F. A. Hayek on Government and Social Evolution: A Critique

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As much market as possible, as much state as necessary.
(Motto of the 1959 Godesberg-program of Germany's Socialdemocratic Party)

Thesis One:

Friedrich A. Hayek is generally known as a champion of the free market economy and an outspoken anti-socialist; indeed, Hayek's life was a noble, and mostly lonely struggle against a rising tide of statism and statist ideologies. These facts not withstanding, however:

(1) Hayek's view regarding the role of market and state cannot systematically be distinguished from that of a modern social democrat; and

(2) the immediate reason for Hayek's social democratic views is his contradictory and hence nonsensical definition of "freedom" and "coercion." (Another, fundamental epistemological reason—Hayek's self-contradictory anti-rationalism—will be addressed in Thesis Two.)[1]

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[1]The following essay does *not* consider Hayek's achievements as an economist. As regards these, Hayek deserves great praise. But Hayek's economics is largely the one he adopted from his teacher and mentor Ludwig von Mises and thus is not original with him. What makes Hayek unique, and what fundamentally distinguishes him from Mises, is his political and social philosophy. It is this part of his work, not his contribution to economic theory, that has made Hayek famous. Unfortunately, as will be demonstrated in the following, this *original* part of Hayek's work is entirely false, however.

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On Government

According to Hayek, government is "necessary" to fulfill the following tasks (and may acquire the means necessary to do so through taxation)[2]: Not merely for "law enforcement" and "defense against external enemies," but "in an advanced society government ought to use its power of raising funds by taxation to provide a number of services which for various reasons cannot be provided, or cannot be provided adequately, by the market."[3] (Since at all times an infinite number of goods and services which a market does *not* provide exist, Hayek hands government a blank check.) Among these are "protection against violence, epidemics, or such natural forces as floods and avalanches, but also many of the amenities which make life in modern cities tolerable, most roads . . . the provision of standards of measure, and of many kinds of information ranging from land registers, maps and statistics to the certification of the quality of some goods or services offered in the market."[4] Additional government functions are "the assurance of a certain minimum income for everyone"[5]; government should "distribute its expenditure over time in such a manner that it will step in when private investment flags"[6]; it should finance schools and research as well as enforce "building regulations, pure food laws, the certification of certain professions, the restrictions on the sale of certain dangerous goods (such as arms, explosives, poisons and drugs), as well as some safety and health regulations for the processes of production and the provision of such public institutions as theaters, sports grounds, etc. . . ."[7]; and it should make use of the power of "eminent domain" to enhance the "public good."[8]

Moreover, it generally holds that "there is some reason to believe

[2]See on the following in particular the *Constitution of Liberty* (Chicago: University of Chicago Press, 1960), chap. 15 and part 3; *Law, Legislation, and Liberty* 3 vols. (Chicago: University of Chicago Press, 1973–79), chap. 14.

[3]*Law, Legislation, and Liberty*, 3, p. 41. Compare this to John Maynard Keynes's statement: "The most important Agenda of the state relate not to those activities which private individuals are already fulfilling but to those functions which fall outside the sphere of individuals, to those decisions which are made by *no one* if the state does not make them. The important thing for government is not to do things which individuals are doing already and to do them a little better or a little worse: but to do those things which are not done at all" (*The End of Laissez Faire* (vol. 9), *Collected Writings* [London: MacMillan, 1973], p. 291).

[4]*Law, Legislation, and Liberty*, 3, p. 44

[5]Ibid., p. 55.

[6]Ibid., p. 59.

[7]Ibid., p. 62.

[8]Ibid., pp. 62–63.

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."[9]

In the *Constitution of Liberty* Hayek wanted government to provide further for "monetary stability" (while he later on preferred a bizarre scheme for monetary denationalization)[10]; government should implement an extensive system of compulsory insurance ("coercion intended to forestall greater coercion")[11]; public, subsidized housing was a possible government task[12]; likewise, "city planning" and "zoning" were considered appropriate government functions—provided that "the sum of the gains must exceed the sum of the losses"[13]; and lastly "the provision of amenities of or opportunities for recreation, or the preservation of natural beauty or of historical sites or places of scientific interest, . . . natural parks, nature-reservations, etc.," were regarded as government tasks.[14]

Moreover, Hayek insists we recognize that it is irrelevant how big government is or if and how fast it grows. What alone is important is that government actions fulfill certain formal requirements. "It is the character rather than the volume of government activity that is important."[15] Taxes as such and the absolute height of taxation are not a problem for Hayek. Taxes—and likewise compulsory military service—lose their character as coercive measures, "if they are at least predictable and are enforced irrespective of how the individual would otherwise employ his energies; this deprives them largely of the evil nature of coercion. If the known necessity of paying a certain amount in taxes becomes the basis of all my plans, if a period of military service is a foreseeable part of my career, then I can follow a general plan of life of my own making and am as independent of the will of another person as men have learned to be in society."[16] But please, it must be a *proportional* tax and *general* military service!

In light of this terminological hocus-pocus and the above cited list of legitimate government functions, the difference between

[9]Ibid., p. 53.

[10]F. A. Hayek, *Denationalization of Money: The Argument Refined* (London: Institute of Economics Affairs, 1990).

[11]*Constitution of Liberty*, p. 286.

[12]Ibid., p. 346.

[13]Ibid., p. 351. What about Hayek's repeated pronouncements, *qua* economist, that all interpersonal comparisons of utility are scientifically invalid?

[14]Ibid., p. 375.

[15]Ibid., p. 222.

[16]Ibid., p. 143.

Hayek and a modern social democrat boils down to the question whether or not the postal service should be privatized (Hayek says "yes").

On Freedom and Coercion

The last quote in support of the previous thesis is at the same time confirmation of the thesis that Hayek's social-democratic theory of government finds its explanation in the absurdity of his definition of freedom and coercion.[17]

Hayek defines freedom as the absence of coercion. However, contrary to a long tradition of classical liberal thought, he does *not* define coercion as the initiation or the threat of physical violence against another person or its legitimately—via original appropriation, production or exchange—acquired property. Instead, he offers a definition whose only merit is its fogginess. By coercion "we mean such control of the environment or circumstances of a person by another that, in order to avoid greater evil, he is forced to act not according to a coherent plan of his own but to serve the ends of another,"[18] or "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."[19] Freedom, by contrast, is "a state in which each can use his own *knowledge* [not: his own *property*] for his own purposes."[20]

This definition does not contain anything regarding actions, scarce goods and property. Rather, "coercion" refers to a specific configuration of subjective wills (or plans, thoughts and expectations). Yet then it is useless for the following reason. First, it is useless as a guideline for actions (what am I allowed to do here and now if I do not want to commit a coercive act?), because in general I do not know the will or plans of others and in any case, to know all other wills completely would be impossible. Even if I wanted to, I could never be sure from the outset (*ex ante*) that what I was planning to do would not coerce anyone. Yet individuals obviously must be permitted to act "correctly" *prior* to knowing anything about the plans of others, and even if they knew literally nothing but their own plans.

[17]See on the following Ronald Hamowy, "Freedom and the Rule of Law in F. A. Hayek," *Il Politico* (1970–71); idem, "Hayek's Concept of Freedom: A Critique," *New Individualist Review* (April, 1961); idem, "Law and the Liberal Society: F. A. Hayek's Constitution of Liberty," *Journal of Libertarian Studies* 2 (Winter 1978); Murray N. Rothbard, "F. A. Hayek and the Concept of Coercion," in: idem, *The Ethics of Liberty* (Atlantic Highlands: Humanities Press, 1981).

