

Socialism after Hayek *Theodore A. Burczak* (The University of Michigan Press, 2006. *Advances in Heterodox Economics*)

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Hayek with socialism? Austrian-type of socialism? Moreover, Marx in a combination with Hayek? This sounds very surprising and strange. Does not Hayek represent a robust counterpart to the idea of socialism? Does not Hayek intransigently and incessantly criticize the socialist organization of society and the goal-oriented policy and define distributive justice in the fairness of the rules that regulate market activities? Is not the concept of social justice so important for the socialists exposed to the critical account of Hayek? Is not the market the most efficient device for the human problem, therefore, for the problem of coordination? Does not Hayek assume that spontaneously arranged, unconstrained market, unfettered market-order constantly outperform the plan? Taking into account the famous discussion between Keynes and Hayek it is very indicative that Hayek criticizes Keynes for being a rationalist and supports the rational organization of society. In addition, in a socialist society there is substantial role for planning of investment, and a role as well for the centre in helping to coordinate these economic activities. For socialists capitalism is based on exploitation and dissipation of human potentials, and misperception of the path of human development. For some socialists the extension of markets is contingent on the kinds of planning decisions that are made by central administrative agencies and by individualist firms. In contrast with that, the Hayekian perspective, for Austrians, seems to be that an unhampered market economy gradually evolves due to entrepreneurial innovations. It is supposed, that the Austrians apparently believe that only government intervention can disrupt entrepreneurial confidence. In fact, economists traditionally have been both blessed and cursed by the basic assumption on the absolutely contrasted position between socialists and Hayekians. There is no compromise between them. According to this belief Hayekian individualism is continuously opposing to the collectivist projects of the reorganization of society and social justice.

Hence, socialism with Hayek? Leftists with Austrians in economic theory? Why not? Is there socialism after Hayek? The answer appears to be found in this book is 'yes'. As a matter of fact, Burczak was not the first economist who connects Hayek with socialism. In 1995, for example, Peter Boettke, an important

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interpreter of Austrian economic theory, published a paper titled “Why Are There No Austrian Socialists?”. He intended to demonstrate to leftists that the Austrians’ arguments were not mere crude doctrine, that they were a series of analytical propositions about how the world worked that happened to lead to the conclusion that, if a wealthy economy is our goal, free markets are the best way to reach it. Therefore, the path was arranged much more earlier. It is to be mentioned that the theory market socialism has a long tradition, too. The dialectic of socialism and market was strongly debated even when the question of socialism was more in the air than today. The need of radical rethinking of ex-socialist, centrally planned economies has given a boost to discuss about the role of markets as against planning in running these economies. For example, in his book *The Economics of Feasible Socialism*, Alec Nove has tackled this issue, not to mention the important efforts of John Roemer etc. But, these dimensions of the tradition or the continuity of certain aspects do not question the innovativeness of Burczak’s book. He is not repeating the old subject in new fashion but reorganizes it substantially. In fact, I see the peculiarity of Burczak’s book is in the following:

1. The reception of postmodern interpretation of economy. Burczak (correctly) does not view in postmodernism the latest version of an (relativist) apologia for capitalism and anything else that goes. He understands postmodernism as a commitment to democratic knowledge production in which everyone has authority to speak, although there is a deep difference between the opportunities to speak and to be heard between the participants of our societies. He is committed to the postmodernism and the democracy (rhetorical democracy, methodological democracy, political democracy, economic democracy) that is concerned not only with simply formal procedures but also with substantive outcomes, and the dialectical relationship between the two. Postmodernism aspires to a universalist theory of justice across the acknowledging of the differences and differential positions.
2. The acceptance of Hayek's economic theory within “postmodern democratic knowledge production”. Naturally, Burczak knows that the rich array of markets were never spontaneous natural phenomena, but emerged in the wake of administrative and legal decisions concerning the protections of property rights. He knows very well that there are markets with discriminative features. Markets, like other economic forms in capitalism, are a product of human action, and not entities whose existence can be postulated away from the decision making. The ideology of free-market capitalism is – ideology. Actually, Burczak sheds light on Hayek’s theory as an “applied epistemological postmodernism” (p. 1). Hayek’s theory of knowledge, as we know, explains that the dynamics of economic change are essentially path-dependent. The economic problem dealing with the coordination is deeply connected to the difficulties of knowledge-production and transmission. By limiting information knowledge of economic agents is always erroneous. It is true that Hayek's

warning is of importance for the criticizing of the classical socialist theory determined by the delusions of solving the knowledge problem. The picture of Burczak's socialism is of postmodern colors and signs; we are, actually confronted with the post-Hayekian, postmodern socialism. This is a socialism with the market-based rule without any "market-phobia".

