

Socialism and Science

by

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Socialism is related to Science in various ways. Probably the least interesting relation today is that from which Marxism lays claim to the name of "scientific socialism"; and according to which by an inner necessity, and without men doing anything about it, capitalism develops into socialism. This may still impress some novices, but it is hardly any longer taken seriously by competent thinkers in either camp. Socialists certainly do not act as if they believe that the transition from capitalism to socialism will be brought about by an ineluctable law of social evolution. Few people now believe in the existence of any "historical laws".

Experience has certainly refuted the predictions Marx made concerning the particular developments of capitalism.

There is, secondly, the undeniable propensity of scientifically-trained minds, as well as of engineers, to prefer a deliberately created orderly arrangement to the results of spontaneous growth — an influential and widespread attitude, which frequently attracts intellectuals to socialist schemes. This is a widespread and important phenomenon which has had a profound effect on the development of political thought. However, I have already on several occasions discussed the significance of these attitudes, calling them "scientism" and "constructivism" respectively, so that it is unnecessary to revert to these questions.

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What I want to examine today is rather the peculiar manner in which most socialists attempt to shield their doctrines against scientific criticism, by claiming differences from opponents are of a nature which precludes scientific refutation. Indeed, they frequently succeed in conveying the impression that any use of science to criticise socialist proposals is *ipso facto* proof of political prejudice, because the differences are wholly based on different value judgements, which the rules of scientific procedure prohibit, so that it is even indecent to introduce them into scientific discussions.

Two experiences have long made me impatient with these contentions. One is that not only I myself, but I believe the majority of my contemporary libertarian economists, were originally led to economics by our more or less strong socialist beliefs — or at least dissatisfaction with existing society — which we felt in our youth, and which turned us by the study of economics into radical anti-socialists. The other experience is that my concrete differences with socialist fellow-economists on particular issues of social policy turn inevitably, not on differences of value, but invariably on differences as to the effects particular measures will have.

It is true that in such discussions we frequently end up with differences about the probable magnitude of certain effects of the alternative policies. With regard to

this both parties must often honestly admit that they have no conclusive proof. Perhaps I ought probably also admit that my conviction that ordinary common-sense clearly supports my position is often matched by an equally strong conviction of my opponents that ordinary common-sense supports theirs.

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Yet, when we survey the history of the results of the application of scientific analysis to socialist proposals, it seems abundantly clear that not only has it been shown that the methods advocated by socialists can never achieve what they promise, but also that the different values they hope or claim to serve cannot by any possible procedure be all realized at the same time, because they are mutually contradictory.

I will begin by considering the second of these questions which, in the present state of the discussion, appears to be the more interesting one — first, because it makes it necessary to clear up certain prevailing confusions concerning the inadmissibility of value judgements in scientific discussions. These are often used to represent scientific arguments against socialism as illegitimate or scientifically suspect, and secondly such an examination raises important and interesting questions as to the possibility of the scientific treatment of moral beliefs, which have been unduly neglected. Economists, whose daily bread is the analysis of those conflicts of value which all economic activity has constantly to solve have fought shy of frankly and systematically facing the task. It is as if they feared to soil their scientific purity by going beyond questions of cause and effect and *critically* evaluating the desirability of certain popular measures. They usually maintain that they can merely “postulate” values without examining

their validity. (So long as measures for the benefit of some supposedly “under-privileged” group are tacitly assumed to be good, such limitations are, however, usually not mentioned.)

It is indeed necessary in this connection to be very careful, and even pedantic, with regard to the expressions one chooses, because there exists admittedly a real danger of inadvertently slipping value judgements into a scientific discussion in an illegitimate manner, and also because those defending their socialist ideals are now mostly trained to use “freedom from value judgements” as a sort of paradoxical defence mechanism for their creed, and are constantly on the look-out to catch their critics out in some incautious formulations. What play has not been made with occasional passages in the work of the greatest scientific critic of socialism, Ludwig von Mises, in which he described socialism as “impossible”; Mises obviously meant that the proposed methods of socialism could not achieve what they were supposed to do! We can, of course, try any course of action, but what is questioned is whether any such course of action will produce the effects claimed to follow from it. This undoubtedly *is* a scientific question.

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So let me for a moment be pedantic and try to state precisely the kinds of value judgements which are admissible in a scientific discussion and the kinds that are not. Our starting-point has to be the logical truism that from premises containing *only* statements about cause and effect, we can derive no conclusions about what *ought* to be. No consequences for action whatever follow from such a statement, so long as we do not know (or agree) which consequences are desirable and which are undesirable. But once we include among our accepted premises *any*

statement about the importance or harmfulness of different ends or consequences of action, all manner of different norms of action can be derived from it. Meaningful discussion about public affairs is clearly possible only with persons with whom we share at least some values. I doubt if we could even fully understand what someone says if we had no values whatever in common with him. This means, however, that in practically any discussion it will be in principle possible to show that some of the policies one person advocates are inconsistent or irreconcilable with some other beliefs he holds.