[18]*Constitution of Liberty*, pp. 20–21.

[19]Ibid., p. 133.

[20]*Law, Legislation, and Liberty*, 1, pp. 55–56.

For this to be possible, however, the criterion employed to distinguish between "freedom" and "coercion" must be an *objective* one. It must refer to an event/non-event that possesses a *physical* description (and over whose outcome an actor must possess physical control). Second, Hayek's definition is also useless as a retrospective (*ex-post*) criterion of justice (is the accusation of *A* against *B* justified; who is guilty and who isn't?). As long as *A* and *B* come to the *same* conclusion concerning innocence and guilt (including such questions as compensation and/or punishment), no problem arises for Hayek's criterion. However, in the case of unanimity *no* criterion can ever fail. Hayek's criterion fails miserably in those cases, though, for which it is intended: whenever plaintiff and defendant do *not* agree, and still a verdict must be reached. Since Hayek's definition does not contain any physical (intersubjectively ascertainable) criteria, his judgments are arbitrary. As mental predicates, Hayek's categories of freedom and coercion are compatible with every real, physical state of affairs. They possess no power to make *real* distinctions.

Correspondingly confused and contradictory are Hayek's attempts to apply his definitions:

1. In applying his definition, Hayek on the one hand reaches the conclusion that the initiation and threat of physical violence constitutes "coercion." "The threat of force or violence is the most important form of coercion."[21] "True coercion occurs when armed bands of conquerors make the subject people toil for them, when organized gangsters extort a levy for 'protection'."[22] On the other hand (witness the quotations above) he classifies acts of the initiation or threat of physical violence such as compulsory military service or taxes as "non-coercive," provided only that the victims of such aggression could have reliably expected and adjusted to it.

2. On the one hand, Hayek identifies physical violence with "coercion." On the other hand, he does not accept the *absence* of physical violence or damage as a criterion for "non-coercion." "The threat of physical force is not the only way in which coercion can be exercised."[23] Even if *A* has committed no physical aggression against *B* or his property, he may nonetheless be guilty of "coercion." According to Hayek, this is the case whenever *A* is guilty of *omitted help* vis-à-vis *B*, i.e., whenever he has *not* provided *B* with goods or services of his (*A*'s), which *B* had expected from him and regarded as "crucial

[21] *Constitution of Liberty*, p. 135.
[22] Ibid., p. 137.
[23] Ibid, p. 135.

to my existence or preservation of what I most value."[24] Hayek asserts that only a small number of cases actually fit this criterion: The owner of a mine in a mining town who decides to disemploy a worker allegedly "coerces"; and likewise it is supposedly "coercive" if the owner of the sole water supply in a desert is unwilling to sell this water, or if he refuses to sell it at a price which others deem "fair." But it requires little imagination to recognize that Hayek's criterion is in fact all-encompassing. Any peaceful action a person may perform can be interpreted by others—and indeed any number of them—as constituting "coercion," for every activity is at the same time always the omission of innumerable other *possible* actions, and every omission becomes "coercion" if a single person claims that the execution of the omission was "crucial to the preservation of what I most value."

Whenever cases of omitted help and physical violence are categorically identified as "coercion," however, inescapable contradictions result.[25] If *A*'s omission constitutes "coercion" toward *B*, then *B* must possess the right to "defend" himself against *A*. *B*'s only "defense" would be that he could employ physical violence *against A* (to make *A* execute what he otherwise would avoid doing)—but then acts of physical violence could no longer be classified as "coercion"! Physical violence would be "defense." In this case, "coercion" would be the peaceful refusal to engage in an exchange as well as the attempt to defend oneself against all forced (under the threat of violence executed) exchange. On the other hand, if physical violence were defined as "coercion," then *B* would *not* be allowed to "defend" himself against an omissive *A*; and if *B* nonetheless attempted to do so, then the right to defense would rest with *A*—but in this case, omissions could not constitute "coercion."

3. From these conceptual confusions stems Hayek's absurd thesis of "the unavoidability of coercion" and his corresponding, equally absurd "justification" of government. "Coercion, however, cannot be altogether avoided because the only way to prevent it is by the threat of coercion. Free society has met this problem by conferring the monopoly of coercion on the state and by attempting to limit this power of the state to instances where it is required to prevent coercion by private persons."[26] According to both of Hayek's definitions of

[24]Ibid., p. 136.

[25]See also Murray N. Rothbard, *Power and Market* (Kansas City: Sheed Andrews & McMeel, 1977), pp. 228–34; Hans-Hermann Hoppe, "Von der Strafunwürdigkeit unterlassener Hilfeleistung," in: idem, *Eigentum, Anarchie und Staat* (Opladen: Westdeutscher Verlag, 1977); idem, "On the Indefensibility of Welfare Rights," *Austrian Economics Newsletter* 3 (1989).

[26]*Contitution of Liberty*, p. 21; also p. 141 f.

"coercion," this thesis is nonsensical. If omitted help represents "coercion," then coercion in the sense of physical violence becomes necessary (not: unavoidable). Otherwise, if the initiation and threat of physical violence is defined as "coercion," it can be avoided; first, because each person possesses control over whether or not he will physically attack another; and second, because every person is entitled to defend himself with all of his means against another's physical attack. It is only unavoidable that so long as physical aggression exists, there will also be a need for physical defense. Yet the unavoidability of defensive violence has nothing to do with the alleged "unavoidability of coercion" (unless one confused the categorical difference between attack and defense and asserted that the threat of defending oneself in the event of an attack is the same kind of thing as the threat of attacking). If physical violence is *forbidden*, then it follows that one is *allowed to defend* oneself against it. It is thus absurd to classify attack and defense under the same rubric of "coercion." Defense is to coercion as day is to night.

Yet from the unavoidability of *defense* no justification for a government monopoly of coercion follows. To the contrary. A government is by no means merely a "monopolist of defense" who helps private individuals avoid otherwise "unavoidable" defense expenditures (as a monopolist: inefficiently). Because it could otherwise provide no defense activities, the government's monopoly of coercion includes in particular the *right* of the state to commit violence against private citizens and their complementary *obligation* not to defend themselves against government attacks. But what kind of justification for a government is this: that if a person surrenders unconditionally to an attacker he may save himself otherwise "unavoidable" defense expenditures?

Thesis Two:

The fundamental epistemological reason for Hayek's nonsensical theory of government and coercion is to be found in Hayek's systematic anti-rationalism.

(1) This anti-rationalism expresses itself first in the fact that Hayek rejects the idea of a cognitive ethic. Hayek is an ethical relativist (who, as already shown, does not even consider an unambiguous moral distinction between attack and defense to be possible).

