issue briefly, the labour theory of value held that the exchange value of a commodity when supply equalled demand was the (monetary) value of the number of standard labour hours spent on its production. But when large amounts of capital have to be expended before labour can be usefully employed, things turn out very differently. Marx takes the cotton and tailoring industries as hypothetical examples. In the former, out of a total of each 100 units of capital laid out, 80 are spent on capital equipment and 20 on labour. But in wholesale tailoring, 50 units are laid out on capital equipment and 50 on labour. Assuming that the rate of exploitation (that is, the percentage of time spent working for oneself in relation to the time spent in working for the boss) is 50 per cent in each case, the profit in the cotton industry is 10 out of the 100 spent (110 then being the total value of the product), so the rate of profit is 10 per cent. In the wholesale tailoring industry the total value of the product would be 125, the rate of profit being 25 per cent.

But capitalism could not work on such a basis because, in the absence of any plan, it is essential for there to be a known average rate of profit around which the resources for the production of the mix of

commodities required by the population can be allocated. Well aware of this, Marx concluded:

there is no doubt that, aside from unessential, accidental, and mutually compensating distinctions, a difference in the average rate of profit of the various lines of industry does not exist in reality, and could not exist without abolishing the entire system of capitalist production.¹³

Marx's solution for the problem was to point out that the *sum* of what he called 'prices of production' – the cost of production plus an average profit – was equal to the sum of values calculated on the basis of the labour theory of value. In the case of cotton and tailoring, $110 + 125 = 235$ are the values, and the prices of production $100 + 17.5$ in each case, also equals 235. So, the selling price in the cotton industry is below its value, while in the tailoring industry it is above its value, but taken together they equally exploit the workers they employ.

Marx laid all this out in a letter to Engels, commenting that 'capitalists are brothers', meaning that they received equal tributes from the total surplus that 'the [working] class produces'.¹⁴ Marx elsewhere rather smugly claims: 'it is evident that the calculation [that he put to Engels] must come out right'.¹⁵ Of course it must – his very assumptions make sure of this, but Marx could not have known what the *actual* rate of profit would be.

The generation of profit in the production process has been analysed in a different way by the influential Italian economist Piero Sraffa, a friend of Gramsci and one time colleague of Keynes. Sraffa contended that profit can come from any of the elements involved in that process or, put in another way, profit is made by combining commodities to make other commodities.

I propose the following mental experiment to explain. Let's say someone makes a new electronic product, for which machines of a particular sort, some electronic chips with certain capabilities, labour, and plastic cases for the product are all needed. It succeeds on the market, perhaps replacing other somewhat similar products, and is in great demand, so prices are arbitrarily high. Eventually, other producers start up in competition, and prices and profits in this line reach an average. But that price and that profit may vary considerably for quite a long time from the overall average, depending not only on the cost of labour, and of the other elements involved, but also on how much purchasers are willing to forego other commodities to buy this one. The actual rate of profit, moreover, is an empirical fact, which has to be discovered, not worked out by a formula.

Objections have been made to Marx's view of the labour theory of value on a range of grounds. But whatever the reasons, it undoubtedly misled Marxists both in capitalist countries and in the countries where they tried to build socialism.¹⁶

Use value

Marx suffered, partially at least, from a confusion common among economists in his day. Of course all understood that a commodity that had no utility was no commodity at all, since no one would buy it. But once recognised, it was commonly felt economists need no longer be concerned with it. The other, minority, viewpoint held that use value and exchange value were essentially connected, and Marx sometimes acknowledged this, especially in connection with the labour theory of exchange value. This is clear from his letter to his friend, Ludwig Kugelman, who wrote to him about a review of the first volume of *Capital* which claimed Marx had not proved the labour theory of value.¹⁷ Marx replied:

Even if there were no chapter on 'value' in my book, the analysis of the real relations which I give would contain the proof and demonstration of the real value relation. ... All that palaver about the necessity of proving the concept of value comes from complete ignorance both of the subject matter dealt with and of scientific method ... the masses of products corresponding to the different needs require different and quantitatively determined masses of the total labour of society. That this *necessity* of the *distribution* of social labour in definite proportions cannot possibly be done away with by a *particular form* of social production but can only change the *mode* of its *appearance*, is self-evident. No natural laws can be done away with. What can change in historically different circumstances is only the *form* in which these laws assert themselves. And the form in which this proportional distribution of labour asserts itself, in a state of society where the interconnection of social labour is manifested in the *private exchange* of the individual products of labour, is precisely the *exchange value* of these products.¹⁸

These statements are a good illustration of what Marx meant by 'scientific method', and of the way in which he employed the word 'law'. But on the substantive issue, it shows the indissoluble link between use value and exchange value, which Marx thought could be established under socialism by doing away with exchange value altogether, and having

the 'associated producers' organise distribution of use values directly. We now know how impossible this was, and its role in socialism's failures.¹⁹

Theory of history

Though Marx's theory of history is not without flaws, these are quite different from those involved in the transformation problem. The theory is still very powerful today as an explanatory tool as, for example, to grapple with the historical problems dealt with by Kay Anderson.²⁰ The core issue of her book concerns the change in the predominant view in the eighteenth century that maintained humanity constituted a single species at various stages of social and cultural development. In the nineteenth century, however, groupings of people who had different social systems were increasingly seen as separate races that were inherently different, physically and/or mentally.

One of the questions that this raises in particular concerns the relationship of various groups of people to nature, specifically their proximity to nature when measured by the extent to which they were engaged in transforming nature by tillage of the soil and other activities that embodied 'subduing and controlling nature'. Such views were often, but not necessarily, connected with the biblical injunction to do so. Historically, Anderson points out, one major element, not necessarily connected with crude justifications for colonialist seizure of lands, were attempts to explain the 'backwardness' of Australian Aborigines, and even of the plants and animals of the continent, by either their arrested or innate, low level of development.

The Scottish Historians, as previously noted, had developed a theory of the relationship between forms of politics and government in societies with different forms of obtaining subsistence: 'Accordingly as that varies, their laws and policies must be different.'²¹ This was an important development of the humanist view of the times that saw human groupings as being factually at different levels of development of economic life, but did not attribute it to any innate inferiority. Marx, who must have known something of that view, added an additional, explanatory, theory that the differences were due to or represented the level of the productive forces that the various groups had inherited and themselves further developed to one degree or another. This was a process driven by human creative powers, but that did not entail a consciousness of where such developments might lead.

We know that humans can learn from their fellows, and Jared Diamond has pointed to the fact that the passing on of developments in the productive forces have often been influenced by geographical factors. These include the influences of latitude and consequently of climate. Thus the

development of both agricultural and pastoral practices, thought to have originated in the 'fertile crescent' around present-day Iraq, could then spread both west through Europe and east towards the Pacific. In contrast, the agricultural practices of Mesoamerica which developed the civilisations of Incas and Aztecs could not so easily spread north and south because of the rapid changes in latitude and climate.

Another geographical factor was the presence or absence of grains suitable for agriculture, and of animals suited to domestication and/or use as draft animals for transportation and ploughing. The important invention of the wheel, according to Diamond, occurred only twice once, near the Black Sea, from where it could spread for both purposes; then in Mexico, where it was used only for toys because there were no suitable draft animals.

The isolation of Australia, its fluctuating climate due to the 'el niño' effect and the nature of its soils, plants and animals, undoubtedly influenced the particular development of Aboriginal societies. But they also developed methods akin to cultivation, such as the controlled use of fire to regenerate vegetation that attracted animals, construction of rock fish traps on rivers, the mass production of smoked eel at Lake Condah, and other clever inventions. Their continued existence for over 50,000 years and through several significant climate changes is an accomplishment that we today, with all our civilisation, have yet to match.

The view of history that Marx, aided by Engels, developed is still of great value, but not in the canonical form in which it was taken by their followers. Engels himself accepted that both he and Marx had some blame in this respect:

Marx and I are ourselves partly to blame for the fact that the younger people sometimes lay more stress on the economic side than is due to it. We had to emphasize the main principle *vis-à-vis* our adversaries, who denied it, and we had not always the time, the place or the opportunity to give their due to the other elements involved in the interaction.²²

Any theories with pretensions to over-privilege a single aspect of human society in present conditions – including those of both Marx and Hayek – will mislead. We are faced with a unique situation that neither they nor any other social philosophers envisaged. We can learn from them both if we have the will to do so, but must learn from their weaknesses as well as their strengths, and above all cooperate with others to make our own analysis, of which the strategic centre is to find ways to effectively cope with what Australia's Ross Garnaut calls the 'diabolical problems' we face.²³

14 Hayek and methodology

Hayek's view of human society has at its core a view that is not easily pinned down, so an effort is required to reveal more precisely what it is, and the methods by which he arrives at it. A good place to start may be this statement:

[M]an's actions are largely successful, not merely in the primitive stage but perhaps even more so in civilization, because they are adapted both to the particular facts which he knows and to a great many other facts he does not and cannot know. And this adaptation to the general circumstances that surround him is brought about by his observance of rules which he has not designed and often does not even know explicitly, although he is able to honour them in action.¹

Hayek enlarges on this in regard to economic relations by quoting from the central European economist and political scientist, Josef Schumpeter: 'We can establish certain theorems about [economic relations], but we can never observe all', and adds:

The insight into the significance of our institutional ignorance in the economic sphere, and into the methods by which we have learned to overcome this obstacle, was in fact the starting point for those ideas which in the present book are systematically applied to a much wider field. ... it is the utilization of much more knowledge than anyone can possess, and therefore the fact that each moves within a coherent structure most of whose determinants are unknown to him, that constitutes the distinctive feature of all advanced civilizations.²

These statements are an indication that Hayek takes the operations of the market which, with certain qualifications, are spontaneous, and

applies them to society as a whole, which then itself comes to be regarded as a spontaneously operating entity. This has validity in the sense that nobody can know everything about even one aspect of society, let alone the whole, but that is far from proving that the best way of proceeding is to blindly follow rules of conduct that are necessary for markets to function. Hayek seeks to equate the way market prices provide necessary information to individuals and groups that cannot be obtained in any other way, with all the operations of society, including the financial and environmental problems we now experience.

It is a common feature of Hayek's way of reasoning and building a case, to try to establish one truth by means of another that may be analogous, but which cannot be properly established without specific investigation. Take for instance the statements he makes about science at the beginning of the first chapter of volume 1 of *Law, Legislation and Liberty*. Under the sub-heading 'Factual knowledge and science' he says:

the chief value of *all* science ... is to tell us what the consequences would be if conditions were in some respects made different from what they are. ... Fruitful social science must be very largely a study of what is *not*: a construction of hypothetical models of possible worlds which might exist if some of the alterable conditions were made different. We need a scientific theory chiefly to tell us what would be the effects if some conditions were as they have never been before.³ All scientific knowledge is knowledge not of particular facts but of hypotheses which have so far withstood systematic attempts at refuting them.⁴

It is surprising in that he does not name a single scientist who worked in that way. All the famous ones are renowned because they discovered facts about the real world – Isaac Newton about physical motion, Clerk Maxwell about electro-magnetic motion, William Harvey about the motion of blood round the body pumped by the heart, Marie Curie about the radioactivity of elements, Max Planck about the fact that energy is transmitted in quanta rather than continuously, Louis Pasteur about bacteria, Antoine Lavoisier about the composition of air and the existence of oxygen. ... It may be said that these are only hypotheses, still open to refutation, but they are much more likely to stand the test of time than are some of Hayek's own theories about dangers to the natural environment on which he was one of the first and most emphatic of deniers.

The next sub-heading 'The concurrent evolution of mind and society: the role of rules' gives us a clue to his main drift. 'The fact is, of course', Hayek writes:

that this mind is an adaptation to the natural and social surroundings in which man lives and that it has developed in constant interaction with the institutions which determine the structure of society. Mind is as much the product of the social environment in which it has grown up and which it has not made as something that has in turn acted upon and altered these institutions.⁵

The last sentence denies any place for the mind, even 'in turn' to have 'altered those institutions' of which it is also the product. This is an unsubstantiated assertion for which Hayek seeks support for the proposition.

These are propositions that turn into exclusive opposites, or dichotomise, things that are in fact interconnected and interrelated. Of course humans did not *design* themselves as social beings; we were, from our very ancestry, and always have been, social creatures. But the nature of that sociality, the types of society we have historically lived in, have also been fashioned by our intentions, our morals and our reason. Hayek himself recognises this, though in a backhanded sort of way.

Of course 'the basic order of the Great Society cannot rest entirely on design'; but neither can it rest entirely on spontaneity. Nor can it be deduced from this that it (or any other society) 'can therefore also not aim at particular foreseeable results'.⁶ On the contrary, logic, working on facts that we know, precisely requires that we now do aim at particular results that will counteract global warming.

Abstraction

Hayek's method of drawing unconditioned conclusions from qualified premises as instanced above, occurs all too frequently. It could be attributed to the high level of abstraction at which he often worked. This does not justify it however, and at times it seems as though it is also due to a degree of *ad hocery*, in which propositions are advanced not to progress the analysis of an issue, but rather for the purpose of trying to block up a hole in his chain of reasoning or divert a possible attack from an opponent.

It seems also to derive from a particular view of the process of abstraction which he, as well as Marx, found necessary, especially in the study of society. Hayek likewise believed that thoughts, rules and

theories were necessary abstractions that is, generalisations drawn from concrete manifestations, phenomena or events, discarding some facts that are taken to be of minor importance. But in an article entitled 'The Primacy of the Abstract' he gives a quite different account:

What I contend, in short, is that the mind must be capable of performing abstract operations in order to be able to perceive particulars, and that this capacity appears long before we can speak of a conscious awareness of particulars. Subjectively, we live in a concrete world and may have the greatest difficulty in discovering even a few of the abstract relations which enable us to discriminate between different things and to respond to them differentially. But when we want to explain what makes us tick, we must start with the abstract relations governing the order which, as a whole, gives particulars their distinct place. So far this may sound pretty obvious, but when we reflect on the implications, they would mean little less than that psychology and the theory of knowledge frequently start at the wrong end. From the assertion that the abstract presupposes the concrete rather than the concrete the abstract (in the sense that in the mind the abstract can exist without the concrete, but not the concrete without the abstract) a wholly erroneous approach results which treats as given what most requires explanation.⁷

This could be Hayek's affirmation of the widespread view that it is not possible for anyone to approach a subject of study free from all theories, opinions, hunches, prejudices, and that because our observations are consequently already 'theory laden' we cannot entirely avoid looking at things in accord with what our preconceived ideas tells us to look for.

This proposition undoubtedly contains an important truth, but does not take into account the point raised in the previous chapter; namely, that one way in which the dangers involved can be avoided, or at least diminished, is to return to the concrete, the reality, which is the ultimate source for, and judgment of, the abstraction. This is a necessary, virtually endless, back-and-forth process that gets us closer to, and is a check upon, the validity or otherwise of the abstraction.

In Hayek's usage, the word 'abstract' is employed to express more than was contained in the definition given in the previous chapter; namely that 'Abstraction is the process or result of generalization by reducing the information content of a concept or an observable phenomenon, typically in order to retain only information which is relevant for a particular purpose.'

Hayek takes this in a quite different direction:

abstraction is not something which the mind produces by processes of logic from its perception of reality, but rather a property of the categories with which it operates – not a product of the mind but rather what constitutes the mind. ... We never act, and could never act, in full consideration of all the facts of a particular situation, but always by singling out as relevant only some aspects of it; *not by conscious choice or deliberate selection, but by a mechanism over which we do not exercise deliberate control*.⁸

The content of abstraction as developed here is, according to Hayek, assumed throughout *Law, Legislation and Liberty*.

There is a lot built into these contentions, particularly the italicised words. What *mechanism* could perform that service? It comes down, in Hayek's view, to 'rules' that we did not devise, and may not be conscious of: 'we can make use of so much experience, not because we possess that experience, but because, without our knowing it, it has become incorporated in the schemata of thought which guide us'.⁹

But the other set appears to consist of 'rules' of the workings of the human mind, which Hayek never attempts to clearly formulate, but which were originally discussed in the philosophy of Immanuel Kant (1724–1804). He came to the conclusion that our mind imposes an order on what we experience – not that the mind *creates* what we experience, but that it arranges it in the ways that it is structured to do. Feuerbach also expressed this idea by noting that just because we can *think* of ourselves as distinct from our body that there must be an incorporeal reality called the mind which exists independently of it, this has rather to do with our mode of knowing, not with the reality itself.