Theodore A. Burczak's book is one that provides the foundation for powerful insights into the operation and organization of social interaction, not only in the marketplace but also across numerous other sites of human activity. Hayek's efforts are to construct theories of economies behavior that do not depend on the simple assumption that individuals rationally pursue their preferences with the constraints of the available means and knowledge. With Hayek we are in position to reconsider our account in relation to the complex approach: the explanatory power of economics is situated in its relationship to other disciplines such as sociology, psychology and history. Actually, Hayek could help in providing a more complex self as the starting point for the study of economic behavior. Equally important is that Hayek rejects Cartesian epistemics in economic theory. We ought to at least consider this. In addition, we are not free to act in the rational manner economic theory takes for granted. Hayek presents the view that conventions are a source of order in a world in which people's capacity to reason, to project the consequences of their actions, is always limited. After all, we know our actions are embedded in tissues of paradox between rationality and passions. We follow patterns and rules determined by our embeddedness in the social framework, which is dependent upon our positions. Our wants are individually framed but evolutionary adaptation. In fact, Hayek's theory offers help in struggling with all these questions. Some economists have pursued alternative framework in which to theorize about economic activity and for them Hayek is extremely relevant. Burczak is proving that reading of Hayek is highly significant for the radical economists, social economics movement, post-autistic economics movement. Burczak emphasizes that Hayek's economics is markedly different from the mainstream of our discipline because he takes seriously the fact that human beings are socially constructed. People are born into and shaped by institutions they did not design, especially markets, but also, money, moral rules, the common law, and different social norms and practices. Rules are social in that spontaneous order is reproduced as unintended consequences of agents' following rules. Hayek describes the market as a discovery process, favorable to freedom, and enhances exploration, and creativity (p. 26).

This book is organized into eight chapters. The first chapter marks the consequences of the knowledge problem for the socialist theory and opens the door for the entering of postmodernized Hayek.

Burczak, in Chapter 2 discusses the theory of Hayek's economics in fuller detail. He demonstrates the distinction between the neoclassical mainstream and Hayek Therefore Burczak insists that Hayek does not endorse that all

human action is reductionist, as in the neoclassical theory, and assumes that this is one of Hayek's principles that are fail to notice by neoclassical and socialist economist, too. Human knowledge is, as we mentioned, limited, erroneous, it is not objective.

In Chapter 3 we could read on the intriguing theory of common good in relation to the postmodern individualistic conception of Hayek. This is a thin theory of common good installed in the context of the analysis social evolution, procedural justice, and the role of law. Burczak especially considers the role of common law in any capitalist system and stresses that Hayek's treatment of spontaneous order is highly institutionalistic by depicting law-based system as spontaneous evolutionary achievement.

In Chapter 4 i 5 we are reading the critique that address Hayek's claim on distributional justice, social justice, and goal-oriented government policy. Especially is essential his critique concerning the non-neutrality of law in developing the legal system of capitalism. I refer to the main conclusion: "There is no reason to believe that judicial decisions must reflect the customs regulating behavior or an articulate sense of justice, as Hayek proposes. A common law system thus may not necessarily fulfill the requirements of objectivity and neutrality that Hayek believes the rule of law ensures" (p. 64). The market can not alone contribute to the creation and reproduction of the common good.

The next chapters are seeking for the "welfare-enhancing distribution of property rights" (p. 82), "institutional welfarism", institutionally-based market framework. In order to do this Burczak makes a connection between Nussbaum and Sen's social-democratic theory of capability and Hayek's criticism of social justice. The transformed and reinterpreted capability theory proves to be the answer to the knowledge problem.

The next Chapter evokes Resnick and Wolff's analysis of Marxism by pointing out that socializing the means of production does not necessarily end the exploitation of capitalism. It calls for Ellerman's labor theory of property, Nussbaum and Sen's capability theory, and Resnick and Wolff's theories of Marxism as a prescription to opposing Hayek's notion of capitalist justice.

The last chapters summarize, they are conclusive with the commitment to the "socialist appropriative justice" (p. 138).

At the end, this book constitutes the clear and severe analysis of the market socialism with a plenty of commentary and reflections on the society in which we live. We could prize this book's independence of judgment and clairvoyance, or the intelligibility of its style. Useful, important book, imbued with exciting aspects. The rare example of the pluralism in economic theory and the readiness for the dialogue between different traditions in this discipline. The book is provocative and engaging, and is essential reading for those interested in postmodern economic thought and those who think that economy is not a purely technical problem.