(2) Second—in an even more dramatic fashion—Hayek's anti-rationalism is expressed in his "theory of social evolution," where purposeful action and self-interest, trial, error and learning, force and freedom as well as

> state and market (society) have been systematically eliminated as explanatory factors of social change and replaced with an obscure "spontaneity" and a collectivistic-holistic-organizistic principle of "cultural group selection." (Hayek's citation of Carl Menger as precursor of his own theory is false. Menger would have ridiculed Hayek's theory of evolution as mysticism. Menger's successor is not Hayek, but Ludwig von Mises and his "social rationalism."[27])

On Ethics

"Moreover, if civilization has resulted from unwanted gradual changes in morality, then, reluctant as we may be to accept this, no universally valid system of ethics can ever be known to us."[28] Furthermore, "Evolution cannot be just. . . . Indeed, to insist that all future change to be just would be to demand that evolution come to a halt. Evolution leads us ahead precisely in bringing about much that we could not intend or foresee, let alone prejudge for its moral properties."[29] Or: "To pretend to know the desirable direction of progress seems to me to be the extreme of hubris. Guided progress would not be progress."[30] (So much for the question whether or not Hayek can give any advice to the former communist countries of Eastern Europe: he suggests nothing but banking on "spontaneous evolution.")

It is characteristic of Hayek's anti-rationalism that he does not prove this counter-intuitive thesis, as is necessary. Indeed, he does not even attempt to make it plausible.

It is the same anti-rationalism that leads Hayek to state—often merely a few pages apart—something seemingly completely different (logical consistency is not a necessary requirement for an anti-rationalist). For instance, "Where there is no property there is no justice."[31]

[27]The documentation of this parenthetical thesis will be kept to a minimum and relegated to footnotes.

On the fundamental difference between Menger and Mises on the one hand and Hayek on the other see Joseph T. Salerno, "Ludwig von Mises as Social Rationalist," *Review of Austrian Economics* 4 (1990): 26–54; Jeffrey M. Herbener, "Ludwig von Mises and the Austrian School of Economics," *Review of Austrian Economics* 5, no. 2 (1991): 33–50; Murray N. Rothbard, "The Present State of Austrian Economics" (Auburn Ala.: Ludwig von Mises Institute Working Paper, 1992).

[28]F. A. Hayek, *The Fatal Conceit: The Errors of Socialism*, W. W. Bartley III, ed. (Chicago: University of Chicago Press, 1988), p. 20.

[29]Ibid, p. 74.

[30]*Law, Legislation, and Liberty*, 3, p. 169.

[31]*Fatal Conceit*, p. 33; see also the *Constitution of Liberty*, p. 140.

And John Locke is quoted approvingly with a passage which could not possibly be more rationalist: "'Where there is no property there is no justice', is a proposition as certain as any demonstration in Euclid: for the idea of property being a right to anything, and the idea to which the name injustice is given being the invasion or violation of that right; it is evident that these ideas being thus established, and these names annexed to them, I can as certainly know this proposition to be true as that a triangle has three angles equal to two right ones."[32]

Lastly, it is characteristic of Hayek when only one page later, while one is still wondering how to square the Lockean idea of an Euclidean ethic with the thesis of the "impossibility" of an universally valid ethic, Hayek returns, in a sudden dialectic twist to his relativistic point of departure. "The institutions of property, as they exist at present, are hardly perfect; indeed, we can hardly yet say in what such perfection might consist."[33] "Traditional concepts of property rights have in recent times been recognized as a modifiable and very complex bundle whose most effective combinations have not yet been discovered in all areas."[34] In particular the investigations of the Chicago school (Coase, Demsetz, Becker and others) "have opened new possibilities for future improvements in the legal framework of the market order."[35]

Hayek does not think it worth mentioning or he does not recognize, that the property theories of Locke and the Chicago school are incompatible. According to Locke, the principles of self-ownership, original appropriation (homesteading), production and voluntary exchange are universally valid ethical norms. Locke's theory of private property is a theory of justice, and Locke is an ethical absolutist. In contrast, the representatives of the Chicago school deny the possibility of a rational, universally valid ethic. There exists no justice in Chicago. Who owns what and who does not, and likewise who is the attacker and who the victim, is for Coase and colleagues not once and for all fixed and settled and does not depend on who has done what in the past. Instead, property titles are to be distributed among people, and with changing circumstances redistributed, in such a way that future economic efficiency is maximized. The person who is expected to make the most efficient use of a resource—as "measured" in terms of money—becomes its owner; he who will have to bear the lower monetary costs if he were to avoid the disputed activity is

[32]*Fatal Conceit*, p. 34.
[33]Ibid., p. 35.
[34]Ibid., p. 36.
[35]Ibid.

declared the attacker in a property-rights dispute; and whenever in the course of time the roles of the most efficient user or the "least cost avoider" change from one person to another, property titles must be accordingly redistributed.[36]

On Social Evolution

The mystic-collectivistic character of Hayek's theory of spontaneous social evolution comes to light in passages such as these:

1. "In the process of cultural transmission, in which modes of conduct are passed on from generation to generation, a process of selection takes place, in which those modes of conduct prevail which lead to the formation of a more efficient order for the whole group, because such groups will prevail over others."[37]

2. "In so far as such rules have prevailed because the group that adopted them was more successful, nobody need ever have known why that group was successful and why in consequence its rules became generally adopted."[38]

3. "Culture . . . is a tradition of learnt rules of conduct which have never been 'invented' and whose function the acting individuals usually do not understand. . . , the result of a process of winnowing and sifting, directed by the differential advantages gained by groups from practices adopted for some unknown and perhaps purely accidental reasons."[39] "Man did not adopt new rules of conduct because he was intelligent. He became intelligent by submitting to new rules of conduct."[40] "We have never designed our economic system. We were not intelligent enough for that. We have tumbled into it and it has carried us to unforeseen heights and given rise to ambitions which may yet lead us to destroy it."[41]

4. Civilization "resulted not from human design or intention but spontaneously: it 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

[36]See Ronald Coase, *The Firm, the Market, and the Law* (Chicago: University of Chicago Press, 1988); Harold Demsetz, *Ownership, Control, and the Firm* (Oxford: Blackwell, 1988); for a critique see Walter Block, "Coase and Demsetz on Private Property Rights," *Journal of Libertarian Studies* 1, no. 2 (Spring 1977).

[37]F. A. Hayek, *New Studies in Philosophy, Politics, Economics and the History of Ideas* (Chicago: University of Chicago Press, 1978), p. 9.

[38]*Law, Legislation, and Liberty*, 2, p. 5.

[39]*Law, Legislation, and Liberty*, 3, p. 155.

[40]Ibid., p. 163.

[41]Ibid., p. 164.

population and wealth—of those groups that happened to follow them."[42] "Moral traditions outstrip the capacities of reason."[43] "Mind is not a guide but a product of cultural evolution, and is based more on imitation than on insight or reason."[44]

Hayek's theory, then, consists of these three propositions:

(1) A person initially performs a spontaneous action—without knowing why and for what purpose; and a person retains this practice for no reason—whether or not it has resulted in a success (for without purpose and goal there *can* be no success and no failure). (Cultural mutation.)

(2) The new practice is imitated by other group members—again without any motive or reason. The proliferation of the practice comes to a halt once all group members have adopted it. (Cultural transmission.)

(3) Members of other groups do *not* imitate the practice. Those groups which spontaneously adopt and unconsciously imitate a *better* moral practice will exhibit a comparatively higher population growth, greater wealth, or otherwise somehow "prevail." (Cultural selection.)

Hayek claims that this theory explains the evolution of private property, of the division of labor and of exchange as well as of money and government. In fact, however, these practices and institutions provide perfect examples for demonstrating the theory's entire absurdity (such that Hayek cannot help but contradict his own theory over and again).[45]

Cultural Mutation

Hayek's theory of spontaneity may apply to vegetables (although it would even run into difficulties here because of Hayek's explicitly assumed "Lamarckism"[46]), but it is definitely not applicable to human actors. Every action involves the purposeful employment of scarce means, and every actor can always distinguish between a successful and an unsuccessful action. The concept of an unconscious-spontaneous action à la Hayek is a *contradictio in adjecto*. Acting is always

[42]*Fatal Conceit*, p. 6.