Around the end of the nineteenth century a line of philosophical thinking called neo-Kantianism developed, one that, influenced by the advance of materialist philosophy which emphasised the primacy of reality, went, shall we say, halfway in the opposite direction. This is seen to have influenced Hayek, and is discussed at some length by philosopher John Gray.¹⁰ A full discussion of the subject is beyond the scope of this book, but in this chapter we can look at some of Hayek's ideas and reasoning connected with it, especially in regard to his emphasis on the 'rules' that he claims determine human behaviour. He says we have to consider:

whether it is conceivable that we should ever be in a position discursively to describe all (or at least any one we like) of these rules,

or whether mental activity must always be guided by some rules which we are in principle not able to specify.¹¹

He draws the conclusion that 'all conscious thought ... must ... be assumed to be directed by rules which in turn cannot be conscious by a supra-conscious mechanism which operates upon the contents of consciousness but which cannot itself be conscious'.¹²

We must leave philosophical discussion there, but note that we now seem to have four sets of rules determining our conduct. One set is associated with the common law and private law. There are the rules of commerce that are necessary for the market to function, specified by Hayek as 'private property, honesty, contract, exchange, trade, competition, gain and privacy'.¹³ There are the 'universal rules of just individual conduct' which seem sometimes to be regarded as identical with those commercial ones, but which are different in the sense that they only apply to relations between individuals, while a number of the commercial ones are enforced by law on all. To cap all that, we now have a fourth set of rules embodied in a 'supra-conscious mechanism' that we do not know and probably, in principle, can never know.

Philosophy is important in many ways, even essential, but during the twentieth century it became, on the one hand, largely segmented and specialised and, on the other hand, cannot tell us what the world *must* be like, or override the findings of the scientists who study and experiment with features of it. If there ever were any benefits in the past in blindly following unintentionally evolved rules, or listening to the indistinct drumming of unknowable mechanisms, we should now listen to what nature and natural science are telling us, and employ to the full the emotion and reason embodied in our values.

Structuralism

To me, the Hayekian contentions about rules are akin to structuralism, which in a somewhat similar way, attributes the active side of things to the social structures in which people exist – the classes, the institutions, the habits, the modes of thought – of which people are virtually the puppets.¹⁴

Marx had structuralist tendencies even though the term did not yet exist. He declared these in his preface to the first edition of *Capital*:

To prevent possible misunderstanding, a word. I paint the capitalist and the landlord in no sense *couleur de rose*. But here [in *Capital*] individuals are dealt with only in so far as they are the

personifications of economic categories, embodiments of particular class-relations and class-interests. My stand-point, from which the evolution of the economic formation of society is viewed as a process of natural history, can less than any other make the individual responsible for relations whose creature he socially remains, however much he may subjectively raise himself above them.¹⁵

Hayek, however much he referred to individual freedom, also regarded individuals as ultimately both the creatures and the agents of the economic structures – particularly the market:

Only a mental reconstruction [deconstruction?] of the overall order of the Great Society enables us to comprehend that the deliberate aim at concrete common purposes, which to most people still appears as more meritorious and superior to blind obedience to abstract rules, would destroy that larger order in which all human beings count alike.¹⁶

All the totalitarian doctrines, of which socialism is merely the noblest and most influential ... are false, not because of the values on which they are based, but because of a misconception of the forces which have made the Great Society and civilization possible. The demonstration that the differences between socialists and non-socialists ultimately rest on purely intellectual issues capable of a scientific resolution and not on different judgments of value appears to me one of the most important outcomes of the train of thought pursued in this book.¹⁷

In *The Fatal Conceit* he enlarged upon this theme:

Thus I wish neither to deny reason the power to improve norms and institutions nor even to insist that it is incapable of recasting the whole of our moral system in the direction now commonly conceived as 'social justice'. We can do so, however, only by probing every part of a system of morals. If such a morality pretends to be able to do something that it cannot possibly do, e.g., to fulfil a knowledge-generating and organizational function that is impossible under its own rules and norms, then this impossibility itself provides a decisive rational criticism of that moral system. It is important to confront these consequences, for the notion that, in the last resort, the whole debate is a matter of value judgments and not of facts has prevented professional students of the market order from stressing forcibly enough that socialism cannot possibly do what it promises.¹⁸

This is good rhetoric and it also contains some truth, but it takes no account of the factual errors and logical contradictions in Hayek's own position. His account of market functioning, for example, is an extreme which denies all other possibilities, including modification. It also assumes the validity of the unproven assertions that society is wholly spontaneous, and that market operations cannot or should not be altered or mitigated by social action.

Evolution

Although Hayek undoubtedly understood the theory of Darwin's *The Origin of Species by Means of Natural Selection*, he could not integrate it into his social philosophy. He knew the core of the theory to be 'that as mechanism with reduplication with transmittable variations and competitive selection of those which proved to have a better chance of survival will in the course of time produce a great variety of structures adapted to continuous adjustment to the environment and to each other'.¹⁹ But later we find him vehemently rejecting any recognition of environmental changes caused by human action, because to do so might interfere with the people's individual freedom to use their property and wealth with little restraint and no regulation. And in regard to resource consumption, he relied not on facts and logic, but on faith.

There is little doubt, in my view, that Hayek's desire to promote the interests of capital led to these failings in logic and methodology in similar ways to that in which Marx's desire to serve the proletariat led to his failings of logic and methodology in regard to the labour theory of value.

Hayek's use of an analogy between evolution in genetic and cultural spheres in order to prove that an emerging culture cannot be just or unjust because the result of genetic evolution cannot be called just or unjust, is not backed by any factual evidence.

He takes this badly flawed account of evolution further with yet another analogy, claiming that the 'survival of the fittest' society occurring on the basis of greater prosperity and larger population is the equivalent of 'survival of the fittest species by natural selection'. This has again the aim of 'proving' that because a society has 'evolved' it cannot be either just or unjust. He actually undermines this analogy by admitting that 'this [selection] has often been bloody', thereby opening the door to the exercise of some deliberate human intentions in the course of its 'evolution'.

The relative weight of design and spontaneity in any social process or outcome has to be examined concretely, that is, on the basis of facts.

For instance, the collateralised debt obligations that fuelled the sub-prime mortgage crisis were undoubtedly 'designed' to a major extent, while no doubt other, more spontaneous, factors were also involved. Wars offer another example: they usually include design and preparation, though other factors play a part in their outbreak and future development. Yet from his qualified premise, Hayek sets out to prove that society is 'an order which relies solely on rules and is entirely spontaneous in character'.²⁰

Scientific paradigms

In natural science especially there are many instances of well established theories called models, exemplars or paradigms which, though followed for long periods by most researchers in a discipline, have gradually lost their dominance because of an increasing number of anomalies or failures in their predictions, with different interpretations being offered for correction. But this often does not restore the old one, and the crisis remains until a new, more effective, paradigm emerges to replace it.²¹

Paradigm shift, sometimes known as extraordinary science or sometimes revolutionary science, is the term first used by Thomas Kuhn in his influential 1962 book, *The Structure of Scientific Revolutions*, to describe a change in basic assumptions within the ruling theory of a science. It is in contrast to his idea of normal science.

It has since become widely applied to many other realms of human experience as well, even though Kuhn himself restricted the use of the term to the hard sciences. According to Kuhn, 'A paradigm is what members of a scientific community, and they alone, share' (*The Essential Tension*, 1997). Unlike a normal scientist, Kuhn held, 'a student in the humanities has constantly before him a number of competing and incommensurable solutions to these problems, solutions that he must ultimately examine for himself' (*The Structure of Scientific Revolutions*). A scientist, however, once a paradigm shift is complete, is not allowed the luxury, for example, of positing the possibility that miasma or 'bad air' causes the flu or that ether carries light, in the same way that a critic in the humanities can choose to adopt a nineteenth-century theory of poetics, for instance, or select Marx's or Hayek's theories as an explanation of social behaviour. Thus paradigms, in the sense that Kuhn used them, do not apply in humanities or social sciences.

A similar progression nevertheless does occur in the social sciences, and this is how, when I became a secretary of the Communist Party of Australia in 1976, I experienced the growing crisis of Marxism. People

still professed allegiance to 'Marxism' as a generality, but in practice adopted any one of a number of different interpretations with corresponding different priorities, and supported a range of different forms of action. The previous set of ideas (the ideology and theories) which had been the basis of the unity and action of the Party, no longer worked as before.

A few years before, I had been introduced to *The Structure of Scientific Revolutions* which described what was happening but which could not, of course, offer a solution. This was because no new paradigm was available, nor could one be artificially created that would solve the problems of the worldwide communist movement and the antagonistic split between former exemplars – the Soviet Union, then China. I gradually came to realise that no single theory of society was likely to serve as a permanent 'world view' through which everything, past, present and especially future! could be explained. I read more widely, but could not see how the different theories that were abroad could be integrated as Marxism had previously seemed to be. Though rejecting much of post-modernism, I did begin to accept its critique of 'grand narratives', if not its methods of reasoning, and decided that each particular historical period had to be analysed, both practically and theoretically, in its particularity. This is what I have been trying to do in this book.

15 The primacy of values

Marx and Hayek both believed that no one could at will transcend the material and cultural conditions of their times if they wanted to effect some actual social change. I agree with this as a general proposition. However, I believe it needs to be modified because the times we live in are unique in the sense that never before has humanity been confronted by a disaster of such potential global proportions. At no other time in the history of humankind has the total population faced the same emergency at the same time and, although awareness and preparedness to do something about it is growing, the response has so far been inadequate. This is a form of globalisation that, while including the world economy, also surpasses it. In the long-term the global aspect has the potential to propel economics towards becoming internationally more equitable and human and nature-friendly. But, as I have argued throughout the book, before this can happen, we need to reject the two ideologies that until now have dominated how we think and act. The first relates to Marx's proposition that there is a known destination towards which human society is inexorably tending. The second is the Hayekian contention that we are on the verge of arriving at a desirable point and that all will be well with the world as long as we accept that the best way to get there is to rely on the spontaneous forces of the market and of society as a whole.

The pressures upon us are great and urgent because, within less than fifty years, it is likely that global warming will have reached the critical point of establishing a self-perpetuating loop. This will lead to more warming while demands on the planet's resources will have increased by a factor of three or four. We therefore require more than just a general vision: we need to put into effect some very specific and concrete measures to enable us to prevent the destruction of humanity and our planet.

Alternatives

In the field of economic institutions, it is clear that we must retain markets in some form and they will have to play a considerable role in how society is organised. But market mechanisms have proved beyond doubt that, unaided or unrestricted, they cannot transcend or even modify their own spontaneous processes. Since it is markets and the striving for growth and profit on which they operate that have played such a major part in bringing us to the situation we now find ourselves in, we must find the means to restrict their damaging effects while making appropriate use of their virtues.

On the subject of markets, Marx was almost wholly wrong, and Hayek largely right: with a wide division of labour in separate societies which now extends across the world, exchanges of billions of different commodities are a daily necessity, and markets are the site in which they take place. Functioning markets involve genuinely competing entities, whether individuals or groups, and therefore a variety of forms of property seeking expansion of their capital.

However, Hayek erred in declaring that markets were always the most efficient way in which resources could be allocated among competing purposes. By doing so he down-graded or completely ignored the fact that the market cannot, even in principle, decide what proportion of total resources should be allocated to society's infrastructure where profit, unless guaranteed by government, cannot play a regulatory role. Today, when the condition of the natural environment and the limitations of some of its most important resources are at last being recognised as crucial to human well-being and the survival of other species, a Hayekian reliance on market spontaneity to supply the answers is not viable. Nor is the Marxian socialist alternative either acceptable or politically possible.

A mixed economy

Most developed and developing societies already have mixed economies to some degree – that is, they embrace a variety of economic elements. In the mid-to-late twentieth century this mainly took the form of a mix of privately and publicly owned enterprises. But increasing privatisation has shrunk the public sector, with public-private partnerships between governments and private enterprise playing an ever larger role. In these, governments give many kinds of concessions to their private partners, such as guarantees on bank loans for which governments become liable if the private company involved goes bankrupt.

A major component of today's mix remains the basically free market working mainly though spontaneously established prices which depend on the relationship of supply to demand. This occurs particularly with seasonal foodstuffs such as vegetables, fruits, meats and fish. It also includes a large number of manufactured articles, such as electrical and electronic devices, clothing, footwear, toys and the like, along with fast food outlets, restaurants, hotels, amusements – in other words, a considerable part of the commodities and services connected with daily living. I see little reason to change this.

However, the allocation and use of some staple foods, especially wheat, rice and maize, and energy-producing commodities such as coal, oil, gas and electricity, can no longer be left wholly to markets. And an increasing number of commodities now have their 'free' market prices humanly adjusted to some extent, directly or indirectly. The most important of these are houses, cars and major electrical goods, the prices of which are influenced by governments through regulations concerning insulation, emissions, energy consumption ratings and other factors, while health-affecting products such as cigarettes and alcohol incur special taxes. In these areas, market principles remain dominant, but are by no means completely so.

There are many other rapidly growing areas where market principles such as 'user-pays' may enter to a degree, but which are, or should be, governed primarily by socially oriented principles. These include affordable housing, education, health facilities, and public transport. Even Hayek recognised that the range of items in this category constantly expands. '[T]here is some reason to believe', he wrote, 'that with the increase in general wealth and of the density of population, the share of all needs that can be satisfied only by collective action will continue to grow'.¹ But he was never able, or even inclined, to include these facts in his overarching social philosophy, because to do so would undermine his contention that society itself was wholly spontaneous, and that its members were and should be guided by rules rather than reason. Furthermore, to acknowledge them today would entail a very non-Hayekian commitment to ensuring that large resources are diverted from their present private destinations to combat climate change and meet other environmental and social infrastructure requirements.

Since we will eventually be compelled to reduce our demands on energy as well as on the resources required to deliver ever greater material betterment, we should note that many service and caring occupations are in urgent need of extension and improvement. Such services are generally less material- and energy-intensive than is manufacturing; they involve more labour and have the potential to create

socially useful and interesting employment. Noting the difficulties for home carers of the elderly, sick or disabled, a recent academic report states that in Australia these informal carers – that is, those who have to forego employment to fulfil the task – currently perform work equivalent to 1 million full-time jobs, the value of which would be about 5 billion dollars.² And a still small but growing ‘not for profit’ sector of the economy exists in many countries, including pension funds, child care and environmental preservation, which should be greatly extended.

When to these areas of social life is added the market-equivalent value of the goods and other services generated by households, such as cooking, childcare, repairs and so on, most of which are done by women, it is clear that the total would be a surprisingly large proportion of all social economic activity, showing that the market is nowhere near as all-pervasive as its advocates claim. To recognise this is in no way to negate the importance of market processes or to deny the fact that entrepreneurial, scientific and technological innovators, especially in developing non-polluting energy sources, remain crucial and are entitled to receive, through those processes, financial benefits from their successes. A mixed economy could be expanded to stimulate economic growth, for example by planting millions of trees. This would provide many jobs for the substantial number of unemployed or under-employed people, especially the young who presently lack the skills needed for private employment, and would, by concurrent education and training, prepare them for well paid jobs.

Energy and its use

The immediate focus today of those concerned to protect the planet is on the production and use of the commodity ‘energy’, and rightly so, because both its production and its use result in greenhouse gases, such as carbon dioxide, which are the by-product from the burning of the carbon they contain. Energy involves change which necessarily requires energy.

The point is that all the commodities we buy are made by transforming or combining other commodities to satisfy our material needs, and the greater those are, or are felt to be, the more energy is required. Consequently, when Hayek tells us that the pursuit of better satisfaction of our material needs is the only thing that can peacefully unite us, he is also telling us that we need to generate more and more energy, and use more and more energy-producing materials, which in their turn require energy. To follow Hayek’s injunction could only lead to

conflict over ever-diminishing resources, which would result in large-scale destruction of property and human life. We can, indeed must, economise by using energy more efficiently and by making better use of the free energy from the sun. But the ultimate point is that there are natural limits which we cannot ignore.

Regulation

The assertion, at the highest level of abstraction, that society is a spontaneous entity may have an element of credibility. But at a more concrete and practical level it makes no sense because, when markets exist, many forms of regulation are required. They are needed for the markets to function in the first place, as well as to restrict or mitigate the damage their free operations are likely to cause. Not, it must be said, that the market mechanism as such is the direct cause of any damage, but because the competitive struggle for profit promotes efforts to reduce even necessary expenditure. Regulation always brings complaints from business interests that this restricts trade (and thus profits) which are followed by demands that these matters should be left to self-regulation. Although the inevitable periodical upheavals are just waved away as if caused by a few bad apples in the barrel, they are not avoided simply by the application of Hayek's 'rules of just individual conduct'.

Market regulations come in the society-wide form of regulated interest rates which impact upon all aspects of the economy, and they interact with other operations of the financial system, as well as with the governance of corporations. They also deal with workplace relations concerning health and safety issues, and many others. They are necessary for a variety of reasons – interest rates ostensibly to combat inflation, and to counteract recessions and depressions which are an inherent consequence of free market operations. They furthermore control standards of competence of workers such as medical practitioners, pharmacists, teachers, plumbers, and builders, and they can protect social and workplace relations concerning what workers and their unions may do, and determine the safety level of children's toys. ... The list is endless.