This brings me to a very fundamental difference in the general attitudes to moral problems which seems to be characteristic of the now common political positions. The conservative is generally happy to cling to his belief in absolute values. While I envy him, I cannot share his beliefs. It is the fate of the economist continually to encounter true conflicts of value; indeed, to analyse the manner in which such conflicts can be resolved is his professional task. The conflicts I have in mind here are not so much the obvious conflicts between the values held by different persons, or the gaps between their individual systems, but the conflicts and gaps within the system of values of any one person. However much we dislike it, we are again and again forced to recognise that there are no truly absolute values whatever. Not even human life itself. This again and again we are prepared to sacrifice, and must sacrifice, for some other higher values, even if it be only one life to save a large number of other lives.

(I cannot here consider the interesting point that, though we may never feel entitled to sacrifice a particular known human life, we constantly take decisions

which we know will cause the death of some unknown person.)

But the libertarians or true libertarians or true liberals — not those pink socialists who, as Josef Schumpeter said, “as a supreme but unintended compliment . . . have thought it wise to appropriate this label” — therefore do not fall into the opposite extreme of believing, like the socialists, that they can hedonistically construct some other new system of morals which they like, because they think that it will most increase human happiness, but who in fact merely hark back to the primitive instincts inherited from the tribal society. Though the liberal must claim the right critically to examine every single value or moral rule of his society, he knows that he can and must do this while accepting as given for that purpose most of the other moral values of his society, and examine the one about which he has doubts in terms of its compatibility with the rest of the dominant system of values.

Our moral task must indeed be a constant struggle to resolve moral conflicts, or to fill gaps in our moral code — a responsibility we can discharge only if we learn to understand that order of peace and mutually-adjusted efforts, which is the ultimate value that our moral conduct enhances. Our moral rules must be constantly tested against, and if necessary adjusted to each other, in order to eliminate direct conflicts between the different rules, and also so as to make them serve the same functioning order of human actions.

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Moral tasks are individual tasks, and moral advance by some groups results from their members adopting rules which are more conducive to the preservation and welfare of the group. Moral progress demands the possibility of individual

experimentation. In particular, that within a limited frame-work of compulsory abstract rules the individual is free to use his own knowledge for his own purposes. The growth of what we call civilisation is due to this principle of a person's responsibility for his own actions and their consequences, and the freedom to pursue one's own ends without having to obey the leader of the band to which one belongs. It is true that our moral beliefs are still somewhat split, as I tried to show on an earlier occasion, between instincts inherited from the primitive band, and rules of just conduct which have made the open society possible. The morality of individual responsibility of the able adult for the welfare of himself and his family is still the basis for most moral judgements of action. Thus it is the indispensable frame-work for the peaceful working of any complex society.

Call it science or not, no objective analysis of those basic beliefs on which our existing morals rest, and without the acceptance of which any communication on moral issues becomes impossible — namely, recognition of the responsibility of the individual and of the general grounds on which we esteem the actions of others — can leave any doubt that they are irreconcilable with the socialist demand for a forcible re-distribution of incomes by authority. Such an assignment of a particular share according to the views of some authority as to the merits or needs of the different persons is immoral. Not simply because I say so, but because it is in conflict with certain basic moral values which those who advocate it also share. The mere fact that commonly accepted ethics have no generally recognised solutions to the conflicts of values which undeniably arise in this sphere is, of course, of the greatest significance for the political problems

which arise here, and for the moral evaluation of the use of coercion in enforcing any particular solution.

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That collectivist economic planning, which used earlier to be thought to require the nationalisation of the means of "production distribution and exchange", leads inevitably to totalitarian tyranny has come to be fairly generally recognised in the West since I analysed the process in some detail in *The Road to Serfdom* more than forty years ago. I do not know if it was partly for this reason, or because socialists increasingly recognised the incurable economic inefficiency of central planning, about which I shall have to say a few words later, or whether they simply discovered that re-distribution through taxation and aimed financial benefits was an easier and quicker method of achieving their aims. But, in any event, socialist parties in the West have almost all for the time being abandoned the most obviously dangerous demands for a centrally planned economy. Left-wing doctrinaires in some countries, and the communist parties, still press for it, and may of course sooner or later gain power. But the supposedly moderate leaders who at present guide most of the socialist parties of the free world, claim — or have it claimed by the media on their behalf — that as good democrats they can be trusted to prevent any such developments.

But can they? I do not mean to question their good faith. Nevertheless, I greatly doubt their capacity to combine their aim of a thorough governmental distribution of wealth with the preservation, in the long run, of a modicum of personal freedom, even if they succeed in preserving the forms of democracy. It is true that the substitution of cold socialism has much slowed down the process which I

had predicted hot socialism would bring about. But can it lastingly avoid the same effects? There are strong reasons for doubting that cold socialism can avoid them.