[43]Ibid., p. 10.

[44]Ibid., p. 21.

[45]See on the following also David Ramsey Steele, "Hayek's Theory of Cultural Group Selection," *Journal of Libertarian Studies* 8, no. 2 (1987).

[46]See *The Fatal Conceit*, p. 25.

conscious and rational. Hence Hayek's theory leads to an inescapable dilemma: If one applies Hayek's theory to itself, then his own activity of writing books is nothing but a purposeless emanation regarding which the questions of true or false and of success or failure simply do not arise. Or Hayek's writing represents a purposeful action. In this case his theory is obviously false, however, because in enlightening himself (and us) regarding the course of social evolution, Hayek no longer acts spontaneously but instead tries to shape social change consciously and rationally.

Regarding in particular the problem of the origin of private property, it is only necessary to insert into proposition (1) practices such as the original appropriation of a previously unowned good or the production of a capital good to immediately recognize its absurdity. Appropriation and capital goods production are purposeful activities. One engages in original appropriation and produces capital goods because one prefers more goods over less and recognizes the greater physical productivity of appropriated land and capitalist production. Even if the *invention* of a capital good such as, for example, a hammer or an axe, first happened by *accident*, the inventor still recognized for what purpose it was useful, and any *repetition* of the invented practice then occurred purposefully and with reason.

Cultural Transmission

Equally absurd is Hayek's theory of "spontaneous association" through unconscious imitation. The imitation of the practices of original appropriation and indirect, capitalist production by others is likewise motivated by the desire for greater personal wealth. It is a justified imitation. Neither external force, chance nor spontaneity are necessary to explain it. Nor are they required in order to then explain the emergence of division of labor and interpersonal exchange. People recognize and have always recognized that division of labor and voluntary exchange lead to greater physical productivity than if one were to remain in self-sufficiency.[47] Likewise, for the origin of a

[47]See Ludwig von Mises, *Human Action. A Treatise on Economics* (Chicago: Henry Regnery, 1966), chap. 8.

"If and as far as labor under the division of labor is more productive than isolated labor, and if and as far as man is able to realize this fact, human action itself tends toward cooperation and association; man becomes a social being not in sacrificing his own concerns for the sake of a mythical Moloch, society, but in aiming at an improvement in his own welfare. Experience teaches that this condition—higher productivity achieved under the division of labor—is present because its cause—the inborn inequality of men and the inequality in the geographical distribution of the natural factors of production—is real. Thus we are in a position to comprehend the course of social evolution" (ibid, p. 160–61). "Liberalism . . . regards all social cooperation as an

monetary economy one must not wait for a spontaneous mutation. Under conditions of uncertainty, in any barter economy sales-stoppages are bound to arise (whenever a double coincident of wants is absent). In this situation a person can nonetheless still increase his own wealth, if he recognizes that goods may be employed not only for personal use but also as a medium of exchange—for resale purposes—and if he then succeeds in acquiring a more marketable good in exchange for a less marketable one. The demand for a good *qua* medium of exchange further increases this good's marketability. The practice will be imitated by others to solve their own sales problems, and in the course of a self-reinforcing process of imitation, sooner or later a single universal medium of exchange—a commodity money—will emerge, which is uniquely distinguished from all other goods in being the one with the highest degree of resaleability.[48]

None of this is the result of chance. Everywhere, at the origin of private property, exchange and money, individual purpose, insight and self-interested action are at work.

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emanation of rationally recognized utility" (Ludwig von Mises, *Socialism* [Indianapolis, Ind.: Liberty Fund, 1981], p. 418).

Hayek *rejects* this explanation. According to him, to regard as Mises does "all social cooperation as an emanation of rationally recognized utility . . . is wrong. The extreme rationalism of this passage . . . seems to me factually mistaken. It certainly was not rational insight into its general benefits that led to the spreading of the market economy" ("Foreword" to *Socialism,* ibid, p. xxiii). One is wondering how else to explain the phenomenon, but Hayek does not say—except through reference to "spontaneous evolution." Still more wondrous must appear the fact that there existed no human society whatsoever that had no private property and no exchange at all. (Hayek's "primordial bands" [*Law, Legislation, and Liberty*, 3, Epilogue; *Fatal Conceit*, chap. 1] are a myth, similar to the Morgan-Engels myth of primitive communism, for which not a shred of anthropological evidence exists. And the transition from the face-to-face society to the anonymous, faceless economy was not at all a traumatic event which required fundamentally different motives and habits. The world market is nothing else but the sum of all interpersonal transactions and as such not much more difficult to grasp than a simple bilateral exchange of goods.)

Instead, Hayek then engages in an outright falsification when, despite all historical records to the contrary, he appoints Mises to the position of a somewhat less than fully evolved predecessor of his own (Hayek's) theory. "It seems to me that the thrust of Mises's teaching is to show that we have *not* adopted freedom because we understood what benefits it would bring: that we have *not* designed, and certainly were not intelligent enough to design, the order which we now have learned partly to understand long after we had plenty of opportunity to see how it worked. . . . It is greatly to Mises's credit that he largely emancipated himself from that rationalist-constructivist starting point, but that task is still to be completed" (ibid, p. xxiii–xxiv). In fact, Mises never said anything even remotely similar to what Hayek insinuates; and if credit must be given where it is due, Mises must be credited not for having himself emancipated from his rationalism but for never having abandoned it.

[48]See Carl Menger, *Principles of Economics* (New York: New York University Press, 1976), chap. 8; Ludwig von Mises, *Theory of Money and Credit* (Irvington-on-Hudson, N. Y.: Foundation for Economic Education, 1971), chap. 1.

Indeed, so patently wrong is his theory that Hayek frequently withdraws to a second, more moderate variation. According to this version, division of labor and exchange are "the unintended consequences of human action," "the result of human action but not of human design."[49] The process of human association may not proceed entirely unconsciously, but largely so. An actor may be able to recognize his personal gains from acts of appropriation, production, exchange and money-use—and insofar, the process of evolution may appear rational. However, an actor can*not* recognize the *indirect* consequences of his actions (and it is allegedly these unconscious, unintended consequences for society as a whole which are decisive for the evolutionary success or failure of individual practices). And since *these* consequences can*not* be known, the process of social evolution is ultimately irrational,[50] motivated not by true or false ideas and insights, but by a blind, unconsciously-effective mechanism of group selection.

However, this variant also is contradictory and absurd.

First, it is self-contradictory to characterize actions by their unconscious indirect consequences and then, in the next breath, name these consequences. If the indirect consequences can be named and described, they also can be intended. Otherwise, if they are indeed unconscious, nothing can be said about them. Something about which one cannot say anything, obviously cannot have an identifiable influence on anybody's actions; nor can it be made responsible for the different evolutionary success of different groups. Thus, from the outset it is nonsensical to describe—as Hayek does—the task of a social theorist as that of explaining the "unintended patterns and regularities which we find to exist in human society."[51] The task of the social theorist is to explain the direct as well as the indirect (*not*: the intentional and the unintentional) consequences of human actions and to thus contribute to a progressive rationalization of human action—an expansion of the knowledge of possible (intend-able) goals and the mutual compatibility or incompatibility of various goals.[52]

[49]F. A. Hayek, *Studies in Philosophy, Politics, and Economics* (Chicago: University of Chicago Press, 1967), chap. 6.