All these are thought to be, and in practice are, necessary because when they do not exist, or exist but are not enforced, society is likely to suffer serious consequences. The sub-prime property investment crisis that emerged in 2007 is a good example of what happens when regulations exist but are not enforced. Indeed, regulations were installed precisely to counteract the sort of excesses that had previously occurred. Heedless, financial regulation experts devised ingenious schemes to

bypass the existing regulations with new or prettied up financial products that were then sold to the next buyer by financial advisers, financial institutions and even banks, because of the gain they appeared to promise. We have seen that their lack of implementation led to enormous and widespread losses in the financial system due to practices that were known to be shady.

The effects of another less recent example of a slack regulation process are still being felt over a century after the event. This concerns asbestos, fine particles of which cause the fatal disease mesothelioma when inhaled. The first noted death from the disease occurred in Britain in 1899 and was widely known by producers and users, but ignored.³ Years after the industry was closed down, deaths from it continue to occur; one study estimates that the British total number of people who die from asbestos-related disease is likely to reach 100,000, with another 250,000 in Europe, and about 500,000 around the rest of the world.⁴

The role of government

Hayek, as we know, saw the primary task of government to be the protection of the largely spontaneous order of the market, embracing the private property and profit-seeking values on which it is based. His distorted view of government is manifested particularly in his insistence that government was just another organisation, if the biggest, and also in his contention that the rules involved in organisations are fundamentally different from those concerned with a spontaneous entity such as he claims society as a whole to be.

One can only conclude that he introduced these assertions to bolster his argument that there was no entity to which complaints about market outcomes could be addressed. He declared that 'so long as [society] remains a spontaneous order, the particular results of the social process cannot be just or unjust'.⁵ This is another example of Hayek's circular reasoning. He never substantiated his claim that society is wholly spontaneous, yet he continued to use that proposition to prove his assertion that social outcomes cannot be either just or unjust, claiming that there was no entity to appeal to for redress of harmful social outcomes.

Government, however, is far from being just another organisation. In many respects it is a corporation in the Roman meaning of the term that is, an entity with a legal standing separate from that of the members of its community. This is clearly seen in a nation's relationships with others, and also within a nation where the government has a duty of care for its citizens, a duty which, if not discharged, means the

government can be sued for neglect. More generally and most importantly, it is the one body that, ideally, is delegated to represent society as a whole, and to tackle society-wide issues because the full citizenry cannot directly enforce or take decisions, except occasionally through elections and referenda. But the citizenry can and often must make their opinions, aspirations and actions so strong and clear that no government can ignore them.

Anarchists and Marxists theorised that government could be abolished or, as Marx argued, would 'wither away', and the control of people would be replaced by the administration of things. Clearly this did not happen and, on the contrary, as in the Soviet Union, for example, it vastly increased the areas over which the government exercised power. The administration by government of most things in the economy, and the impossibility of planning the whole, led to the increasing, and increasingly draconian, direction of people because the theory simply did not work.⁶ In any case, the issues we now face mean we cannot ignore the fact that government action is more than ever necessary because of the far-reaching nature of the problems to be solved, and the need for concerted action. This, in turn, requires that the citizenry of all nations backs effective government action and ensures that its government follows the appropriate path.

Infrastructure and social justice

It will not escape notice that the infrastructure, the basic facilities, services and installations needed for the functioning of a society, is a major site of what might be called 'practical social justice'. This is generational in the case of the natural environment, and social in the case of the rest of the infrastructure. Private enterprise is increasingly entering this field, generally insisting on contracts, mostly subject to 'commercial in confidence' arrangements, that guarantee the operators good profits, and with financial backers, usually banks, which are guaranteed against losses. This is introducing a new and, as I and others argue, disturbing trend in which, in addition to what can be squeezed from the workers directly involved, profits now come directly out of consumers' pockets. For instance, as publicly provided schools become fewer and increasingly run down, many parents feel compelled to seek a higher standard that they think private schools might provide. The cost must be high enough to include a profit, so what was formerly free now comes only at a high cost.

In *Power Play: The Fight for the Control of the World's Electricity*, social scientist Sharon Beder quotes the CEO of Edison International,

who predicted that by 2011 there would be only ten global energy conglomerates. Although we are not likely to see a single transglobal conglomerate dominating any item or sector, there is an observable tendency in that direction. However, as representatives of the people, governments must accept ultimate responsibility, both politically and morally, for ensuring that the infrastructure works to citizens' satisfaction both in quality and costs, or they will, deservedly, suffer a political backlash. Privatisation, which would be still more pervasive should the General Agreement on Trade in Services (GATS) ever come into full force, has already removed governments from many of the social infrastructure institutions with the above consequences. It has also created a worrying gap between government and much of the often complex knowledge and expertise involved in these areas. This will be difficult to reverse, though measures to deal with climate change should, with the greater understanding it will bring, generate pressure for reversal.

Who pays?

The issue of who will pay for the changes that are necessary if human kind and the planet earth are to survive, is more than just a technical matter. When private capital acts only on profit, market-adjusting measures such as a carbon-trading system, can or may be valuable. But it has to be paid for, and everyone will have to pay something. I and many others would argue that those who have profited and still profit should pay the most. But these firms and industries are determinedly, and in some nations successfully, lobbying governments for concessions. The coal and other energy industries also want governments to provide most of the research and development funding needed to investigate the possibilities of 'clean' coal, and other technological developments and pilot schemes connected with energy production. The public may be willing to pay a share, but fairness will have to be even more determinedly fought for.⁷

These two problems – the readiness (or not) of governments to act vigorously on global warming, and who will pay and who profit in the process – can be solved only by an active citizenry that knows what it wants and is motivated by the values involved. At the heart of these values lies the need to give precedence to collective or 'common good' requirements above those of self-interest that have prevailed for so long. But governments imbued with neo-liberal ideology neither want, nor can properly attend to, these tasks. And nor can they inspire the people as a whole to rise to these challenges. They are more concerned

to ensure continuation of the principles of 'business as usual' and ensure that 'more goes to those who already have'.

These concerns are all the more important in that they bear on the issue of social justice. Global warming can be tackled with continued economic growth: what we seek now is not a reduction of growth but its re-direction from (some) consumption or wealth increase to saving the environment and regenerating the social infrastructure. This will give us time to look further into the more complex sustainability issue, with a view to building a consensus on how we might deal with containing population growth and reducing overall consumption on a fair basis.

Neither Marx nor Hayek, it must be said, gave any consideration to the specific environmental issues which would eventually lead to the crisis we face today. But, although he died more than a century before global warming became widely acknowledged as a problem of such huge and potentially globally destructive proportions, Marx did notice and comment upon the consequences of reckless land and resource use. Hayek, on the other hand, completely denied there was, or would ever be, an environmental problem (let alone a crisis), even as signs mounted of stress from increased global population and consumption. He did so on the basis of faith that the earth could provide unlimited resources, and hope that untrammelled growth would turn out to be 'for the best'.⁸

Values and morality

As we see ever more clearly, free markets – that is, markets free of reasoned or government intervention – cannot by their very nature deal with the problems raised by present conditions. This is because markets react only to money – the cash-nexus – and cannot of themselves take account of human values, such as clean air, sustainable water and other resources. Nor can they take account of the importance of the natural environment for our physical and inner spiritual life.

Marx and Hayek, each in their own way, downgraded the specifically and essentially human characteristic of values or morality. Marx did so partly because he was influenced by the positivistic and scientific attitudes of his day, and also to combat the early socialists' tendency to base their future goals on some traditional, often utopian, moral principle. Hayek did so in part because he did not believe that a society could have values, holding that these applied only to relations between individuals, and also because he believed that the issues between socialism and capitalism must be decided in his favour by fact and logic. Values he considered irrelevant. Neither the Marxian or Hayekian

roads lead to effective solutions, making a struggle to the bitter end to crown a winner, which again brings to mind the powerful and eloquent pronouncement about morality made by the anti-socialist Ludwig von Mises:

In any place where men regard as significant the beauty of a neighbourhood or of a building, the health, happiness and contentment of mankind, the honor of individuals or nations, they are just as much motive forces of rational conduct as are economic factors in the proper sense of the word, even where they are not substitutable against each other on the market and therefore do not enter into exchange relations.⁹

Von Mises followed up that statement with the comment: 'Anyone with a genuine sense of moral values experiences no hardship in deciding between honor and livelihood. He knows his plain duty.'¹⁰

It is not quite so simple in practice, as most know. But in the situation we are in today, the point is that the issue von Mises raises has a great importance that will not disappear, even when we have solved the global warming problem and have begun work on ensuring sustainability.

These issues, themselves fundamental to humanity's physical survival, raise anew that of our relationship to the rest of nature. It is something which has been with us since the beginning of *Homo sapiens*' life on earth some 150,000 to 200,000 years ago. In its turn this raises the questions of whether our nature can be nurtured to fit in harmoniously and voluntarily with our natural environment, and the type of societal arrangements we need to make to preserve it. Though these arrangements will depend on technical and economic measures, in the longer run they will depend still more on the outcome of a struggle for hearts and minds: feeling and reason depend on values which embrace both. With this in mind, I propose 'the primacy of values' in the same tentative way in which Hayek proposed 'the primacy of the abstract'. I acknowledge that this is only an analogy: it *proves* nothing, but my purpose is to provoke thought.

The primacy of values

I suggest, indeed urge, that our task is not only to devise ways in which we can continue to use markets in the graduated way I suggest above, with more or less regulation and intervention on different aspects, but we must also recognise, appreciate and internalise the values implicit in such measures. That is, we should clarify how we think and act: decide

what is most important to us, to those we love, and also to the whole of humanity. Of all the actions that we can and will undertake, we need to work out where our priorities lie. We must decide what it is in life that we favour, and what we disapprove of. The framework for this will have to be the survival of the human species and future planetary sustainability. When such considerations determine our lasting dispositions towards people and events, we will no longer be putting abstractions before realities, but reacting to those realities from our deepest feelings, along with a reasoned consideration of the course of action to take: we will be acting with feeling as well as with reason and be the more effective on that account.

It is relatively easy to make general statements about the roles nature and nurture play in forming us, but something more is needed. And this something lies in the fact that all races, ethnic groups and nationalities reveal that human beings possess dualities. The most important of these include: concern for self and concern for others, individualism and collectivism, trends of domination and resistance to it, aggression and conciliation, competition and cooperation.

It is clear that the capitalist system fosters the first terms of these dualities, developing individualism, for instance, to such a degree that it has come to be equated with the type of person it produced, and avowedly sought to produce, as the epitome of the human person. Hayek, though generally intellectually sophisticated, certainly thought something much like this, claiming that those who found the basic trend of capitalism's ethos inadequate, even repellent, represented the persistence of the instincts of primeval ancestors who could hardly be called fully human in the sense that civilised people are. He even, in effect, declared that employees were 'uncivilised', stating that their 'intuitive craving for a more humane and personal morals corresponding to their inherited instincts is quite likely to destroy the Open Society'.¹¹

In the Marxist view, socialism aimed to develop exclusively the second of the above traits. However, socialist practice largely prevented the expression of individuality, atomising and individualising the society to an even greater extent than did capitalism. It also lacked internal forces motivating change and the development of the productive forces to the degree that capitalism did, as, for example, in the way it contributed further to its ultimate internal collapse in the Soviet Union. In China and Vietnam, however, more rational economic ideas eventually prevailed. These are countries of which it is sometimes said that socialism was and is being built by capitalist means.¹² Rapid economic growth has been driven by government policies, the liberation of personal and group

economic activity, and by foreign capital investment. But, taking China as the touchstone, future outcomes are far from clear.

Winds of change?

The general method of political conduct in most Western countries today might be described as 'Clausewitz inverted'. Clausewitz was the Prussian army officer and military theorist who coined the aphorism 'war is the continuation of politics by other means'. This now seems to have been replaced by 'politics is war continued by other means', in which the public interest all too often gets trashed in the striving to capture or retain government political power at all costs.

Allied with this is an emerging view that the democratic two-party political system might be approaching the end of its domination in several countries. The two-party system developed, particularly in the English-speaking countries and parts of Europe, over a century ago. This coincided with the rise of political parties that were oriented towards the aspirations of labour, that is, of the wage-working population, which contested the politicians who represented the rich and powerful. In the twentieth century these contending parties, especially the labour or socialist parties, developed ideas, values and policies that attracted large numbers of active members who worked passionately to proselytise their beliefs and who also performed the mundane organisational tasks. In many of these countries today, those parties are tending to become more or less moribund; membership has drastically declined, and debate over ideas, values and policies is desultory at best and frowned on by party leaderships at worst. The main cause may be that, as the socialist alternative lost its way and neo-liberal ideas gained ascendancy, the parties both for and against labour came closer together on most major questions, seeming to leave little of a deeply ideological character to fight over.

Parties nominally on the other side are in no better shape. In their case, because they became complacent after their victory in the Cold War, as well as the consequent disarray among their opposition and a long period of prosperity in most of the developed world. Having arrived, as many saw it, at a kind of historical terminus expressed in the victory of liberal democracy and market priority, there were no longer any major ideological positions to oppose or fight for. The mentality arose along the lines of 'so long as we are united we will win' (the next election); the leader of the party tended to be the one who decided which ideas and policies were permissible and the role played by the grass roots became negligible.

There remained, however, one variant. The end of the Cold War meant that only one superpower remained in the world: the United States of America. The twenty-first century was to be the American century, and various associations were formed by an ideologically extremist group of politicians known as ‘neo-conservatives’, with variations in the title. Generally, they took the view attributed to US philosopher Leo Strauss that the elite should not shrink from comforting and deceiving the masses with ‘noble lies’, because they, the elite, knew what was in the best interests of both the masses and the nation as a whole. Strauss is said to have derived this idea from Plato and other Ancient Greek philosophers, together with the notion that their writings were cryptic because, to avoid prosecution, their real meaning was contained between the lines. We now know, in light of the Iraq war, how dangerous and even stupid such ideas and such people can be.¹³

But times are changing and unprecedented issues, such as global warming, are threatening our future, while the old threats of financial instability and nationalist rivalries are reappearing with increasing force. As I write, in the United States, for example, the calls of Democratic Party presidential nominee, Barack Obama, for change, have struck a vein of feeling, particularly among the young, that may well catapult him into office. Similar feelings played a role in the 2007 Australian federal election. While, of course, there are exceptions in many countries around the world, global protest and public involvement and clamour for change appears to be mounting.

Setting a new agenda

The task of building on such sentiments will involve a vigorous contest, and I am convinced that the best way to enter such a struggle is to be on the offensive. That is, to take the initiative to set the agenda by identifying and advancing the ideas that conform with present needs, and by putting opponents on the defensive. In part, such ideas collect around specific policies and therefore around everyday politics. But politics necessarily has a deeper base which, in my view, inheres in what people regard as most important in their lives – the lives of their families, intimates and friends. They bear very directly on the future of each nation and we cannot allow ourselves to forget the future of the world.

Humans do not always think in consistent ways beyond their immediate circumstances. In fact, we mostly don’t. But when pushed by issues as large as the ones we currently face, we are more likely to be impelled to do so. That is, we will be more inclined to examine our

inner thoughts and feelings to discover centres in our consciousness that embody what we most believe in but have seldom explicitly articulated to ourselves, let alone overtly and to one another.

To be called up or volunteer in a war, to be faced with death or the death of a loved one, to have one's life turned upside down by events in any number of the different ways we see around us, are likely to impel us along that path. Today, those issues are of a kind and scope that have never occurred before in human history. Global warming is a crisis awaiting, from which no one can escape. Nor can we avoid the related problem of sustainability: of whether the planet can supply the quantity of goods and energy required for the civilised life of a still rapidly growing global population while preserving the biosphere in a healthy condition.

Obstacles

There is no easy way to adjust our thinking to such tasks, for we are bound by our habits of thought, those we have developed individually, the ones we share with groups, and those that reign in the society we inhabit. We need to look at this through the eyes of both Marx and Hayek and learn from their arguments. We should first note how powerfully Marx was propelled by the revolutionary upsurge of the mid-nineteenth century in Europe and by what he saw as the de-humanisation of the mass of people of his day – particularly the workers in the 'dark satanic mills' that mushroomed in the Industrial Revolution. Believing in the maximum development of the human potential inherent in every individual, he crystallised this belief in opposition to the de-humanising to which he gave the name 'alienation'. His activities and studies further convinced him that the forms and sources of this alienation lay in the rapidly developing capitalist system itself. And, because his philosophy embraced the concept of endless change, Marx set out to establish what capitalism's 'law of motion' was, to what destination it was headed, and which social forces were destined to push it there.