[50]Thus Hayek writes that is "perverted rationalism . . . which interpreted the law of nature as the deductive constructions of 'natural reason.'" Law instead is "the undesigned outcome of growth" (ibid., p. 101).

[51]Ibid., p. 97.

[52]At this point, one may want to compare Hayek to his alleged predecessor Carl Menger. For Hayek law is 'the undesigned outcome of growth'. "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" (*Fatal Conceit*, p. 9).

In sharp contrast, Carl Menger considers all references in social science explanations to Hayekian categories such as "natural growth," "spontaneous evolution," "primordial

Secondly, the moderate variation also cannot explain the origin of division of labor, exchange and money. One can grant Hayek initially that it may be possible that a person who carries out an exchange or who acquires a medium of exchange for the very first time will thereby recognize only his own personal gain (but not the indirect, social consequences). He may not know (and mankind at its beginnings certainly did not know) that as an exchanger and a money user he contributes ultimately to the development of a world market, integrated through a single, universally employed commodity money (historically: gold), to steady population growth, to an ever more expansive division of labor and continuously growing global economic wealth. Moreover, it is impossible in principle to predict today (or at any present time) the diversity, quantities, prices and personal distribution of future goods. But from this Hayek's skeptic-anti-rationalist conclusion—that "guided progress is no progress," that "we cannot prejudge the moral properties of evolutionary outcomes," and that "we have never designed our economic system but have tumbled into it, and it may yet lead us to destruction"—does not follow.

For even if a person does not immediately grasp the indirect social consequences of his own actions, it is difficult to imagine how this ignorance could last for long. Once *repeated* exchanges between specific traders occur, or once one sees one's own practice of acquiring a

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nature" or "unconscious self-organization" as sheer mysticism. To *explain* a social phenomenon through forces such as these is not to explain anything at all—a scientific imposture: "The origin of a phenomenon is by no means explained by the assertion that it *was present from the very beginning* or that it *developed originally*. . . . a social phenomenon, at least in its most original form, must clearly have developed from individual factors. The [organicist, Hayekian] view here referred to is merely an analogy between the development of social institutions and that of natural organisms which is completely worthless for the purpose of solving our problem. It states, to be sure, that institutions are unintended creations of the human mind, but not *how* they came about. These attempts at interpretation are comparable to the procedure of a natural scientist who thinks he is solving the problem of the origin of natural organisms by alluding to their "originality," "natural growth," or their "primeval nature" . . . . attempts to interpret the *changes* of social phenomena as 'organic processes' are no less inadmissible than . . . theories which aim to solve 'organically' the problem of the *origin* of unintentionally created social structures. There is hardly any need to remark that the changes of social phenomena cannot be interpreted in a social-pragmatic way, insofar as they are not the intended result of the agreement of members of society or of positive legislation, but are the unintended product of social development. But it is just as obvious that not even the slightest insight into the nature and the laws of the movement of social phenomena can be gained either by the mere allusion to the 'organic' or the 'primeval' character of the processes under discussion, nor even by mere analogies between these and the transformations to be observed in natural organisms. The worthlessness of the above orientation of research is so clear that we do not care to add anything to what we have already said" (Carl Menger, *Investigations into the Method of the Social Sciences with Special Reference to Economics* [New York: New York University Press, 1985], pp. 149–50).

medium of exchange copied by others, one begins to recognize that one's own actions are not only one-sided but *mutually* beneficial. Even if one were still unable to systematically predict the development of future markets and the shape and composition of future wealth, then, with the nature of a bilateral exchange and a medium of exchange one would at the same time recognize the *principle* of interpersonal justice and of individual and universal economic progress: whatever results emerge from voluntary exchanges are just; and economic progress consists of the expansion of the division of labor based upon the recognition of private property and the universalization of the use of money and monetary calculation. Even if the division of labor, money and economic calculation become *routine* in the course of time, the recognition of the foundations of justice and economic efficiency never again completely disappears. Once for whatever reason it comes to a complete breakdown of the division of labor (war) or the currency (hyperinflation), people will be reminded of it. Then they must not unconsciously await the further course of social evolution—their own extinction. Rather, they are capable of recognizing the breakdown as such and know (and have always known) how to begin systematically anew.

Moreover, as the examples cited by Hayek of Carl Menger and Ludwig von Mises clearly demonstrate, it must not even come to a catastrophe before one regains consciousness. As soon as one has comprehended the thoughts of these men, one can act in full understanding of the social consequences of one's activities. The evolution does not proceed *above* the heads of the acting individuals but instead becomes a process of consciously planned and/or experienced social change. Each progression and each mishap in the process of economic integration can be identified and explained, and the conscious identification of mishaps in particular makes it possible that one may either consciously adjust to a catastrophe *before* it actually occurs or that a mistake will be consciously corrected (insofar as one possesses control over it).

Furthermore, just as people are not condemned to blindly tumble toward self-destruction, they also must not remain passive and powerless vis-à-vis a foreseen economic decline. Rather, at all times one can systematically expand the range of controllable—and hence correctable—mistakes. For any *institutionalized* derailment in the process of economic integration and association—such as government expropriations, taxes, currency depreciations or trade restrictions—must have the approval of the majority of the public. Without such support in public opinion, however reluctant it may be, their continued enforcement becomes impossible. Thus, in order to prevent a

decline, no more—and no less—than a change in public opinion is necessary; and public opinion can be influenced at all times by ideas and ideologies.[53]

Ironically, an unconscious economic decline is only possible if the majority of the public follows Hayek's advice to act 'spontaneously'—without really knowing why—and free of 'the extreme hubris of knowing the direction of progress'. One cannot act entirely without consciousness, of course. Yet in accordance with Hayek's recommendation one pays attention exclusively to the direct and immediate causes and consequences of one's actions and wealth. In contrast, knowledge and ideas regarding any indirect, to the naked eye invisible causes and consequences are considered unimportant, arbitrary or even illusory. One participates routinely in the division of labor because one recognizes its direct advantage; and one recognizes the direct harm of taxes, currency depreciations and trade restrictions. However, one does *not* recognize that by participating in the division of labor, one at the same time indirectly advances the welfare of all other market participants literally to the last corner of the earth, and indeed that the higher the personal profit, the greater one's contribution to the public good. Nor does one recognize that the direct harm done through government intervention to others, whether in the immediate neighborhood or at the other end of the world, always indirectly diminishes one's own standard of living. Yet this ignorance has fatal consequences; for he who does not understand the indirect causes and consequences of his actions acts differently. He will either act as if the economic advantage or disadvantage of one person has

[53]Since Hayek essentially denies the existence (or the importance) of ideas in the course of social evolution, he also (at least in his later writings) gives no mention to public opinion.

In distinct contrast, David Hume, whom Hayek himself claims as his precursor, attaches fundamental importance to ideas and public opinion. "Nothing appears more surprising to those who consider human affairs with a philosophical eye, than the easiness with which the many are governed by the few, and the implicit submission, with which men resign their own sentiments and passions to those of their rulers. When we inquire by what means this wonder is effected we shall find, that as Force is always on the side of the governed, the governors have nothing to support them but opinion. It is, therefore, on opinion only that government is founded, and this maxim extends to the most despotic and most military governments, as well as to the most free and most popular. The soldan of Egypt, or the emperor of Rome, might drive his harmless subjects, like brute beasts, against their sentiments and inclination. But he must, at least, have led his mamalukes or praetorian bands, like men, by their opinion" (David Hume, *Essays. Moral, Political and Literary* [Oxford: University of Oxford Press, 1971], p. 19).

See also E. de La Boetie, *The Politics of Obedience: The Discourse of Voluntary Servitude*, edited and with an introduction by Murray N. Rothbard (New York: Free Life Editions, 1975); and below, p. 91 ff.

nothing to do with that of another—and he will accordingly remain neutral or indifferent toward all government intervention which is directed against others. Or he may even act in the belief that one person's gain can be another's loss; and then he may even welcome government expropriation, taxes, currency devaluations or trade restrictions as means of bringing 'restitution' to 'unfair' losers (preferably oneself and one's own kind). As long as this intellectual attitude prevails in public opinion, a steady increase in government expropriation, taxes, inflation and trade restrictions, and the subsequent continuous economic decline, is indeed unavoidable.

However, Hayek's advice is false and nonsensical. It is impossible to act unconsciously or knowingly to be ignorant. And even if the indirect social causes and consequences of one's actions are unknown, they are still—with some delay and however mediated—effective. Thus, to know them is always and for everyone advantageous. The only beneficiary of Hayek's recommendation to the contrary is government. Only the representatives of state and government can have a personal interest in spreading a Hayekian consciousness (while they themselves recognize it as a "false consciousness"), because vis-à-vis an ignorant public it becomes easier for government to grow. Yet the public at large outside the state apparatus has no interest in entertaining a false consciousness (and thus know less than its government). It is personally advantageous to let one's actions be guided by correct ideas, and accordingly one is always receptive to ideological enlightenment. Knowledge is better than ignorance. And because it is better, it is at the same time infectious. However, as soon as the public is enlightened and a majority of it recognizes that everyone's participation in an exchange economy simultaneously benefits all other market participants, and that every government intervention in the network of bilateral exchange relations, regardless where and against whom, represents an attack on one's own wealth, an economic decline is no longer unavoidable. On the contrary, rather than remaining indifferent or even welcoming government intervention, the public will be unsupportive or even hostile to them. In such a climate of public opinion, instead of economic decline, a process of conscious social rationalization and continuously advancing economic integration will result.

Cultural Selection

According to Hayek, however, progress has nothing to do with enlightenment. As little as one is capable of recognizing the reasons for an economic decline, as little is progress due to insight. Just as one tumbles unconsciously and powerlessly into the abyss, so one stumbles

blindly forward. It is not true or false ideas that determine the course of social evolution, but mystic fate. Progress occurs *naturally*, without any insight of the participating individuals, as one group with coincidentally *better* practices somehow 'prevails' over another with *worse* practices.

Apart from the fact that this theory is incompatible with Hayek's own repeated observation that cultural evolution proceeds faster than biological evolution,[54] it is false for two reasons. First, the theory contains assumptions which make it inapplicable to human societies. Second, when it is nonetheless applied to them, the theory turns out empty and Hayek again reveals himself—intentionally or unintentionally—as a state apologist.

To make his theory work, Hayek first must assume the existence of *separated* groups. Hayek introduces this assumption when he alleges that a new "spontaneous" practice will be blindly imitated *within* a group, but not (why not?) outside of it. If the practice were imitated universally and if, accordingly, there existed only one single group, cultural group *selection* would by definition be impossible. Without some sort of competitor there can be no selection. Moreover, without selection, the concept of progress can no longer be employed meaningfully. All that can be stated regarding a "spontaneously"—without purpose or reason—generated and spontaneously universalized practice is this: that as long as it is practiced, it has not yet died out.

However, the assumption of separated groups, which Hayek must introduce in order to rescue the concept of cultural progress (within his anti-rationalist theory of action and society), immediately produces a series of insurmountable problems for his theory. First, it follows that Hayek's theory cannot be applied to the present. The present world is characterized by the fact that the practices of original appropriation and property, of capital goods production, exchange and monetary calculation are universally disseminated—no group in which these practices are completely unknown and absent exists—and that all of mankind is connected through a network of bilateral exchanges. In this regard, mankind is a single group. Whatever competition between different groups may then exist can have

[54] *Hayek, Law, Legislation, and Liberty*, 3, pp. 154, 156.

As David Ramsey Steele correctly notes ("Hayek's Theory of Cultural Group Selection," p. 179), "if cultural group selection is to be relied upon, human culture would evolve much more slowly than human biology. For the selection of groups is a slower process than the selection of individuals, and group selection according to culture cannot be expected to proceed any faster than group selection according to genes."

no relevance for these universal practices. Universal practices lie—as a constant—outside of any selection mechanism; and according to Hayek's theory, no more could then be said for the justification of original appropriation, capital goods production, or division of labor and exchange than that such practices have not yet died out.

Hayek's theory is also inapplicable to pre-modern or primitive societies. At this stage in human history, isolated groups existed. Yet even then, the practices of appropriation, production and exchange were universal. There existed no tribe, however primitive, that did not know and practice them. This fact does not cause any problems for a theory of action and society which recognizes these practices as the result of rational, utility-maximizing action. For such a theory, the fact is easily explainable: Each group comes to recognize independently the very same, universally valid rules. But for Hayek, this elementary fact constitutes a fundamental theoretical problem. For if appropriation, production, exchange and money are the result of spontaneous mutation, blind imitation, infection or mechanical transmission, as Hayek claims, it becomes inexplicable—except by reference to chance—why each group, in complete isolation from all others, should come up with the exact same patterns of action. Following Hayek's theory one should expect instead that mankind, at least at its beginnings, would have generated a variety of very different action and society mutants. In fact, if Hayek were correct, one would have to assume that in the beginning of mankind people would have adopted the practice of *not* appropriating, *not* producing and *not* exchanging as frequently as they adopted the opposite. Since this is obviously *not* the case Hayek would have to *explain* this anomaly. Once he identified the obvious reason for this fact, however,—that the adoption of the former practice leads to immediate death,[55] while the latter is an indispensable means for survival—he would have to acknowledge the existence of human rationality and contradict his own theory.

Secondly, even regarding isolated groups Hayek's theory of cultural group selection cannot explain how unconscious cultural progress could be possible. (His explanation of the concept of "prevailing" is accordingly vague.) Isolated groups—and even more so, groups connected by trade—do not compete against each other. The assumption, familiar from the theory of biological evolution, that different organisms are engaged in a zero-sum competition for naturally limited

[55]Besides, this form of extinction also does not fit Hayek's explanatory scheme, for a person or group that would forego all appropriation, production, etc., would die out on account of its own stupidity, not in the course of cultural group selection.

resources cannot be applied to human societies, and hence any attempt to conclude backward from the survival of a phenomenon to its *better* adaptation (as it is, within limits, possible in biology) fails here. A group of persons isolated from all others, which follows the practices of appropriation, capital goods production and exchange does not thereby reduce the supply of goods of other groups. It enhances its own wealth without diminishing that of others. If it begins to trade with other groups, it even increases their wealth. Between human groups, it is not competition, but self-reliant independence or mutually advantageous cooperation that exists. A mechanism of cultural *selection* thus cannot become effective here.[56]

Hayek, in his self-made theoretical difficulties, nonetheless indicates several possibilities. "Prevailing" means either that one group becomes wealthier than another, that it displays a comparatively higher population growth, or that it militarily defeats and assimilates another one. Apart from the fact that these criteria are mutually

[56]Although Hayek notices some obvious differences between biological and cultural evolution (*Fatal Conceit*, p. 25), he does not recognize the categorical difference between social *cooperation* and biological *competition*. Rather, he writes that biological and cultural evolution "both rely on the same principle of selection: survival or reproductive advantage. Variation, adaptation and competition are essentially the same kind of process, however different their particular mechanism, particularly those pertaining to propagation. Not only does all evolution rest on competition; continuing competition is necessary even to preserve existing achievements" (ibid, p. 26).