We now know that this vision was faulty, and that the attempts to make it work in practice displayed still graver failings. But the rest of Marx's life focused on propounding those beliefs and revealing their operations in every aspect of social life. In doing this he built up a world view which, due to the horrors of the First World War and of the Russian and other revolutions to which it gave rise, captured the imagination of many workers, intellectuals and others. The subsequent Great Depression, victory over fascism, and the further revolutions in

China and in several European colonies, put the capitalist system and its ideologues on the defensive.¹⁴

We have also seen how Hayek set out to reverse that situation, eventually succeeding with considerable help from the failings of his political opposition. By that time world views, or all-embracing systems of thought, were deservedly out of fashion, due particularly to their pretensions to be able to predict endpoints. Though Hayek did not apply the term 'world view' to his body of ideas, this is what he set out to construct, and it included an endpoint which he aimed to guarantee by a new constitution. To apply the less flamboyant, less all-embracing and more modest term 'social philosophy' indicates that some overall view of the totality of social relationships is still required: and we badly need an alternative to the prevailing one, one especially tailored to cope with our present circumstances.

Though it is hard enough for scientists to get their theories of natural phenomena to conform to the facts of nature, it is doubly difficult to get our social theories to conform to social realities. This is because interests are involved, and we seldom approach these realities with fully open minds. Or is it perhaps because our minds are already laden with the wrong theories? I believe there may be a chink in this wall, one that relates to the way major natural-scientific bodies of theory, or paradigms, can shift.

Somewhat akin to a social philosophy, a paradigm is a thought pattern in a particular sphere of natural or social engagement. Such patterns of thought begin to decay when the facts they deal with become intractable, in the sense that they no longer fit a changing situation. The longer this continues, the more it is necessary to seek a new paradigm that overcomes the previous difficulties. And here is the chink when the two main paradigms of social theory usually described as 'left' or 'right' can no longer adequately deal with the facts, our minds may be, even should be, more open than they normally are. Some people, on both right and left, have suggested that we need a new paradigm, and I also believe this to be the case.¹⁵ Already we can sense that old political alignments are becoming less fixed, and our actions should be adjusted to this fact.

In this book I have aimed to reveal the theoretical roots of the failures of two major paradigms, both of which have had a huge impact upon the lives of millions of people throughout the world for the past 150 years. In this chapter I make some proposals that I hope will contribute towards developing a new one. My purpose is not to formulate the new paradigm we need, but to convince others that we must widen the search and, if we are to find one, take action starting from now.

Today, the planet is revealing that it is stressed, from the Arctic to the Antarctic, from the oceans to the lands, the mountains to the valleys. The impending exhaustion of oil, our most essential natural resource, is a sign that abundance is not infinite. The conclusion I draw is that humanity has to change to a significant degree: how we live, how we think, and what we feel are the most important things in life. I do not mean we should renounce the world, prohibit new products or deny all pleasure. Far from it. But we do need to live sustainably, that is within the still wide limits of existing resources, but limits, nevertheless, that are set by inherent processes and possibilities of our planet earth.

The times when humanity could rationally aspire to dominate the earth, take without care or thought even for its own future, whatever resources it desired, and control, plunder, or confiscate the habitats of other life forms, be they trees, whales, birds or frogs, are now past. A powerful, and sometimes dominant view in many countries, was that civilisation should be as far away from nature as possible. Today, when, for the first time in history, a majority of people live in cities, many are beginning to realise what they have lost or are in danger of losing. There is a growing realisation that to be civilised is to accept that we ourselves are natural creatures, needing continuing relations with the rest of the natural world.

We are not only natural creatures, we are naturally social creatures, though at the same time we are also individuals who must take some responsibility for our own selves and those close to us. For several hundred years, if not longer, this emphasis on individualism has taken precedence over our natural sociality. But the time has now come when we have no option but to change the priority: only together, and together all over the world, can we overcome conditions that we have brought upon ourselves without being aware of it. It has happened spontaneously a state of being which cannot be allowed to now persist.

We have entered a qualitatively new era, one previously seen before only in a few places where, unwittingly and spontaneously, people destroyed the basis of their own livelihood, with disastrous consequences. But we can no longer plead ignorance. Though the solutions are complex and difficult to achieve, I believe we are civilised enough to find and implement them. And in doing so, we would enter what could be a different, and happier, period of human history.

Afterword

As I was writing this book in 2008 during particularly virulent moments of the economic crisis, I could not but reflect on the implications for the arguments put forth by Marx and Hayek.

Marx wrote extensively about money, credit and economic crises which were already a feature of capitalism in northern Europe even before the Glorious Revolution of 1688 in England. For instance, the bursting of the tulip bulb bubble in 1637, of which historian Patrick Dillon wrote:

The subject of the speculative bubble was not, in fact, flowers themselves, but value in the abstract (i.e. money). The future could be milked for wealth, the Dutch then discovered, and from it wealth could be induced to pour at a speed unimaginable to patient merchants or long-suffering farmers [and the reverse when the bubble burst].¹

In Marx's time, as today, credit was accorded through Bills of Exchange and the like, particularly between commodity producers. Marx noted the difference between this form of credit and bank loans, which were used mainly to expand production capacity. Banks gathered together small amounts of money which were held by individuals and companies as reserves for emergencies, to replace depreciated machinery, and so forth. Marx approved of this, believing it hastened the development of capitalism to an end that he thought was an inevitable outcome of capitalist development itself.

For housing and other forms of longer-term consumption, credit in those days was advanced only to the wealthy, not to workers or the poor whose main source of credit was the pawnbroker, as Marx himself well knew. But bubbles will burst, and the bigger they are the more devastating are the consequences. The consequences of today's

financial crisis could last for many years until the great weight of debt has been repaid or written off, at the taxpayers' expense.

The point to stress is that credit is the obverse of debt – for every lender there is a borrower. We can talk about the 'credit crunch', but today it is more appropriate to speak of the 'debt crunch' or 'bursting debt bubble' which was evident several years ago for those who wanted to see. The size of the bubble can be approximately measured by calculating the number of years it will take particular income classes of borrowers to pay it off.²

In October 2008 Alan Greenspan, former Chairman of the US Federal Reserve (Banks), reluctantly admitted to the House Committee on Oversight and Government Reform that his 'free of government intervention or regulation' market ideology was 'wrong', and that he had 'made a mistake in presuming that the self-interest of organizations, specifically banks, and others were such that they were best capable of protecting their own shareholders and their equity in the firms.'³ This catastrophic error may not be corrected for some years, but experience shows that even lessons as severe as this only last until the next boom. It is of utmost importance to use such a lesson to help to generate a renewed interest in theoretical writing, discussion and ideological contention on the subject.

Marx on economic boom and bust

Marx's view of the connection between the financial system and the real economy – that is, the production and distribution of actual commodities and services – is more sophisticated than is portrayed even by many of his followers, some of whom hope for a revival of his system as a whole on the basis of his insight on this matter. Marx projected that, when a boom had reached or was reaching its peak and a slackening of demand was beginning to be sensed, credit would be increased by the lowering of interest rates. This indeed is what happened in 2008 in Japan where rates were reduced to virtually zero, and it subsequently occurred in the U.S. where they were reduced to one per cent in what appears to be an unsuccessful effort to keep sales buoyant.

Commenting on the economic panic of 1857 which began in the US and spread to the rest of the world, Marx noted that on its very eve, banking and other financial experts of the time, had 'congratulated one another on the prosperity and soundness of business.'⁴ This, he observed, could only make the crisis all the deeper when the bust occurred – which is precisely what happened in our current crisis. A

greater understanding of these processes gives a wider meaning than is usually advanced to Marx's statement that:

The last cause of all real crises always remains the poverty and restricted consumption of the masses as compared to the tendency of capitalist production to develop the productive forces in such a way, that only the absolute power of consumption of the entire society would be their limit.⁵

The poverty remaining in many countries and regions means that these people require assistance in raising their living standards. So does the underclass which comprises about 20 per cent of even the richest countries today. With proper planning any surplus production capacity could be absorbed by diverting a great deal of production in the direction of the poor and needy. This would have to be accompanied by the even more urgent need to transfer sufficient resources towards new forms of energy production and the phasing out of the old, the amelioration of the environment, and the further development of the infrastructure on which the rest of production ultimately depends. This would feed into a significant further expansion of social justice measures, particularly in education, health and caring, that would bring a greater degree of equality in society, and build a sense of fairness and justice, understandably lacking among great numbers of people.

Hayek on the business cycle

Hayek paid a great deal of attention to the business cycle, which, as we've seen, was the subject of his first employment under Ludwig von Mises in the early 1920s. From his writings on this some key issues stand out.

First, Hayek correctly perceived that money was a key factor which could upset the equilibrium between production and consumption from which economics had to start.⁶ He and his associates, however, never recognised the essential nature of capitalism that was Marx's starting point – namely, that its fundamental attribute was the pursuit of capital's self-expansion. Thus, even if we imagine exchanges without money – that is, barter in which Hayek and others saw a fundamental starting point for equilibrium – the problem is that two or more capitalists exchanging commodities always seek a surplus.⁷ They do not want their own, or another's actual commodities as the form of that surplus; they want and need money, as do the workers employed by them.

This seems so obvious that it scarcely needs stating. And as already noted, Hayek contradictorily held that it was ‘the disdained “cash-nexus” which holds the Great Society together’, something he associated with the view that ‘the great ideal of the unity of mankind should in the last resort depend on the relationship between the parts being governed by the striving for the better satisfaction of their material needs.’⁸ Were that the case, on the one hand the sustainability of the planet becomes an impossibility, and on the other hand the ‘craving for a more humane and personal morals’ by working people, for which he chided them, would become the only hope of humanity.⁹ In another contradiction Hayek even speculated about doing away with money altogether by introducing ‘A Commodity Reserve Currency’ in its place.¹⁰ But recessions and depressions are characterized precisely by the difficulty of transforming commodities into money, and great efforts are being made in many countries to get people to spend, including even special handouts to prompt them to do so.

There is much in Hayek’s writings suggesting he believed the main cause of crises, in addition to money itself, was the disjunction that could occur between the sector of the economy that produced the means of production (machines, etc) and the sector producing first the intermediate and then the completed commodities for direct consumption.¹¹ This is a significant planning problem, as was also evident in fully planned economies where, according to Marxian theory, the authorities generally favoured the former. Quite often, however, they had to switch their priorities to the intermediate and completed commodities sector, usually due to people’s complaints about living standards and the lack of suitable consumer goods of many kinds.

The Collected Works of F.A. Hayek reproduces several exchanges between Hayek and Piero Sraffa which, among other issues, deal with Hayek’s view of money and its relationship to equilibrium in a capitalist economy.¹² As I’ve noted, this is a favoured concept among classical, neo-classical and, to an important degree, neo-liberal economists.

Hayek held that, without money, or with what was sometimes called ‘neutral money’, economic equilibrium would be maintained while, if credit were matched with saving, there would be no crises. Sraffa replied that ‘a state of things in which money is “neutral” is identical with a state in which there is no money at all.’ Which, of course, is an impossibility; money is never left idle, but is invested to earn interest.¹³

Government – and people’s power

Both Hayek’s and Marx’s concepts of government are inadequate to meet the challenges we now face.¹⁴ Hayek thought government should

be constitutionally required to preserve the economic predominance of the market system based on private property, with a separate chamber (an upper or superior house) specifically directed towards that end, and with a mandate for only minor adjustments ('tinkering') where necessary. Aside from those areas (mainly infrastructural and environmental) which he believed to be subordinate and which private enterprise could not, or did not, want to enter because they were not profitable, he also thought government should keep out of the economy altogether. Any interference in it, he held, would give rise to inferior outcomes or dangerous distortions.

Thereby, Hayek contended, society as a whole would and should be wholly spontaneous – that is, it would function ideally without any planning, government, or conscious human action. He also asserted that this condition embraced the essence of his conception of individual freedom, especially for entrepreneurs and individuals of independent means, whose activities would present societies and the humans of which they were composed, with the answers to all but exceptional problems.

The financial and economic problems of today, are exceptional only in their size, having always been a concomitant of capitalism. Those of global warming and planetary sustainability, however, with which they now interact, are indeed exceptional in the sense that they are of universal concern irrespective of nation, race, ethnicity, social system, wealth or poverty. For the first time in human history, these problems are with us permanently and irrevocably. Even when the financial and economic problems are overcome, and even if every nation succeeded in prohibiting the venal practices that are ubiquitous, to resume the economic course which led us to where we are today would only exacerbate environmental problems. The consequences of this would be possibly fatal for all or, at the very least, would result in bitter divisions and struggles over who should get the most and the best of what remains available.

Adequate solutions for these two sets of inter-related problems require a development or revival of participatory democracy – that is, political activism of various kinds – by people in all spheres of society. But, by their very nature and scale, these problems also require the use of the legal, financial, legislative and other powers that governments, and only governments, possess. We can no longer talk only of individual governments: as has been recognised for some time by transnational economic and political units such as the European Union, most governments today realise they have to act together on the economic crisis. There is even greater need for them to do so – and permanently – in regard to global warming and sustainability. And it will be necessary for the people of all nations to keep their governments up to it.

Marx, were he alive, would surely have to recognise the inadequacy of his ultimate socialist view for such a task. His belief that the enforcing apparatus of state would wither away, that the government of people would and should be replaced by the planned administration of all things (thus effectively abolishing the market), and that all necessary decisions could be made and carried out directly by associated producers, offers no solution.

Completing this book during the 2008 US presidential election campaign it became clearer than ever that the ideological and political divide in that country (and much of the world) has been between a rejection of any government interference whatsoever in business functioning through the market, and an acceptance of various degrees of government regulation and overall planning. It is not yet apparent exactly how far such government intervention will go under Barack Obama's presidency, but it will probably need to be considerably greater than the Democrats have yet contemplated.

In the real world, neither effective policies nor adequate governments come by wishing or willing. Effective policies have to be created through the power of ideas in contest; governments adequate for tackling present challenges can only come about by complex political and other processes which involve building a majority opinion for effective concrete policies expressing a wider social philosophy. And, while genuine interchange of views is the ideal, in most societies, especially those with capitalist and mixed economies, specific sectional and class interests that are exclusionary invariably become involved. This means that building majority support for any given task has to be constantly renewed until a generally acceptable settlement is reached; only then can society move on to the next great task.

Marx's view that government, or the state, was basically an instrument to manage the common affairs of the capitalist class received some corroboration towards the end of 2008 when the governments of many nations concluded that they had to act together to avoid sinking separately. New international institutions, including a reformed and more powerful United Nations, are needed to advance peoples' economic future, and even more to ensure a brighter future for what Obama called 'a planet in peril' in his presidential acceptance speech.¹⁵

One of Marx's predictions was that society would inevitably split into two great classes – the bourgeoisie and the proletariat – and that the middle or intermediate strata (in effect, the petit bourgeoisie) would increasingly be absorbed into one or the other. This did not happen, and today's economically developed societies, in particular, are irredeemably pluralist in nature. This means, among other things, that

class divisions, while still of course existing, do not, in the Marxian sense of a relationship to the means of production, have the same force as before.¹⁶ Those seeking to build a majority that can elect a government dedicated to implementing socially effective answers to the challenges before us must take this into account and widen their thinking about the scope of issues that move people today. These include, but are by no means confined to, material well-being. As well as the preservation of natural wonders such as Australia's Great Barrier Reef and many endangered animal and plant species, they also include those issues which go by the general designation of culture. This is a very wide area of social life embracing history around which 'wars' have waged in many countries, the arts, architectural and town planning practices, caring, education, values, and society's intellectual interchanges.

Values

Von Mises believed that values, morality and the market do not mix. On this topic, Marx properly sought to base his case on the theoretical imperatives he saw in the capitalist system, not on the reality that many individual capitalists act villainously. But in the present critical times we cannot ignore that the 'rules of the impersonal mechanism of the market', which exclude morals in seeking the maximum gain in market exchanges, foster a certain type of personality that seeks to justify itself to itself and publicly on the basis that 'Greed is Good'. Hayek, it should be said, did not hold this view. But he well knew it existed and he sought to counter the bad name it gave to the system he so favoured.¹⁷ But we have to admit that every crisis, and especially the present financial one, has shown how operations, even if they are not (yet) illegal, have been used to obtain individual advantage with complete disregard to the social consequences.

No internally coherent and viable alternative to capitalist society has yet been presented, but I think one could emerge from the struggles taking place today, which will continue throughout this century, to find the means of surmounting the enormous challenges confronting us. If we and our planet are to survive the environmental crisis that we have created, the single most important I would say essential step that has to be taken on a global scale, is for every society to reverse the priority capitalism gives to individual material betterment and gain, and give that priority instead to social needs. Above all, these include the need to create and preserve a viable planetary environment for all earth's creatures.