In contrast, Ludwig von Mises sharply distinguishes between cooperation and competition. He writes: "Society is concerted action, cooperation. Society is the outcome of conscious and purposeful behavior. This does not mean that individuals have concluded contracts by virtue of which they have founded human society. The actions which have brought about social cooperation and daily bring it about anew do not aim at anything else than cooperation and coadjuvancy with others for the attainment of definite singular ends. The total complex of the mutual relations created by such concerted actions is called society. It substitutes collaboration for the—at least conceivable—isolated life of individuals. Society is division of labor and combination of labor. In his capacity as an acting animal man becomes a social animal" (*Human Action*, p. 143). "What makes friendly relations between human beings possible is the higher productivity of the division of labor. It removes the natural conflict of interests. For where there is division of labor, there is no longer question of the distribution of a supply not capable of enlargement. Thanks to the higher productivity of labor performed under the division of tasks, the supply of goods multiplies. A pre-eminent common interest, the preservation and further intensification of social cooperation, becomes paramount and obliterates all essential collisions. Catallactic competition is substituted for biological competition. It makes for harmony of the interests of all members of society. The very condition from which the irreconcilable conflicts of biological competition arise—viz., the fact that all people by and large strive after the same things—is transformed into a factor making for harmony of interests. Because many people or even all people want bread, clothes, shoes, and cars, large-scale production of these goods becomes feasible and reduces the costs of production to such an extent that they are accessible at low prices. The fact that my fellow man wants to acquire shoes as I do, does not make it harder for me to get shoes, but easier" (ibid, p. 673).

incompatible—what is the case, for instance, if a more populous group is militarily defeated by a less populous one?—they all fail to explain *progress*. The apparantly most plausible criterion—wealth—fails because the existence of groups with different wealth has no relevance for their survival or extinction. Two groups practice appropriation, production and exchange independently of each other. However, the members of both groups are neither biologically identical, nor is external nature (land) for both groups the same. From this it follows that the results of their actions—their wealth—will be different as well. This is the case for groups and individuals. For individuals, too, it holds that through the application of one and the same practice of appropriation, production and exchange, *different* wealth results. But then the inference from "greater wealth" to "better culture" is illegitimate. The richer person does not represent a *better* culture, and the poorer a *worse* one, but on the basis of one and the same culture one person becomes comparatively wealthier than another. Accordingly, no selection takes place. Both rich and poor co-exist—while as a result of their shared culture, the absolute wealth of rich and poor alike increases.

Likewise, population size fails as a criterion for cultural selection. Group size, too, implies nothing concerning "better culture." Everything that holds for individuals applies to groups as well. From the fact that a person has no biological offspring, it does not follow that he followed other *worse* practices while he was alive. Rather, different individuals acting on the basis of the same rules produce different numbers of offspring. Just as poor to rich, the childless does not stand in competition to those with children. They exist independently of one another or they cooperate with one another. And even if a group should become literally extinct or if an individual committed suicide, this still would not imply any cultural selection. For the surviving follow the very same rules of appropriation, production and exchange which the extinct followed while they were alive.

The third criterion, the military conquest, succeeds in bringing groups out of a state of isolated independence or cooperation into one of zero-sum competition. However, military success no more represents moral progress than a murder indicates the moral superiority of the murderer over his victim. Moreover, the occurence of a conquest (or of a murder) does not affect the validity of *universal* rules, i.e., those that *neither* the murderer *nor* the murdered can do without: In order to introduce a military conflict between groups, Hayek must first make the assumption that in at least one of these groups a new practice spontaneously springs up. Rather than following the practices of original appropriation, capital goods production and exchange,

someone must have come up with the idea that one can also increase one's personal wealth by forcibly expropriating appropriators, producers and exchangers. However, as soon as this practice is then, according to Hayek's theory, blindly imitated by all other group members, a war of each against all would ensue. There would soon be nothing left that could still be expropriated, and all group members would die out—not because of a mechanism of cultural displacement or selection, but because of their own stupidity! Every person can independently appropriate, produce and exchange, but not everyone can expropriate appropriators, producers and exchangers. In order for expropriations to be possible, there must be people who continue to follow the practice of appropriation, production and exchange. The existence of a culture of expropriation requires the continued existence of a culture of appropriation, production and exchange. The former stands in a *parasitic* relationship to the latter. Then, however, military conquest cannot generate cultural progress. The conquerors do not represent a fundamentally different culture. Among themselves the conquerors must follow the same practice of appropriation, production and exchange, which was also followed by the conquered. And *after* the successful conquest, the conquerors must return to these traditional practices—either because all the conquered have died out or all booty has been consumed, or because one wishes to institutionalize one's practice of expropriation and therefore needs an ongoing productive population (of conquered people).

However, as soon as Hayek's theory is applied to this only conceivable case of cultural competition (rather than of independence or cooperation) in which a subgroup (the conquerors) follows a parasitic culture of expropriation while the rest of the group (the conquered) simultaneously appropriates, produces and exchanges, the result is an unabashed apology for government and state.

This manifests itself first in the way in which Hayek's theory explains the origin of a culture of expropriation. Just as the culture of appropriation, production and exchange is allegedly the result of an accidental mutation, so the practice of expropriation represents a "spontaneous" development. Just as appropriators, producers and exchangers do not understand the meaning of their activities, so the conquerors do not grasp the meaning of conquest. As appropriators, producers and exchangers recognize the immediate personal advantage of their activities, so the conquerors can recognize their personal gain from acts of expropriation. Yet as the participants in a market economy are then not capable of understanding that through their activities the wealth of all other participants is simultaneously

increased, so the conquerors cannot know that through expropriations the wealth of the expropriated is reduced. Put bluntly: A group of murderers, robbers or slave hunters does not know that the murdered, robbed or enslaved suffer thereby from a loss. They follow their practices as *innocently* as the murdered, robbed and enslaved follow their different practices of appropriation, production and exchange. Expropriation, taxes or trade restrictions are just as much an expression of human spontaneity as are appropriation, production and trade. Every group of conquerors will thank Hayek for so much (mis-) understanding!

Second, Hayek's theory fails just as lamentably in its attempt to explain the rise and fall of historical civilizations—and thereby once again yields absurd statist implications. Indeed, what more could a group of conquerors want to hear than that its own actions have nothing to do with the rise and decline of civilizations. Yet is is precisely this that Hayek's theory implies: For, according to Hayek, cultural progress is only possible, as long as one culture can somehow "prevail" over another. Regarding the relationship between a basic culture of appropriation and a parasitic subculture of expropriation, however, there can be no "prevailing." The parasitic culture cannot prevail, yet as a subculture it can continue to operate as long as a basic culture of appropriation exists. Progress through group selection is impossible within this relationship; and according to Hayek, then, strictly speaking nothing can be stated at all regarding the further course of social evolution. Because the members of the culture of appropriation supposedly do not comprehend that they promote the social welfare through their actions, and because the members of the expropriation culture are equally ignorant of the fact that their actions reduce the general welfare, spontaneous changes in the relative magnitude of both cultures may occur. Sometimes the culture of appropriation will attract more spontaneous adherents; at other times the culture of expropriation will. However, since there is no reason that such spontaneous changes, if they occur at all, should follow any specific—predictable—pattern, there is also no recognizable relationship between spontaneous cultural changes and the rise and fall of civilizations. Everything is chance. No explanation for the rise and the fall of the Roman civilization exists. Likewise, no comprehensible reason for the rise of Western Europe or the United States exists. Such a rise could just as well have happened elsewhere—in India or Africa. Accordingly, it would be "extreme hubris," for instance, to advise India or Africa from the standpoint of Western Europe; for this would imply—oh, how presumptuous—that one knew the direction of progress.

If this theory is rejected as empty, however, and it is pointed out that from the very description of the initial situation—the coexistence of a basic culture of appropriation and a parasitic subculture of expropriation—a fundamental law of social evolution follows, Hayek's entire anti-rationalist system once again breaks down. A relative expansion of the basic culture leads to higher social wealth and is the reason for the rise of civilizations; and a relative expansion of the parasitic subculture leads to lower wealth and is responsible for the fall of civilizations. Yet if one (anyone) has grasped this plain and elementary relationship, then the origin and the relative changes in the magnitudes of both cultures can no longer be interpreted as a *natural* process. The explanation, familiar from biology, of a natural, self-regulated equilibration process—of spontaneously growing parasites, a weakening of the host, a consequent shrinking number of parasites, and finally the host's recovery, etc.—cannot be applied to a situation where host and/or parasite are consciously aware of their respective roles as well as the relationship between them and are capable of choosing between these roles. A comprehended social evolution is no longer natural, but rational. So long as only the members of the parasitic culture understand the nature of the relationship, instead of a natural up and down of both cultures a planned, steady growth of parasitism will ensue. The members of the parasitic subculture do not vacillate between first faring absolutely better and then absolutely worse. Rather, because of their insight into the relationship between the culture of appropriation and that of expropriation they can act in such a way—by *not* expanding their practices spontaneously, but instead consciously restraining themselves—that their own absolute wealth will always grow (or at least will never fall). On the other hand, to the extent that the members of the basic culture understand the nature of the relationship between both cultures, not only the absolute wealth of the subculture will be threatened but its sheer existence will be endangered. For the members of a parasitic subculture always represent only a minority of the whole group. One hundred parasites can lead a comfortable life on the products of one thousand hosts. Yet one thousand parasites cannot live off of one hundred hosts. If, however, the members of the productive culture of appropriation always represent a majority of the population, then in the long run the greater physical strength is on their side as well. They can always physically defeat and destroy the parasites, and the continued existence of a subculture of appropriation is then *not* explained by its greater physical-military power, but rather depends exclusively on the power of *ideas*. Government and state must find ideological support which reaches far into the

exploited population. Without such support from the members of the basic culture, even the most brutal and seemingly invincible government immediately collapses (as most recently illustrated dramatically by the fall the Soviet Union and the communist governments of Eastern Europe).

The changes in the relative magnitude of the basic culture and the parasitic subculture that explain the rise and fall of civilizations are in turn explained by *ideological* changes. They do not occur spontaneously but are the result of conscious ideas and their dissemination. In a society in which a majority of the basic culture comprehends that each act of appropriation, production, and exchange enhances the welfare of all other market participants, and that each act of expropriation, taxation or trade restriction instead, regardless against whom it is directed, lowers the welfare of all others, the parasitic culture of government and state will continuously die off and a rise of civilization will ensue. On the other hand, in a society, in which the majority of the basic culture does not understand the nature and relationship between basic and subculture, the parasitic expropriation culture will grow and with this a decline of civilization will ensue.[57]

Hayek, who wants to ban ideas and rationality from the explanation of history, must deny all this. Yet in proposing his own theory of unconscious cultural group selection, he too affirms the existence and effectiveness of ideas, and he too acknowledges—whether he is aware of this or not—that the course of social evolution is determined by

[57]Writes Mises: "History is a struggle between two principles, the peaceful principle, which advances the development of trade, and the militarist-imperalist principle, which interprets human society not as a friendly division of labor but as the forcible repression of some of its members by others. The imperialist principle continually regains the upper hand. The liberal principle cannot maintain itself against it until the inclination for peaceful labor inherent in the masses shall have struggled through to full recognition of its own importance as a principle of social evolution" (*Socialism*, p. 268). "Liberalism is rationalistic. It maintains that it is possible to convince the immense majority that peaceful cooperation within the framework of society better serves the rightly understood interests than mutual battling and social disintegration. It has full confidence in man's reason. It may be that this optimism is unfounded and that the liberals have erred. But then there is no hope left for mankind's future" (idem, *Human Action*, p. 157). "The body of economic knowledge is an essential element in the structure of human civilization; it is the foundation upon which modern industrialism and all the moral, intellectual, technological, and therapeutical achievements of the last centuries have been built. It rests with men whether they will make proper use of the rich treasure with which this knowledge provides them or whether they will leave it unused. But if they fail to take the best advantage of it and disregard its teachings and warnings, they will not annul economics; they will stamp out society and the human race" (ibid, p. 885).

ideas and their adoption. Hayek produces ideas and wants to influence the course of human history through ideas, too. However, Hayek's ideas are false; and their proliferation would lead to the eclipse of Western civilization.

Conclusion

Friedrich Hayek is today acclaimed as one of the most important theoreticians of the market economy and of classical liberalism. Far more than his earlier work in the field of economic theory, his later writings on political philosophy and social theory have contributed to his fame. It is these later writings that currently support and feed an extended, international Hayek dissertation industry.

The preceding investigations demonstrate that Hayek's excursions into the field of political and social theory must be considered a complete failure. Hayek begins with a self-contradictory proposition and ends in absurdity: He denies the existence of human rationality or at least the possibility of recognizing all indirect causes and consequences of human action. He claims that the course of social evolution and the rise and fall of civilizations is incomprehensible, and that no one knows the direction of progress (only to explain progress then as the result of some unconscious process of cultural group selection). He claims that no universally valid ethical standards exist, and that it is impossible to make an unambiguous moral distinction between an attack and a defense or between a peaceful refusal of exchange and a physically coerced exchange. And lastly, he claims that government—whose causes and consequences allegedly are as incomprehensible as those of the market—should take on (financed by taxes) all those tasks which the market does not provide (which anywhere outside of the Garden of Eden amounts to an infinite number of tasks).

Our investigations support the suspicion that Hayek's fame has little to do with his importance as a social theorist, but rather with the fact that his theory poses no threat whatsoever to the currently dominating statist ideology of social democracy, and that a theory which is marked by contradiction, confusion and vagueness provides an unlimited reservoir for hermeneutical endeavors.

He who searches for a champion of the market economy and of liberalism must look elsewhere. But he must look no farther than to Hayek's teacher and mentor: the great and unsurpassed Ludwig von Mises.