Notes

Introduction

- 1 Frederick Engels, *Anti Dühring: Herr Eugen Dühring's Revolution in Science*, Moscow: Foreign Languages Publishing House, 1954, p. 389.
- 2 This phrase occurs in the first sentence of President George W. Bush's announcement on 17 September 2002 of *The National Security Strategy of the United States of America*.
- 3 Lord Stern of Brentford, *Stern Review: On The Economics of Climate Change*, Cambridge: Cambridge University Press, 2006.
- 4 Friedrich Hayek, *Law, Legislation and Liberty: A New Statement of the Liberal Principles of Justice and Political Economy*, London: Routledge and Kegan Paul, 1982, vol. 2, p. 112.

1 The two social philosophers

- 1 Hegel's endorsement of the Prussian state derived from his view that it was a 'moment', or specific significant episode in history, because it balanced the whole – taken to be the state – with private (economic) life and the family (the site of personal bonds).
- 2 Letter from Berlin, 10 November 1837; in ed. and trans. Lloyd D. Easton and Kurt H. Guddat, *Writings of the Young Marx*, Garden City NY: Anchor Books, 1967, p. 46.
- 3 This would play a part in the tensions between ethics and system dealt with later in this chapter, and also in the views of Gramsci on Marxism discussed in Chapter 5.
- 4 Feuerbach also made an important point on language, stating that just because we can think of ourselves as distinct from our body – can think that there actually is an incorporeal reality called the mind which exists independently of it – this does not mean it is so. Such a distinction has more to do with the language and perspectives that we have to adopt, due to our mode of knowing, than with reality itself.
- 5 Published by Engels as an appendix to his 1888 essay, 'Ludwig Feuerbach and the End of Classical German Philosophy', in *Karl Marx and Frederick Engels: Selected Works In Two Volumes*, Moscow: Foreign Languages Publishing House, 1951, vol. 2, pp. 365–67.
- 6 For a fuller account, see Engels 'On the History of the Communist League', *ibid.*, vol. 2.

- 7 Marx and Engels had promised the document before the end of 1847, but they procrastinated, and on 24 January 1848 Marx was given an ultimatum: deliver it in London by 1 February, or all the documents of the League given to you must be returned. In the event, Marx alone wrote the *Manifesto*, though Engels had worked with Marx to formulate the content.
- 8 This refers to 'written' history, because at that time little was known of the history of earlier, hunter gatherer societies. All quotations in the following section are from the English translation of the German edition, edited by Engels and published in London in 1888. *Ibid.*, vol. 1, pp. 21–61.
- 9 These appeared in 1857–58, 1859 and 1867 respectively.
- 10 *Writings of the Young Marx on Philosophy and Society*, p. 267. Marx goes on to ask: 'Why must private property end up in money? Because man as a social being must resort to *exchange* ... because men making exchanges do not relate to one another as men, *things* lose the significance of being human and personal property'.
- 11 *Capital*, vol. 1, author's preface to the second edition, 1867, pp. 22–23. The review was published in the *European Messenger* of St Petersburg, May 1872.
- 12 Eric Aarons, *What's Left?: Memoirs of an Australian Communist*, Ringwood, Victoria: Penguin, 1993, p. 98. I had also pursued the issue in *Philosophy for an Exploding World: Today's Values Revolution*, Sydney: Brolga Books, 1972, when I was seeking deeper reasons for the increasing difficulties of the Communist Movement and of the left generally.
- 13 Karl Marx, *Grundrisse: Foundations of the Critique of Political Economy* (Rough Draft). Translated with a foreword by Martin Nicolaus, Harmonds worth UK: Penguin Books in association with *New Left Review*, 1973.
- 14 *Ibid.*, p. 50.
- 15 *Ibid.*, p. 161.
- 16 *Ibid.*, p. 325.
- 17 *Capital: A Critique of Political Economy*, Chicago: Charles H. Kerr and Company, 1906, vol. 1, p. 92.
- 18 *Ibid.*, pp. 836–37. Though this reinforces the 'system' solution to the end of capitalism, the Hungarian Marxist, Georg Lukács, is credited with demonstrating, before the *Paris Manuscripts* became available, that *Capital* would make little sense in the absence of the struggle against alienation.
- 19 The family name was preceded by a 'von' which signified the lowest level of the Austrian nobility. Friedrich abandoned it when he came to England, but it was included in his passport, so sometimes it occurs in references to him.
- 20 Friedrich Hayek in W. W. Bartley III and Stephen Kresge (eds) *The Collected Works of F. A. Hayek*, vol. 3, London: Routledge, 1991, p. 21.
- 21 *Ibid.*, pp. 27 and 28.
- 22 See especially chapters 3 and 9.
- 23 Friedrich Hayek, *The Road to Serfdom*, London: Routledge and Kegan Paul, 1944, pp. 11–13.
- 24 *Ibid.*, p. 15.
- 25 *Ibid.*, p. 10.
- 26 *Ibid.*, p. 123.
- 27 *Ibid.*, pp. 68, 45, 108.
- 28 Friedrich Hayek, *Law, Legislation and Liberty: A New Statement of the Liberal Principles of Justice And Political Economy*, London: Routledge and Kegan Paul, 1982, vol. 2, pp. 112, 146, 143.

- 29 'Individualism: True and False', in *Individualism and Economic Order*, Chicago: University of Chicago Press, 1948, p. 14. Emphasis in original.
- 30 Friedrich Hayek, *The Constitution of Liberty*, London: Routledge and Kegan Paul, p. 29.
- 31 Hayek, *The Road to Serfdom*, p. 59.
- 32 Hayek, *Law, Legislation and Liberty*, vol. 2, p. 123.
- 33 Hayek, *The Road to Serfdom*, p. 23.
- 34 Hayek, *Law, Legislation and Liberty*, vol. 2, p. 129.
- 35 Friedrich Hayek, *Studies in Philosophy, Politics and Economics*, London: Routledge and Kegan Paul, 1967, pp. 82-95. The quotation: pp. 91-92. 1964 lecture at Rikkyo University, Tokyo.
- 36 Armen Alchian (ed.) *Nobel Prize Winning Economist*, Berkeley CA: UCLA, p. 279.
- 37 Bruce Caldwell, *Hayek's Challenge: An Intellectual Biography of F. A. Hayek*, Chicago: University of Chicago Press, 2004, pp. 230-31.

2 Market virtues and limitations

- 1 Karl Marx, 'Excerpt Notes of 1844', *Writings of the Young Marx on Philosophy and Society*, p. 267.
- 2 Marx, *Grundrisse*, pp. 161-62.
- 3 In practice, various commentators have pointed out, prices in capitalist countries provided some sort of more objective international reference point for socialist planners.
- 4 See, for instance, Hayek's 'Socialist Calculation: The Competitive Solution', in Bruce Caldwell (ed.) *The Collected Works of F. A. Hayek*, vol 10, *Socialism and War: Essays, Documents, Reviews*, Chicago: University of Chicago Press, 1997.
- 5 Reduction in labour and its intensification is of course a constant concern to capital, but savings can also occur in ways that don't have deleterious results.
- 6 A small market existed where peasants, from the personal allotments they were allowed, could grow produce they could sell for whatever price they could get. There were also some, usually semi legal, private producers, especially for services. More significantly, there were also special shops where members of the Party and the state bureaucracies (and visitors or anyone with foreign currency) could buy at low prices a variety of goods not generally available.
- 7 Marx, *Capital*, p. 48. On 24 August 1867, Marx also wrote to Engels that one of the best points in his book was: 'the two fold character of labour, according to whether it is expressed in use value or exchange value. (All understanding of the facts depends on this.)' *Karl Marx and Frederick Engels: Selected Correspondence*, Moscow: Foreign Languages Publishing House, n.d.
- 8 Adam Smith, *An Inquiry into the Nature and Causes of The Wealth of Nations*, edited with an introduction and notes by Kathryn Sutherland, Oxford: Oxford University Press, 1998.
- 9 'Proletariat' was the name given to the lowest class of citizens of the Roman Empire.
- 10 Engels, *Anti Dühring*, pp. 429-30.

- 11 A fuller account, with some amusing and some sinister sidelights, may be found in my book, *What's Left? Memoirs of an Australian Communist*, pp. 151–54.
- 12 The report can be found in the British journal *Survey*, vol. 28. It contains a long introduction by Philip Hanson. The quoted extract appears on p. 91.
- 13 The Australian CP opposed it right from the start, though it was applauded as a great progressive innovation by many on the left.
- 14 Ludwig von Mises, 'Economic Calculation in the Socialist Commonwealth', in F. A. Hayek (ed.) *Collectivist Economic Planning*, London: George Routledge and Sons, 1935. www.mises.org/econcalc.asp
- 15 Hugh V. Emy, *Remaking Australia: The State, the Market and Australia's Future*, Sydney: Allen and Unwin, 1993, p. 208.
- 16 These two main parties actually formed a coalition government in November 2005, under the leadership of Angela Merkel, head of the Christian Democratic Union (CDU) and its smaller partner the Christian Social Union (CSU) with the Social Democratic Party (SPD). It still exists at the time of writing, though the SPD will be contesting the presidency, now held by the CDU sponsored candidate.
- 17 G. Becker, *A Treatise on the Family*, Cambridge MA: Harvard University Press, 1981, p. ix.
- 18 Hayek, *The Fatal Conceit: The Errors of Socialism*, Chicago: University of Chicago Press, 1988, p. 18, emphasis in original. A similar sentiment is voiced on p. 131.
- 19 Hayek, *Law, Legislation and Liberty*, vol. 2, p. 112.
- 20 Hayek, 'Individualism: True and False', in *Individualism and Economic Order*, Chicago and London: University of Chicago Press, 1980, p. 14.
- 21 *Ibid.*, vol. 1, p. 50.

3 Reason, rules, spontaneity

- 1 Hayek held that private property already existed in hunter gatherer societies but he failed to distinguish between simple implements and weapons that everyone could make, and the land, which was their main 'means of production', and in many cases the foundation of their cultural life, including cosmology and the arts.
- 2 Hayek, *Law, Legislation and Liberty*, London: Routledge and Kegan Paul, 1982, pp. xviii–xix.
- 3 Hayek, *Law, Legislation and Liberty*, vol. 1, p. 50.
- 4 Caldwell, *Hayek's Challenge*, p. 290, referring to Hayek's account in *The Constitution of Liberty*, pp. 168–69.
- 5 Hayek, *Law, Legislation and Liberty*, vol. 3, epilogue, p. 164.
- 6 Geoffrey Robertson, *The Tyrannicide Brief: The Story of the Man who Sent Charles I to the Scaffold*, London: Chatto and Windus, 2005, p. 149. If the indictment seems a little harsh, it should be remembered that an estimated 10 per cent of the population died in the wars. (These events can't be used to justify what went before.)
- 7 Hayek, *Law, Legislation and Liberty*, vol. 1, pp. 45–46.
- 8 *Ibid.*, p. 46.
- 9 Hayek, 'Individualism: True and False', 1948, p. 14.
- 10 Hayek, *Individualism and Economic Order*, p. 136.

- 11 Andrew S. Skinner (ed.) *The Wealth of Nations: Books I – III*, London: Penguin Classics, 1986, p. 27. The Smith reference is to *Lectures on Jurisprudence* (1766), p. 149.
- 12 Skinner's 'Analytical Introduction', p. 28. The Robertson reference is to his *Collected Works* (1812) vol. 5, p. 111.
- 13 Karl Marx, *A Contribution to the Critique of Political Economy*, Chicago: Charles H. Kerr and Company, 1911, pp. 11–12.
- 14 *Ibid.*, p. 12.
- 15 Hayek, *The Constitution of Liberty*, p. 29.
- 16 Marx, *Manifesto*, p. 51.
- 17 *Stern Review: The Economics of Climate Change*, p. viii.
- 18 Caldwell, *Hayek's Challenge*, p. 296. Caldwell adds that the analogy applies also to the mental order, referring to Hayek's book *The Sensory Order* (1952), a study outside the field of economics.
- 19 The simplest form of market is a place set aside for the purpose, where buyers look around to decide what they will buy. But today this is not the main form – there are 'markets' for a single metal or for many, a single grain such as wheat where potential buyers compare 'quotations' from producers. There are even markets where future commodity prices may be bidden for – and an increasing number of other kinds, including those where sellers or buyers looking at computer lists make bids.
- 20 Hayek, *Law, Legislation and Liberty*, vol. 1, p. 45.
- 21 Genesis 1: 28.
- 22 Niall Ferguson, *Empire: How Britain Made The Modern World*, London: Penguin, 2003, pp. 236–37.
- 23 Hayek, *The Fatal Conceit*, p. 121.
- 24 Hayek, *Law, Legislation and Liberty*, vol. 2, p. 70.
- 25 See, for example, Stephen Bell, *Australia's Money Mandarins: The Reserve Bank and the Politics of Money*, Cambridge: Cambridge University Press, 2004.
- 26 Hayek said something along the same lines: 'so long as we make use of bank credit as a means of furthering economic development we shall have to put up with the resulting trade cycles'.
- 27 Because of this momentum, employment that would later become unprofitable can also extend for a period, in certain circumstances giving rise to 'stagflation' – rising unemployment and higher inflation – as in the 1970s and 1980s.
- 28 Steven Pearlstein, *Sydney Morning Herald*, 7 December 2007.
- 29 Friedrich Hayek, *The Counter Revolution of Science: Studies in the Abuse of Reason*, London: The Free Press of Glencoe, 1955, part I, section II, p. 24.
- 30 *The Limits to Growth: A Report of the Club of Rome's Project on the Predicament of Mankind*, New York: Earthscan, 1972.
- 31 Friedrich Hayek, 'The Pretence of Knowledge', in *New Studies in Philosophy, Politics, Economics and the History of Ideas*, London: Routledge and Kegan Paul, 1978, p. 31.

4 The clash of spontaneous processes

1 Marx wrote:

The life of the species in man as in animals is physical in that man, (like the animal) lives by inorganic nature. And as man is more

universal than the animal, the realm of inorganic nature by which he lives is more universal. As plants, animals, minerals, air, light, etc., in theory form a part of human consciousness, partly as objects of natural science, partly as objects of art his spiritual inorganic nature or spiritual means of life which he first must prepare for enjoyment and assimilation so they also form in practice a part of human life and human activity ... Nature is the *inorganic body* of man, that is, nature insofar as it is not the human body. Man *lives* by nature. This means that nature is his *body* with which he must remain in perpetual process in order not to die. That the physical and spiritual life of man is tied up with nature is another way of saying that nature is linked to itself, for man is a part of nature.

(‘Economic and Philosophic Manuscripts’ [1844] in *Writings of the Young Marx on Philosophy and Society*, p. 293)

The influence of Feuerbach is clear in these statements.

- 2 Ibid., p. 308. ‘Universal’ was a much used term in those days, here meaning without restriction on the limitless aspects of nature, the possibilities possessed by the human senses, and the concepts that reason could fashion. ‘Free’ meant activities that were voluntary, not coerced.
- 3 Hayek, *Individualism: True and False*, p. 14.
- 4 Hayek, *The Constitution of Liberty*, pp. 369–70.
- 5 Ibid., pp. 373–74.
- 6 A greenhouse is covered in glass or plastic. The sun’s rays can penetrate and warm the inside, but the residual rays cannot get out. Carbon dioxide (and methane and some other gases) act similarly – the sun’s rays can get through it, but the residual rays cannot, so the earth warms.
- 7 Hotrock energy comes from underground granite heated to over 250 degrees Celsius by the decay of radioactive elements within it. Water is injected down a shaft and heated under pressure to about 200 degrees. It then travels through tiny cracks to an exit shaft, then to the surface, entering a sealed heat exchanger which boils a volatile liquid which drives a turbine producing electricity. This liquid, as well as the water, which is not radioactive because the heating minerals are not soluble in water, continue to reheat the rock. The whole process has no apparent health or safety risks. A large body of suitable rock 4 km below the surface exists in northeastern South Australia, where trials are being carried out. See *Australasian Science*, no. 7, August 2006. The US based Chevron Corporation, the fifth largest energy multinational in the world, claims to be operating a hotrock facility producing enough electricity to power hundreds of thousands of homes.
- 8 Hayek, *The Fatal Conceit: The Errors of Socialism*, vol. 1 of *The Collected Works of F. A. Hayek*, ed. W. W. Bartley III, Chicago: University of Chicago Press, 1988, p. 43.
- 9 Ibid., p. 127.
- 10 Ibid., p. 27.
- 11 Hayek, *Law, Legislation and Liberty*, vol. 1, pp. 64–65. What is advancing an ‘internally consistent model’ if it is not a rationalist construction? One that moreover provides ‘a framework for a functioning spontaneous order’ which people are asked to blindly enter into in accordance with rules that cannot be basically changed.
- 12 Ibid., vol. 2, p. 142.

- 13 Ibid., vol. 1, p. 51. It could be argued that Hayek was talking of more limited and specific instances of intervention than those required by global warming, but that appears to emphasise the fact that he was unable to fit the status of the environment into his social philosophy.
- 14 An up to date, relatively short account of the carbon cycle is available free on the internet at <http://earthobservatory.nasa.gov/Library/Carboncycle>
- 15 They all worked in the Systems Dynamics Group of the Sloan School of Management within the Massachusetts Institute of Technology (MIT), and were commissioned to investigate whether current policies were leading to a sustainable future or collapse, and what could be done to create a human economy that provided sufficiently for all.
- 16 The basis of the 20 per cent figure is that developed by Mathis Wackernagel, detailed in *The 30 Year Update*. He defines it in global average hectares, adding up the amount of cropland, grazing land, forestland, fishing grounds, and built up land needed to maintain a given population in a given lifestyle. He then adds the amount of forest land that would have been required to absorb the carbon dioxide emitted from the fossil energy used by the population. The number of 'average hectares' is calculated by the use of a scaling factor, which is proportional to the biological productivity of the land. One resource, however, is in principle virtually unlimited that is, the energy from the sun that falls on the earth. If enough resources were put into rapidly developing ways of converting this directly into electrical energy economically and on the necessary scale, we would be able to rapidly phase out coal and uranium as sources, though this is not to suggest that other options should not also be developed.
- 17 AAAS is the world's largest federation of scientists and engineers, with nearly 300 affiliate organizations and more than 140,000 scientists, engineers, science educators, policy makers, journalists and interested citizens worldwide. It publishes the journal *Science*.
- 18 Paul Harrison and Fred Pearce, *AAAS Atlas of Population and Environment*, Berkeley: University of California Press, 2000, p. 7. Commenting upon this formula, the atlas states:

The IPAT or IPCT [see below] formula is necessarily a simplification. The technology element can usually be broken down into two separate elements: the amount of resources used to produce each unit of consumption, and the amount of waste or pollution generated for each unit of resources. The impact measured in the IPAT formula is not true environmental impact, but takes the amount of resources used or pollution produced as a proxy for environmental damage. In many situations an extra factor has to be added to arrive at the true damage: the sensitivity of the environment. So a fuller formula would read: $I = P \times C \times Tr \times Tw \times S$. Tr refers to the technology of resource use, Tw to the technology of waste management, and S to the amount by which the environment changes in response to a given amount of resource extraction or pollution. In practice, S is hard to quantify.

(p. 7)

- 19 See Meadows et al., *Limits to Growth: 30 year Update*; uncertainties and the possibility of unforeseeable changes are acknowledged.

- 20 The prospect of safe and economically viable geo sequestration of CO₂ emissions from coal fired power stations has yet to be demonstrated.
- 21 There is a simple mathematical formula for this: divide the number 72 by the rate of increase. At favoured growth rates, of 3 to 4 per cent, the original doubles in 24 to 18 years. China at 9 per cent (it is currently higher) would more than quadruple in that time, with India not far behind.
- 22 See *Limits to Growth: 30 year Update*, p. 245.
- 23 The fact that other periods in the planet's history, such as the 'carboniferous age' of about 300 million years ago, also upset earlier balances is of no significance in this context because of the vastly different time frames involved.
- 24 Samuel P. Huntington wrote *The Clash of Civilizations and the Remaking of the World Order*, New York: Simon and Schuster, 1996. His thesis is that civilisations should be kept separate because their core is a culture, the core of which is a religion, and they are irredeemably different. I'd like to thank Steve Keen for suggesting the phrase 'the clash of spontaneous orders'.

5 Dialectics and a new paradigm

- 1 Chris Matthew Sciabarra, *Marx, Hayek and Utopia*, Albany NY: State University of New York Press, 1995.
- 2 Sciabarra's views on these matters are clearly to be taken in the context of his own libertarian views, which I do not intend to enter into except in one later comment. He is both a student and adherent of dialectics, as is evident in other books as well, such as: *Total Freedom: Toward a Dialectical Libertarianism*, Philadelphia PA: Penn State Press, 2000.
- 3 Friedrich Engels, *Anti Dühring: Herr Eugen Dühring's Revolution in Science*, Moscow: Foreign Languages Publishing House, 1954, p 36. An alternative translation by Emile Burns gives '[the dialectic] grasps things and their images, ideas, essentially in their interconnection, in their sequence, their movement, their birth and death', in Bertell Ollman, *Alienation: Marx's Conception of Man in Capitalist Society*, London: Cambridge University Press, 1971, note 9, p. 269. Those who may see a difference between Engels and Marx on the subject should be aware that Engels actually read the whole book to Marx before its publication in 1878. Parts of it were also published serially in *Revue Socialiste* in 1880 under the title 'Socialism: Utopian and Scientific', and later as a pamphlet.
- 4 *Ibid.*, p. 28.
- 5 *Ibid.*, p. 33.
- 6 Marx, *Grundrisse*, p. 43.
- 7 It pleases me to be able to state that the Communist Party of Australia opposed the Cultural Revolution right from the start, despite the fact that I and many other members had received an education in China. We had close relations with its Communist Party until the early 1960s when a split established a Maoist party. My own analysis of the Cultural Revolution is to be found in *Australian Left Review*, no. 5, 1969.
- 8 *Selected Works of Mao Tse tung*, London: Lawrence and Wishart, 1955, p. 298. I am not unmindful of the fact that both lectures, 'On Contradiction' and 'On Practice', were given to new cadres, many of whom suffered from the endemic doctrinaire and schematic approaches characteristic of many

Chinese intellectuals following millennia of feudal rule. But I doubt that, even in those better days of Mao's career, 'On Contradiction' would have contributed much to correcting them.

- 9 Sciabarra, *Marx, Hayek and Utopia*, p.12.
- 10 Ibid., p. 19. I have used the quote as it appears in the original, which is in 'Notes on the Evolution of Rules of Conduct', in *Studies in Philosophy, Politics and Economics*, London: Routledge and Kegan Paul, 1966, pp. 70–71.
- 11 Ibid., p. 77.
- 12 See my chapters 11 and 12.
- 13 *Law, Legislation and Liberty*, vol. 2, p. 112.
- 14 Ibid., vol. 2, p. 143.
- 15 Sciabarra, *Marx, Hayek and Utopia*, pp. 120–21.
- 16 See ed. and trans. Quintin Hoare and Geoffrey Nowell Smith, *Selections from the Prison Notebooks of Antonio Gramsci*, London: Lawrence and Wishart, 1971. Gramsci's sentence was due to expire on 21 April but he was too ill to leave prison and died there seven days later.
- 17 Introduction to *Writings of the Young Marx on Philosophy and Society*, p. 32.
- 18 Karl Marx and Frederick Engels, *Selected Works in Two Volumes*, Moscow: Foreign Languages Publishing House, 1951, p. 365. Emphasis in original.
- 19 *Karl Marx and Frederick Engels: Selected Correspondence*, Moscow: Foreign Languages Publishing House, 1953, letter to Conrad Schmidt, 5 August 1890.
- 20 Ibid., letter, 21–22 September 1890.
- 21 All quotes are cited in the Bennhold article.

6 Built in Marx's name

- 1 Ferenc Feher, Agnes Heller and Gyorgy Markus, *Dictatorship Over Needs: An Analysis of Soviet Societies*, Oxford: Blackwell, 1983.
- 2 Ibid., p. 9.
- 3 Georg Lukács' most famous book is *History and Class Consciousness*. In a rather chequered socialist career his greatest accomplishment was to discern that *Capital* could not be understood unless it was realised that 'alienation' was central to Marx's thought.
- 4 Feher et al., *Dictatorship Over Needs*, pp. 8–9; and particularly in combination with Russian backwardness.
- 5 Ibid., p. 10. For the historical record, the Communist Party of Australia (CPA), though often described as Eurocommunist, did not agree to modify its criticism of the Soviet Union. The then general secretary of the CPA, Laurie Aarons, was informed by gestures by a leading member of a Moscow supporting European party that the main reason for Eurocommunism was 'the money' (i.e. from the Soviet Union).
- 6 Ibid., pp. 12–13. Testimony to the power of the view that any departure from central planning was a move back towards capitalism was found in the CPA when it tried to come to terms with the true nature of Soviet society after the 1968 invasion of Czechoslovakia which the CPA had unequivocally condemned. In the 1970 debate a formula of words was found that described the Soviet Union as 'socialist based'. These words were roundly condemned by the Communist Party of the Soviet Union

- (CPSU). Some CPA members unsuccessfully tried to have these words rescinded in order to placate the Soviets; the CPSU applied strong pressure culminating in a breakaway 'socialist' party. The CPA continued to deepen its criticism of the Soviet system and finally dissolved itself in 1991.
- 7 Ibid., p. 14.
 - 8 There were, however, some cooperatives, some production on private plots of land, some artisans and others delivering personal services (mostly moon lighting), and some markets. There was buying and selling of consumption goods in state shops and department stores but there was no competition and thus no institutions that could be called functioning markets.
 - 9 In 1966, in preparation for a congress the following year, the CPA published a *Discussion Journal*, in which members could write whatever they wanted, including criticism of the Soviet Union. This incurred the CPSU's displeasure. That the congress documents did not contain the word 'Marxism Leninism', codeword for official CPSU doctrines, displeased them even more.
 - 10 See Aarons, *What's Left?* pp. 215–25, for my observations of China in 1983.
 - 11 *Paris Manuscripts*, p. 294. Emphasis added.
 - 12 Peter Singer, *A Darwinian Left: Politics, Evolution and Cooperation*, London: Wiedenfeld and Nicolson, 1999, p. 5. See also pp. 3–4 for Marx's disagreement with the anarchist Bakunin's view on democracy.
 - 13 Marx, *The Holy Family or Critique of Critical Critique*, Moscow: Foreign Languages Publishing House, 1956, pp. 52–53. Emphasis in original.
 - 14 In a different sense, we can also speak of the 'alienation' of a property that is sold.
 - 15 Roger Scruton, 'Continental Philosophy from Fichte to Sartre', in Anthony Kenny (ed.) *The Oxford Illustrated History of Western Philosophy*, Oxford: Oxford University Press, 1994, p. 209.
 - 16 In *Karl Marx and Frederick Engels Selected Works in Two Volumes*, vol. 2, Moscow: Foreign Languages Publishing House, 1951. At a Congress in the town of Gotha in 1875, the Social Democratic Workers' Party and the General Association of German Workers combined to form the Socialist Workers' Party of Germany. Marx trenchantly criticised a number of its standpoints.
 - 17 In *V. I. Lenin Selected Works*, vol. 2, Moscow: Foreign Languages Publishing House, 1947. Surprisingly, Lenin's *Collected Works* carries only some of this article, published in *Izvestia*, 28 April 1918.
 - 18 Lenin, *Collected Works*, vol. 27, pp. 242, 245, 252.
 - 19 Lenin and others did have a technological awareness, including acknowledgement of Russian backwardness in this area. His 'plan' to electrify Russia as a priority is evidence of this; but that is different from awareness of the economic conditions for most effectively doing so.

7 Social justice

- 1 Marx, *Manifesto*, p. 51.
- 2 Hayek, *Law, Legislation and Liberty*, vol. 2, p. 65.
- 3 Ibid., p. 97.
- 4 Ibid., p. 66.
- 5 Ibid., p. 38.

- 6 Hayek, *The Fatal Conceit*, p. 18.
- 7 Hayek, *Law, Legislation and Liberty*, vol. 2, pp. 59–60.
- 8 *Ibid.*, p. 129.
- 9 For instance, governments represent a whole country in relations with the governments representing other countries. Governments can sometimes be sued for failures in their duty of care, and so on.
- 10 Hayek, *Law, Legislation and Liberty*, vol. 2, p. 87.
- 11 Caldwell, *Hayek's Challenge*, p. 5.
- 12 Hayek, *The Constitution of Liberty*, p. 206.
- 13 Quoted from an interview in *Women's Own* magazine, 31 October 1987. This reflects, on the one hand, the type of individualism favoured by Hayek, who insists that 'there is no other way toward an understanding of social phenomena but through our understanding of individual actions directed towards other people and guided by their expected behaviour'. On the other hand, to be scrupulously fair, Thatcher's comment was especially directed against those who denied individual responsibility. This was certainly not a socialist view, which was directed against an outcome of 'individual action directed towards other people and guided by their expected behaviour' that inflicted sometimes grievous harm – such as mass unemployment – on many individuals and their families who had played no part in producing that outcome.
- 14 Hayek, *Law, Legislation and Liberty*, vol. 2, p. 70.
- 15 Simone Weil, *The Need for Roots*, London: Routledge and Kegan Paul, ARP Paperbacks, 1987, p. 15.
- 16 As we shall see, this is Hayek's actual definition of 'liberty'.
- 17 Hayek, *The Constitution of Liberty*, note 4, p. 443. In another moving but also rather repellent reference, Hayek recalls the transference of his children to the US for safety during World War II, when he wrote of the difference individuals might take, from that which they ought to take:

For the sake of my children who still had to develop their personalities, then, I felt that the very absence of the sharp distinctions which would favour me in the Old World should make me decide for them in favour of the [US]. (I should perhaps add that this was based on the tacit assumption that my children would there be placed with a white and not with a coloured family.)

- 18 *Ibid.*, p. 125.

We cannot attempt to recount here the long story of all good causes which came to be recognized only after lonely pioneers had devoted their lives and fortunes to arousing the public conscience, of the long campaigns until at last they gained support for the abolition of slavery, for penal and prison reform, for the prevention of cruelty to children or to animals, or for a more humane treatment of the insane.

(p. 127)

- 19 Karl Marx, 'Critique of the Gotha Program', in *Karl Marx and Frederick Engels: Selected Works in Two Volumes*, vol. 2, Moscow: Foreign Languages Publishing House, 1954, pp. 22–23.

- 20 Hayek, *Law, Legislation and Liberty*, vol. 2, p. 123.
- 21 Morgan Stanley, 'Online Global Economic Forum', www.morganstanley.com/views/gef/index.html
- 22 Hayek, *The Constitution of Liberty*, p. 143.
- 23 Christopher Sheil, *Water's Fall: Running the Risks with Economic Rationalism*, Sydney: Pluto Press, 2000, pp. 48–49.
- 24 Ibid., p. 49.

8 Morality

- 1 D. D. Raphael and S. L. Macafie (eds) *The Theory of Moral Sentiments*, Indiana: Liberty Fund Inc., 1982, p. 9. Originally published in 1759.
- 2 Ibid., p. 320.
- 3 Marx, *Manifesto*, pp. 36 and 39.
- 4 Marx, *Capital*, vol. 1, pp. 835–36.
- 5 Marx, *Capital*, vol. 1, p. 834.
- 6 Taken from an album belonging to Marx's daughter Jenny; published in *Communist Morality*, Moscow: Progress Publishers, n.d., pp. 24–25.
- 7 Marx, *Manifesto*, pp. 44 and 49–50.
- 8 Ibid., p. 50.
- 9 Ibid., p. 50.
- 10 Lenin, 'The Tasks Of The Youth Leagues', in *Collected Works*, vol. 31, p. 291. Speech delivered at the Third All Russia Congress of the Russian Young Communist League, 2 October 1920.
- 11 Marx, *Capital*, vol. 1, pp. 836–37.
- 12 Marx, *Manifesto*, p. 43.
- 13 In addition to the above two failings, Marx expected that capitalist development would result in the polarisation of the whole society into two great classes – bourgeoisie and proletariat. In fact, it has resulted in a large number of different sub categories – that is, a plurality of social forces..
- 14 I first wrote about these issues in *Philosophy for an Exploding World: Today's Values Revolution* (Sydney: Brolga Books, 1972). All my books since then have explored the same theme from different angles.
- 15 Hayek, *The Fatal Conceit*, p. 6.
- 16 Hayek, *Law, Legislation and Liberty*, vol. 2, p. 14. Emphasis in original.
- 17 Ibid., p. 146.
- 18 Hayek, *The Fatal Conceit*, p. 12.
- 19 Aarons, *Philosophy for an Exploding World*, p. 30.
- 20 Antonio Damasio, *Descartes' Error: Emotion, Reason and the Human Brain*, London: Macmillan, Papermac edition, 1996, p. xiii.
- 21 Ibid., p. 49.
- 22 Canadian science broadcaster and environmental activist David Suzuki gave another instance in a programme for his CBC television series *The Nature of Things* broadcast in Australia on SBS TV, 7 February 2002.
- 23 David Hume, *Enquiries Concerning Human Understanding and Concerning the Principles of Morals*, eds L. A. Selby Bigge and P. H. Nidditch, Oxford: Clarendon Press, 1975, pp. 491–92.
- 24 Hayek, *Law, Legislation and Liberty*, vol. 2, p. 112.
- 25 W. W. Bartley III (ed.) *The Collected Works of F. A. Hayek*, Chicago: University of Chicago Press, 1988. There is speculation about how much of

this book reflects the views of Hayek, and how much those of Bartley, since Hayek was in his last years. I don't doubt that there is a mixture, but am sure that the ideas about values are mainly Hayek's.

- 26 Hayek, *Law, Legislation and Liberty*, vol. 2, p. 40.
- 27 This is a sub heading in vol. 2 of *Law, Legislation and Liberty*, p. 15.
- 28 *Ibid.*, p. 11.
- 29 Hayek, *The Fatal Conceit*, p. 12.
- 30 *Ibid.*, p. 10. Emphasis added.
- 31 Hayek, *The Fatal Conceit*, pp. 8–9. Emphasis added.
- 32 This is the second sentence in Marx's 6th Thesis, to be found in vol. 2 of *Karl Marx and Frederick Engels Selected Works*, Moscow: Foreign Languages Publishing House, 1951, p. 366. In the context, this must be taken as Marx's general theoretical position, which I share only partially. But neither is it to be taken too literally as subsuming every other aspect of human nature. Some of these aspects of Marx's 'nature' are to be found in the 'confessions' he made in a game with his daughters, and the account of some of his escapades in Francis Wheen's book *Karl Marx*, London: First Estate, 1999. The 'Confessions' are also reproduced on page 387 of Wheen's book.
- 33 Discovery, creativity and imitation are not unknown to other animal species.
- 34 Socialist society can only be regarded as a failed attempt.
- 35 Hayek, *Law, Legislation and Liberty*, vol. 2, p. 15.
- 36 Hayek, 'Socialism and Science', 1978, p. 298.
- 37 Karl Marx, *The Eighteenth Brumaire of Louis Bonaparte*, Moscow: Foreign Languages Publishing House, 1952, p. 221. Napoleon Bonaparte, among many other changes, had altered the French calendar. Brumaire was the second month of the autumn quarter.
- 38 Hayek, 'Individualism: True and False', in *Individualism and Economic Order*, Chicago and London: University of Chicago Press, 1948, p. 14.

9 Human nature

- 1 Peter Singer, *A Darwinian Left: Politics, Evolution and Cooperation*, London: Weidenfeld and Nicolson, 1999, p. 6.
- 2 *Ibid.*, p. 4.
- 3 Hayek, *The Constitution of Liberty*, p. 206. For Hayek's perception of himself as a libertarian see his article 'Socialism and Science', in *New Studies in Philosophy, Politics, Economics and the History of Ideas*, London: Routledge and Kegan Paul, 1978, p. 296.
- 4 Boehm is presently working on a catalogue of these accounts. He is professor of anthropology and director of the Jane Goodall Research Center at the University of Southern California.
- 5 Anthropologist Frederick Rose gives instances of such procedures in *The Traditional Mode of Production of the Australian Aborigines*, Sydney: Angus and Robertson, 1987, pp. 185–86.
- 6 Though in another connection, Hayek also came to the view that group selection played a role in historical development. See Chapter 14.
- 7 Frans de Waal is the Charles Howard Candler Professor of Primate Behavior in the Emory University Psychology Department in Atlanta, Georgia. He is also director of the Living Links Center at Yerkes National Primate Research Center.

- 8 From the Australian Broadcasting Corporation's radio programme *The Spirit of Things*, 3 March 2002.
- 9 Ibid.
- 10 Ibid.
- 11 See E. O. Wilson, *Sociobiology: The New Synthesis*, Cambridge MA: Harvard University Press, 1975.
- 12 Richard Dawkins, *The Selfish Gene*, New York: Oxford University Press, 1989, p. 332.
- 13 One example is how the evolution of the intricate structure of the human hearing apparatus modified and utilised bones from the very different ones in the jaw structure of reptiles.
- 14 Some life forms, notably bacteria and viruses, reproduce very rapidly. Consequently, when antibiotics such as penicillin are over used, mutations that happen to survive can then multiply rapidly, rendering the anti biotic ineffective. 'Golden staph' (*Staphylococcus aureus*) is an example of this: it is a bacterium living on our skin that can cause boils and carbuncles, for which penicillin was initially an effective treatment. But different strains were 'created' through its overuse and it became ineffective as a cure for this condition in about 1970.
- 15 Perhaps as long as 8,000 years ago, the Gunditjamara Aborigines developed a sophisticated system of eel trapping and smoking in the southwestern area of the state of Victoria, near Lake Condah. In a wetland environment they constructed a series of weirs, dams and channels through which young eels from the ocean were nourished for years in these waterways, guided into tubular baskets, and then killed and smoked in nearby hollowed trees. The product was traded throughout Victoria and South Australia. Heather Builth, the anthropologist who made the discovery, estimates that these eel farms could have fed thousands of people. Around the area she also found remnants of circular permanent dwellings with a rock base, and a superstructure of reeds that had been covered with peat sods which may have stored eels surplus to consumption. The surplus seems to have made some of the Gunditjamara leaders, or elders, into more dominant rulers than elsewhere. But soon after white settlement in 1834, Aboriginal life was completely disrupted and the eel farms lost to memory.
- 16 Jared Diamond, *Guns, Germs and Steel: The Fates of Human Societies*, London: Jonathan Cape, 1997.
- 17 Hayek, 'Individualism: True and False', in *Individualism and Economic Order*, p. 14.
- 18 Hayek, *Law, Legislation and Liberty*, vol., 2, p. 112.
- 19 At least one of Hayek's supporters holds this view: British MP, the Rt. Hon. Peter Lilley, former secretary of state for trade and industry in the Conservative government of the mid 1990s, describes himself as being 'on the libertarian conservative right'. Writing on 'The Moral Basis of Hostility to Free Institutions' for the Institute for Economic Affairs on 1 November 2001, Lilley said that he believed 'Mankind is a fallen creature [and] society had to adapt to the fallen nature of man'.
- 20 Genesis 1: 28, in *The Fatal Conceit*, p. 135 and elsewhere.
- 21 John Locke and others had similar views of the mind being initially a tabula rasa – a tablet from which everything had been wiped.

- 22 Johann Peter Ackermann, *Conversations with Goethe*, London: William Clowes and Sons, 1972, p. 211.

10 Law and the rule of law

- 1 Smith, *The Wealth of Nations*, p. 413. This passage has the following editorial note:

Hume argues the point rather differently, commenting that '[n]o one can doubt, that the convention for the distinction of property, and for the stability of possession, is of all circumstances the most necessary to the establishment of human society.' And it is only 'by establishing the rule for the stability of possession' that society renders compatible with its own security those very qualities on which the accumulation of property depends, namely the 'avidity' 'of acquiring goods and possessions for ourselves and our nearest friends', a passion which left unchecked is 'insatiable, perpetual, universal, and directly destructive of society'.

(Hume, *Treatise of Human Nature*, ed. Nidditch, pp. 491–92)

- 2 Australian Aborigines no doubt observed the sometimes beneficial effects of fires begun by lightning on the regrowth of grasses and other plants, and the importance of this for the animals they hunted. They developed quite sophisticated techniques for this, which in more recent times have been adopted for agricultural purposes, as well as for protection from destructive bushfires.
- 3 Hunter gatherers lived and still live in comparatively simple societies, but it is difficult to believe that they could survive in often hostile and changing environments by merely rule following without using their reasoning capacities, or without some deeper aspects of their nature binding them together.
- 4 Hayek, *Law, Legislation and Liberty*, vol. 1, p. 50.
- 5 Ibid., p. 40. The Hume reference is given as *Treatise*, *Works* II, p. 293. Emphasis in original.
- 6 Hayek, *Law, Legislation and Liberty*, vol. 2, p. 40. The reference to a 'modern writer' is to Leon Duguit, who is described by J. Walter Jones in *Historical Introduction to the Theory of Law*, Oxford: Oxford University Press, 1940, p. 114.
- 7 *El Mercurio*, 19 April 1981, www.fahayek.org
- 8 Hayek, *Law, Legislation and Liberty*, vol. 3, p. 161.
- 9 Hayek, *Fatal Conceit*, p. 12.
- 10 Ibid., p. 12. One assumes that Hayek is distinguishing these rules from those followed by hunter gatherers, which he mistakenly assumed to be merely instincts. However, it is hard to know what the difference is between instincts and rules that are neither known, nor knowable, but control much of our lives. See Chapter 14 in this book.
- 11 Hayek, *Law, Legislation and Liberty*, vol. 3, p. 47. Emphasis in original.
- 12 The following is for those readers who wish to get their own teeth into Hayek's tortuous account:

We shall later have to consider more fully the precise relation between the various kinds of rules which the people in fact obey and the

resulting order of actions. Our main interest will then be those rules which, because we can deliberately alter them, become the chief instrument whereby we can affect the resulting order, namely the rules of law. At the moment our concern must be to make clear that while the rules on which a spontaneous order rests, may also be of spontaneous origin, this need not always be the case. Although undoubtedly an order originally formed itself spontaneously because the individuals followed rules which had not been deliberately made but had arisen spontaneously, people gradually learned to improve those rules; and it is at least conceivable that the formation of a spontaneous order relies entirely on rules that were deliberately made. The spontaneous character of the resulting order must therefore be distinguished from the spontaneous origin of the rules on which it rests, and it is possible that an order which would still have to be described as spontaneous rests on rules which are entirely the result of deliberate design. In the kind of society with which we are familiar, of course, only some of the rules which people in fact observe, namely some of the rules of law (but never all, even of these) will be the product of deliberate design, while most of the rules of morals and custom will be spontaneous growths.

That even an order which rests on made rules may be spontaneous in character is shown by the fact that its particular manifestation will always depend on many circumstances which the designer of these rules did not and could not know. The particular content of the order will depend on the concrete circumstances known only to the individuals who obey the rules and apply them to facts known only to them. It will be through the knowledge of these individuals both of the rules and of the particular facts that both will determine the resulting order.

(*Law, Legislation and Liberty*, vol. 1, pp. 45–46)

- 13 Ibid., vol. 1, p. 61. 'Expediency' can of course be sometimes equated with rank opportunism; but the wording indicates a dogmatic assertion of principle, while the fact that 'circumstances alter cases' is ignored.
- 14 In part 1 of *Socialism and War: Essays, Documents, Reviews*, vol. 10 of *The Collected Works of F. A. Hayek*, ed. Bruce Caldwell, Chicago: University of Chicago Press, 1997, p. 67.
- 15 Hayek, *Law, Legislation and Liberty*, vol. 1, p. 61.
- 16 Hayek, *The Constitution of Liberty*, p. 206.
- 17 Marx, 'Critique of the Gotha Program', in *Karl Marx and Frederick Engels*, vol. 2, p. 20.
- 18 Hayek, *Law, Legislation and Liberty*, vol. 2, p. 55. This same page also contains views that seem rather self contradictory. For instance:

The fact that man has undesignedly brought about the self maintaining factual order of the social cosmos by pursuing an ideal which he called justice ... means that this system can be understood, interpreted, improved, and even its particular content ascertained, only with reference to this ideal of justice.

If people pursued an ideal, surely we must say that they had a purpose and applied their emotions and reason (their values) to defining and instituting it. And 'shaping' a social order certainly conveys a sense of conscious intention.

- 19 Stephen Buckle, *Natural Law and the Theory of Property: Grotius to Hume*, Oxford: Clarendon Paperbacks, 1991. One is tempted to draw a parallel between this use of the term 'natural' and Marx's view that the development of the productive forces, at least until the present day, was a natural accumulation over time, and that history therefore had 'natural' tendencies that could be studied and theorised. But that would require a long separate essay. Hume's assertion that these changes 'arise peacefully' (p. 291) only highlight his avoidance of the violence of the English transition to capitalism, and the absence of conceptions of class and class struggle.
- 20 Ibid., p. 294. The quoted words are from Hume's essay, 'Of Commerce'.
- 21 Ibid., p. 295.
- 22 V. I. Lenin, *Collected Works*, vol. 31, p. 24. Emphasis in original. This takes place because small producers differ in their starting points, abilities, application and luck, leading to some growing their capital faster than others.
- 23 Lenin, *Collected Works*, vol. 3, p. 173. It seems that Lenin was not aware of Marx's remarks on the matter at the time. See Chapter 13.
- 24 Hayek, *Law, Legislation and Liberty*, vol. 30, p. 161.
- 25 Ibid., pp. 164–65.
- 26 Hayek continued:

As you will understand, it is possible for a dictator to govern in a liberal way. And it is also possible for a democracy to govern with a total lack of liberalism. Personally I prefer a liberal dictator to democratic government lacking liberalism. My personal impression – and this is valid for South America – is that in Chile, for example, we will witness a transition from a dictatorial government to a liberal government. And during this transition it may be necessary to maintain certain dictatorial powers, not as something permanent, but as a temporary arrangement.

(Renée Sallas, 'Friedrich von Hayek, Leader and Master of Liberalism', *El Mercurio*, 12 April 1981. See www.fahayek.org)

- 27 E. B. Paschukanis, *Allgemeine Rechtslehre und Marxismus*, p. 240 (trans. from Pashukanis' 2nd Russian edition, Moscow, 1927, p. 117). A recently published book reappraises Pashukanis' work: Michael Head, *Evgeny Pashukanis: A Critical Reappraisal*, Oxford: Routledge Cavendish, 2008.
- 28 Marx wrote in full:

The production of ideas, of conceptions, of consciousness, is at first directly interwoven with the material activity and the material intercourse of men, the language of real life. Conceiving, thinking, the mental intercourse of men, appear at this stage as the direct efflux of their material behaviour. The same applies to mental production as expressed in the language of politics, laws, morality, religion, metaphysics, etc., of a people. Men are the producers of their conceptions,

ideas, etc. real, active men, as they are conditioned by a definite development of their productive forces and of the intercourse corresponding to these, up to its furthest forms. Consciousness can never be anything else than conscious existence, and the existence of men is their actual life process. If in all ideology men and their circumstances appear upside down as in a *camera obscura*, this phenomenon arises just as much from their historical life process as the inversion of objects on the retina does from their physical life process.

(In part I: Feuerbach. 'Opposition of the Materialist and Idealist Outlook', Karl Marx and Frederick Engels, *The German Ideology*, Moscow: Progress Publishers, 1964, p. 37)

- 29 In practice, of course, this right has only ever been largely illusory as costly legal fees mean that in effect only the wealthy can afford to go to court.
- 30 Hayek, *Law, Legislation and Liberty*, vol. 2, pp. 31–37. With regard to Hayek's second point concerning the extent of a government's duty in justice, I do not hold that laws can simply abolish discrimination, but they are often necessary and, in any case, governments should morally pursue the issue as essential to justice.

11 Freedom, coercion, property

- 1 Hayek, *The Constitution of Liberty*, p. 12.
- 2 Ibid., p. 13.
- 3 See Hardy Bouillon's essay 'Hayek and his Epistemological Restatement of Classical Liberalism', in Christopher Frei and Robert Nef (eds) *Contending with Hayek: On Liberalism, Spontaneous Order and the Post Communist Societies in Transition*, Bern: Peter Lang, 1994, p. 87.
- 4 Hayek, *The Constitution of Liberty*, p. 140; the internal quote is from Lord Acton.
- 5 Ibid., p. 13.
- 6 Marx, 'On the Jewish Question', in *Writings of the Young Marx on Philosophy and Society*, p. 247. Emphasis in original.
- 7 State and government, however, are not identical, and Marxism holds that the state comprises a special body of people and institutions, including army, police, law courts and gaols, which survives changes in government largely intact.
- 8 Hayek, *The Constitution of Liberty*, p. 133.
- 9 Hayek, *The Road to Serfdom*, pp. 144–45.
- 10 See, especially, Hayek, *Law, Legislation and Liberty*, vol. 3, pp. 75–93.
- 11 Ibid., p. 77. A Bill of Rights intended for individuals of all ethnic backgrounds, especially former slaves, was included in the US Constitution following the conclusion of the American Civil War. Due to a chance majority of conservative judges in 1886, the individual's rights, but not the individual's responsibilities, were extended to corporations, giving the corporate directors extra power in addition to that which they already possessed because of the immense capital they controlled. It was not dependent, as with individuals, upon meeting additional responsibilities.
- 12 'Those now living within the extended order gain from *not* treating one another as neighbours, by applying in their interactions, rules of the

extended order – such as those of several property and contract – instead of the rules of solidarity and altruism.’ *The Fatal Conceit*, p. 13. Emphasis in original.

- 13 Hayek, *Law, Legislation and Liberty*, vol. 2, p. 145.
- 14 Ibid., pp. 153–54.
- 15 Milton Friedman, *There’s No Such Thing as a Free Lunch*, LaSalle IL: Open Court, 1975. This was written during the war in Vietnam in which the US used napalm with abandon and media images of children sprayed with napalm caused general revulsion.
- 16 Marx, *Manifesto*, p. 61.
- 17 Michael Keating, *Who Rules: How Government Retains Control of a Privatized Economy*, Sydney: The Federation Press, 2004.
- 18 See Karl Polanyi, *The Great Transformation: The Political and Economic Origins of our Time*, Boston MA: Beacon Press, 1944 and 2001.
- 19 Marx, *Manifesto*, p. 45.
- 20 Marx, *Capital*, vol. 1, p. 422.
- 21 Hayek, *Law, Legislation and Liberty*, vol. 1, p. 45.
- 22 J. S. Mill, *Principles of Political Economy: With Some of Their Applications to Social Philosophy*, London: Longmans, Green and Co., 1909, p. 199.
- 23 Ibid., p. 200.
- 24 Hayek, *Fatal Conceit*, p. 93. Emphasis in original.
- 25 Marx, *Capital*, vol. 3, pp. 1024, 1028.
- 26 Marx, in *Karl Marx and Frederick Engels: Selected Works in Two Volumes*, vol. 1, p. 362.

12 Politics, democracy

- 1 Hayek, *The Constitution of Liberty*, p. 206.
- 2 Marx, *Manifesto*, pp. 33–34.
- 3 Ibid., p. 43.
- 4 Ibid., p. 44. In practice, Marx did not act in the arrogant way implied here, but went to great pains to help workers develop their understanding, and did not aspire to lead their particular organisations.
- 5 Marx, *The Eighteenth Brumaire*, p. 250. Emphasis in original.
- 6 Hayek, *Law, Legislation and Liberty*, vol. 2, pp. 146–47.
- 7 Marx, *Manifesto*, p. 41.
- 8 Rather strangely, he also raised as a possible replacement for a battered gold standard, an international reserve currency based on a collection of commodities generally in demand, such as wheat, sugar, copper and rubber. This seems to misunderstand the very nature of money as the universal equivalent to which every produced commodity must convert itself if it is to be recognised as socially useful. Perhaps it was the Second World War which prompted the idea. See *Economic Journal*, LIII, no. 210, June/September 1943; republished in *Individualism and Economic Order*, 1948.
- 9 Hayek, *Law, legislation and Liberty*, vol. 3, pp. 150–51.
- 10 Ibid., vol. 1, p. 48.

It is largely under the influence of continental and particularly Hegelian thought that in the course of the last hundred years the practice of speaking of the ‘state’ (preferably with a capital ‘S’), where ‘government’

is more appropriate and precise, has come to be widely adopted. That which acts, or pursues a policy, is however always the organization of government; and it does not make for clarity to drag in the term 'state' where 'government' is quite sufficient.

- 11 Of course democracies come in various manifestations i.e. many people called Australia a democracy even when Aboriginal people couldn't vote. This was the case also in France and Switzerland when women couldn't vote.
- 12 Hayek, *Law, Legislation and Liberty*, vol. 1, p. 139.
- 13 Anne Manne, *Love and Money: The Family and the Free Market*, Melbourne: Black Inc. Quarterly Essay no. 29, March 2008, p. 68.
- 14 Marx, *Capital*, vol. 3, p. 181.
- 15 Marx, *Manifesto*, pp. 41–42.
- 16 Hayek, *The Constitution of Liberty*, p. 398. The use of the terms 'conservative', 'liberal', 'neo liberal' and the now current 'neo conservative', can be confusing, and can carry different connotations in different countries. I hope readers can find their own way among them from the context in which they are used in this book. The term 'liberal', in Australia for instance, often stands for 'neo liberal', with genuine liberals being called 'small l liberals'. The neo conservatives, typically those in the USA, are generally at one with the neo liberals on economics and the primacy of the market, but combine with that a devotion to 'hard' power to impose their views on other countries.
- 17 Hayek, *The Fatal Conceit*, p. 137.
- 18 As Hayek concedes in *Law, Legislation and Liberty*, vol. 3, page 116, the constitution should, however, also guard against the eventuality of the legislative assembly becoming wholly inactive.
- 19 Hayek, in chapter 10, *New Studies in Philosophy, Politics, Economics and the History of Ideas*, p. 160.
- 20 Preface to the three volume edition of *Law, Legislation and Liberty*, 1982, p. xx. Emphasis in original.
- 21 See Introduction to vol. 1, p. 2, of *Law, Legislation and Liberty* and vol. 2, p. 147.
- 22 Donald Horne, *The Lucky Country: Australia in the Sixties*, Ringwood: Penguin Books, 1964. The first sentence of the last chapter of the book is: 'Australia is a lucky country, run by second rate people who share in the luck.'
- 23 Hayek, *Law, Legislation and Liberty*, vol. 3, p. 5.

13 Marx and methodology

- 1 Marx, *Capital*, preface to the first edition, pp. 14–15.
- 2 Marx used the Latin: '*De te fabula narratur!*'
- 3 Marx, *Capital*, vol. 1, Kerr edition, 1906, p. 13. Emphasis in original.
- 4 Letter to the Editorial Board of *Otechestvenniye Zapiski* ('Fatherland Notes'), November 1877. In *Karl Marx and Frederick Engels: Selected Correspondence*, Moscow: Foreign Languages Publishing House, n.d., pp. 376–79.
- 5 The full history of Marx's careful reply to Zasulich is given in the *British History Workshop Magazine*, Autumn 1981, in articles by Teodor Shanin: 'Marx and the Peasant Commune', and Haruki Wada: 'Marx and Revolutionary Russia'.

6 <http://en.wikipedia.org/wiki/Abstraction>

7 Marx, 'Preface' to *Capital*, vol. 1, p. 12. The word 'moreover' refers to an immediately preceding sentence: 'the body, as an organic whole is more easy of study than are the cells of that body', the 'cell' in this case being the single commodity, with an analysis of which Marx begins the book.

8 Written in 1857 and found among Marx's posthumous papers, it was published in *Neue Zeit*, 7, 14 and 21 March 1903, by editor Karl Kautsky, executor of Marx's papers. It was later published as an appendix to Marx's *A Contribution to the Critique of Political Economy*, New York: Charles H. Kerr and Company, 1911.

9 Marx, *Ibid.*, pp. 292–93, further emphasised that:

the concrete subject of our thought is in fact a product of thought, of comprehension; not, however, in the sense of a product of a self emanating conception which works outside of and stands above observation and imagination, but a mental consummation of observation and imagination. The whole, as it appears in our heads as a thought aggregate, is the product of a thinking mind which grasps the world in the only way open to it.

(p. 294)

Compare this with the discussion on neo Kantianism in the next chapter.

10 Smith, *The Wealth of Nations*, book 1, p. 36.

11 David Ricardo, *The Works and Correspondence of David Ricardo*, in Piero Sraffa (ed.) with the collaboration of M. H. Dobb, vol.1, *On the Principles of Political Economy and Taxation*, Cambridge: Cambridge University Press, 1975 edition, pp. 43–44.

12 *Ibid.*, pp. 43–44. Sraffa actually did propose a 'standard commodity' in which the proportions of fixed capital, labour, raw materials and other inputs were equal to those that prevailed in the economy as a whole. See *The Production of Commodities by Means of Commodities: Prelude to a Critique of Political Economy*, Cambridge: Cambridge University Press, 1960.

13 Marx, *Capital*, vol. 3, p. 181. Marx adds that:

every circumstance (and all of them are considered equally necessary within certain limits), which renders one line of production profitable, and another less, are calculated as legitimate grounds for compensation, without requiring the ever renewed action of competition [in flows in and out of capital] to demonstrate the justification of such claims.

(p. 246)

14 Marx, *Karl Marx and Frederick Engels: Selected Correspondence*. The letter was dated 2 August 1862, p. 157; I am not aware of a reply from Engels, but he endorses the solution in his own writings.

15 Marx, *Capital*, vol. 3, p. 188.

16 For those interested in pursuing the matter further, I recommend Steve Keen, *Debunking Economics: The Naked Emperor of the Social Sciences*, London and New York: Zed Books, especially chapter 13.

17 This review appeared in the *Literarisches Centrblatt*, no. 28, 1868.

- 18 Marx, *Karl Marx and Frederick Engels: Selected Correspondence*, letter, 11 July 1868, p. 251.
- 19 Marx wrestles with the concept of use value, as is shown in his long footnote on page 267 of the *Grundrisse*:

Is not *value* to be conceived as the unity of use value and exchange value? In and for itself, is value as such the general form, in opposition to use value and exchange value as *particular* forms of it? Does this have significance in economics? Use value presupposed even in simple exchange or barter. But here, where exchange value takes place only for the reciprocal use of the commodity, the use value, i.e. the content, the natural particularity of the commodity has as such no standing as an economic form. Its form, rather, is exchange value. The content apart from this form is irrelevant; is not a content of the relation as a social relation. But does this content as such not develop into a system of needs and production?

- 20 Kay Anderson, *Race and the Crisis of Humanism*, Oxford: Routledge, 2007.
- 21 Andrew S. Skinner, quoting William Robertson in 'Analytical Introduction' to *The Wealth of Nations Books I–III*, Penguin Classics edition, p. 28.
- 22 Engels, *Karl Marx and Frederick Engels: Selected Correspondence*, p. 500, letter to Joseph Bloch, editor of *Sozialistische Monatshefte* ('Socialist Monthly'), 21–22 September 1890.
- 23 Ross Garnaut, is professor of economics at the Research School of Pacific and Asian Studies. He was appointed by the Australian government in April 2008 to conduct a climate change review.

14 Hayek and methodology

- 1 Hayek, *Law, Legislation and Liberty*, vol. 1, pp. 11–12.
- 2 Ibid., pp. 13–14.
- 3 Science has been telling us factually about global warming and sustainability, but Hayek took no notice. Perhaps that could be passed over in 1973 when he wrote this piece, but as time passed, he became an ever more vehement opponent of environmental concerns, as shown by the comments made in his last book in 1988, some of which are quoted in Chapter 4 of this book.
- 4 Hayek, *Law, Legislation and Liberty*, vol. 1, p. 17.
- 5 Ibid.
- 6 Ibid, p. 6.
- 7 Hayek, *New Studies in Philosophy, Politics, Economics and the History of Ideas*, p. 37.
- 8 Hayek, *Law, Legislation and Liberty*, vol. 1, p. 30. Emphasis added.
- 9 Ibid., pp. 30–31.
- 10 John Gray, *Hayek on Liberty*, Oxford: Basil Blackwell, 1986.
- 11 'Rules, Perceptions and Intelligibility', chapter 3 of *Studies in Philosophy, Politics and Economics*, p. 60.
- 12 Ibid., p. 61.
- 13 Hayek, *The Fatal Conceit*, p. 12.
- 14 Structuralism appeared in academia in the second half of the twentieth century, and grew to become one of the most popular approaches in

academic fields concerned with the analysis of language, culture and society. The work of Ferdinand de Saussure is generally considered to be a starting point of structuralism. The term 'structuralism' itself appeared in the work of Claude Lévi Strauss, and later developed in several different directions.

- 15 Preface to the first edition of volume 1 of *Capital*, Kerr edition, p. 15.
- 16 Hayek, *Law, Legislation and Liberty*, vol. 2, p. 143.
- 17 Ibid., vol. 1, p. 6.
- 18 Hayek, *The Fatal Conceit*, p. 8.
- 19 Hayek, *Studies in Philosophy, Politics and Economics*, p. 32. Evolution can also occur when, for instance, cosmic or other forms of radiation cause changes in a species' genome which may be more, or less, compatible with a static environment.
- 20 Ibid., p. 50.
- 21 This pattern of progression was described in Thomas S. Kuhn's ground breaking book *The Structure of Scientific Revolutions*, Chicago: University of Chicago Press, 1962.

15 The primacy of values

- 1 Hayek, *Law, Legislation and Liberty*, vol. 3, p.53. Hayek qualifies the statement in a number of ways, but does not deny the fact.
- 2 Reported by Ross Gittins, *Sydney Morning Herald*, 18 July 2007. The Australian federal government provides a small, strictly means tested, payment to 'formal' carers.
- 3 A thirty three year old worker who had been in the industry for fourteen years told his doctor, after being admitted to hospital because of breathlessness, that he was the sole survivor of eleven who had worked in the same room. In a year he was dead.
- 4 In the article 'Understanding Regulation?' by Steve Tombs of Liverpool John Moores University, UK, in *Social and Legal Studies*, London, Thousand Oaks CA and New Delhi: Sage, vol. 11 (1). Many deaths also occurred in Australia, where asbestos was mined and used for years. The biggest user, the James Hardy company, sought for years to avoid paying compensation by moving its headquarters to Europe. Individual and union campaigns, however, finally won a settlement in 2006.
- 5 Hayek, *Law, Legislation and Liberty*, vol. 2, p. 32.
- 6 I note, with some chagrin, that Hayek's strong opposition to government developed in a period when socialism appeared highly successful in the years following the Soviet Union's role in the defeat of fascism, the victory of the Chinese Revolution, and the trade union movement in many countries throughout the world reaching its peak strength. But the crimes of Stalinism and the Maoist upheavals fuelled the Cold War and substantially helped to create favourable conditions for the rise of neo liberalism.
- 7 In Australia, the Construction Forestry Mining and Energy Union (CFMEU) leadership, knowing that coal is the biggest single source of greenhouse gases, and that their members' jobs depend on it, has decided that the membership should use its weight to ensure that the industry puts far more of its escalating profits into this research than it does currently.
- 8 Hayek, *Law, Legislation and Liberty*, vol. 3, p. 169.

- 9 Von Mises, *Economic Calculation in the Socialist Commonwealth*, p. 10, mises.org/econcalc.asp
- 10 Ibid., p.11.
- 11 Hayek, *Law, Legislation and Liberty*, vol. 2, p. 146.
- 12 A friend who in 1998 went to study in Vietnam told me that officials she met said that 'Vietnam was building socialism by capitalist means.' See Judith Biddington, *The Art of Balance: Vietnam Today*, Melbourne: Judith Biddington, 1998.
- 13 For further discussion on this and 'megalothymia' see the last chapter of my earlier book: *Market versus Nature: The Social Philosophy of Friedrich Hayek*, Melbourne: Australian Scholarly Publishing, 2008.
- 14 China was more a semi colonial country, which created more favourable opportunities for the revolutionaries there, but this is not important in the context here.
- 15 Thinking along these lines, political scientist David McKnight gave to his book the title *Beyond Right and Left*, and the subtitle *New Politics and the Culture Wars*, Sydney: Allen and Unwin, 2005.

Afterword

- 1 Patrick Dillon, *The Last Revolution: 1688 and the Creation of the Modern World*, London: Jonathan Cape, 2006, p. 129.
- 2 See economist Steve Keen's 'Monthly Debt Report', November 2006: www.debunking.com
- 3 Congress Report, Washington, 23 October 2008.
- 4 *Capital*, vol. 3, Kerr Edition, p. 569.
- 5 Ibid., p. 568.
- 6 However, Hayek had earlier perceived that 'equilibrium' as applied in the economics of his day was often a tautology. See his article 'Economics and Knowledge' in *Individualism and Economic Order*, Chicago: The University of Chicago Press, 1980.
- 7 In indicating that a surplus is produced beyond the outlays on depreciation, raw materials, wages, etc, I do not assume the Labour Theory of Value which is discussed at some length in Chapter 13. But workers don't want their wages, or even higher wages, in the form of the commodities they produce: they, too, have to have money.
- 8 *Law, Legislation and Liberty*, vol. 2, p. 112.
- 9 Ibid., p. 146.
- 10 See Chapter 10, *Individualism and Economic Order*, Chicago: The University of Chicago Press, 1980.
- 11 An example of 'intermediate' production is the turning of raw cotton into yarn, which is then woven into cloth, then fashioned into the consumption product eg, clothing. Each step is often made in a separate enterprise.
- 12 *The Collected Works of F.A. Hayek*, Vol 9, Edited by Bruce Caldwell: Chicago and London, The University of Chicago Press, 1995.
- 13 The neutrality of money bears on the conflict between Keynes and Hayek along with other economists. It implies that the central bank cannot affect the real economy, such as employment, investment and the GDP total, even by increasing the money supply. It would affect only wages and then prices, giving rise to stagflation. This is far from being the way central banks are acting today.

- 14 In Hayek's case I leave aside his inability to see a difference between government and state because it is not especially relevant to the present discussion.
- 15 Chicago, 5 November 2008.
- 16 In both the past and the present, the view that workers were by nature of a revolutionary bent did not hold.
- 17 I repeat Hayek's declaration that he preferred the expression 'each being allowed to use his own knowledge for this own purposes' to the essentially equivalent expression of Adam Smith that everyone should be free 'to pursue his own interest in his own way.' The reason, Hayek said, was that 'Smith's phrase suggests a spirit of selfishness which is probably not intended and certainly inessential to the argument.' See note 7 to page 8 of vol. 2, *Law, Legislation and Liberty*. Smith was only too conscious of the selfishness of most capitalists.

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