Governments, to be successful, would at the same time have to preserve functioning markets, on which depends the possibility of competition so determining prices of all products and factors of production as to serve as reliable guides to production, *and* also somehow so to influence at least the prices of labour (obviously including that of the farmer and other "self-employed") as to satisfy demands for just or equitable remuneration. To satisfy both of these requirements in full is entirely impossible. Governments can aim at best at some kind of compromise, and refrain from many interventions in the market which would be necessary if it were even approximately to satisfy the most pressing demands. But governments bowing to the inevitabilities of the market, after commencing to manipulate the results of the market to favour some groups, would clearly be embarking on a political impossibility. Once claims for interference with the market in favour of particular groups have come to be frequently recognised, a democratic government cannot refuse to comply with similar demands of any groups, on the votes of which it depends. Though the process may be slow and gradual a government which begins to control prices to secure popular conceptions of justice is bound to be driven step by step towards the control of all prices; and, since this must destroy the functioning of the market, to a central direction of the economy. Even if governments try not to use such central planning as an instrument, if they persist in the pursuit of creating a just distribution they will be

driven to use central direction as the only instrument by which it is possible to determine the overall distribution of remunerations (without making it just) — and thus driven to establish an essentially totalitarian system.

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It took a long time to convince socialists that central planning is inefficient. Practical men were probably convinced not by argument but only by the warning example of the Russian system; contemporary theoreticians, however, retreated only slowly from the position laid down by the founders of Marxism and generally maintained by their leading theoreticians until fifty years ago. Somehow, however, they nevertheless managed, as they gave up successive positions and attempted new solutions of the problem to convey the impression that they had victoriously beaten off the onslaughts of hostile critics.

The founders of socialism, including Marx and Engels, did not even understand that any central direction of the machinery of production owned by society required, if resources were to be effectively used, calculations in terms of value. As Friedrich Engels put it, the social plan of production "will be settled very simply without the intervention of the famous value". Even when discussion of the problem was seriously started, immediately after World War I, it was caused by the social science expert among the Vienna school of logical positivists claiming that all calculations of the efficiency of social production could be carried out *in natura*, — that is, without relying on any variable rates of conversion between the different physical units used. It was against this position that Ludwig von Mises and some of his contemporaries (including Max Weber) developed the first decisive critique against the socialist position on this point.

The crucial point here, which, it must be admitted, even the leading classical economists down to John Stuart Mill, did not fully understand, — is the universal significance of changing rates of substitution between different commodities. This simple insight which helped us at last to understand the differences and variability of the prices of different commodities, began slowly to develop with the recognition — I will not say the discovery, since of course every simple peasant knew the facts if not their theoretical significance — of decreasing returns from successive application of labour and capital to land. It was found next to govern, under the name of decreasing marginal utility, the rates of marginal substitution between different consumers' goods. And it was finally discovered to be the universal relation prevailing between all useful resources, determining at once if they are economically the same or different, and if they are scarce or not. Only when it was understood that changing supplies of the different factors of production (or means of satisfaction) determine their variable marginal rates of substitution, was the indispensability of known rates of equivalence (or rates of marginal substitution) for any efficient calculation fully understood. Only when it was at last seen that through market prices this rate of equivalence in all their different uses, mostly known only to a few of the many persons who would like to use them, could be made equal to the rates at which any pair of commodities could be substituted in any of its countless uses, was the indispensable function of prices in a complex economy fully understood.

Variable "marginal rates of substitution" for different commodities, to which I have previously referred, naturally mean their temporary rates of equivalence determined by the situation at the

moment, and at which these things must be substitutable at the margin in all their possible uses — if we are to get their full capacity out of them.

It was both — the understanding of the calculating function of changing rates of equivalence between physically defined objects, and the communication function of prices which combined into a single signal all the information on these circumstances divided among large numbers of people — which at last made it fully clear to every person who could follow the argument that rational calculation in a complex economy is possible only in terms of values or prices, and that these values will be adequate guides only if they reflect, such as the values formed on the market, all the knowledge of potential suppliers or consumers about their possible uses and availability.

First reaction of the socialist theoreticians, once they no longer could refuse to admit this fact, was to suggest that their socialist planning boards should determine prices by the same system of simultaneous equations by which mathematical economists had attempted to explain market prices in equilibrium. They even tried to suggest that Wieser, Pareto, and Barone had long ago pointed out the possibility of this. In fact, these three scholars had pointed out what a socialist planning board would have to try to do in order to equal the efficiency of the market — not, as the socialist theoreticians incorrectly suggested, how such an impossible result could be achieved. Pareto, in particular, had made clear that the system of simultaneous equations, development of which made him famous, was intended to show only the general pattern (as we would express this now), but could never be used to determine particular prices, because any central authority could never know all the

circumstances of time and place which guide the actions of individuals, such actions being the information fed into the communication-machine which we call the market.

So the first attempt by the socialists to answer the critique by Mises and others soon collapsed. The next step, by which particularly Oscar Lange, but also others, are supposed to have refuted Mises, consisted in various attempts more or less to diminish the idea of central planning and to re-introduce some of the market under the name of "socialist competition". I will not dwell here on how great an intellectual reversal this meant in all those who for so long had emphasized the great superiority of central direction over the so-called "chaos of competition". This self-contradictory approach raised new problems of an altogether new kind. However, it could in no way overcome two crucial difficulties: The socialist authority could not, as long as all the industrial equipment and other capital belonged to "society" (that is, the government), let competition or the market decide how much capital each enterprise was to have, or what risks the manager would be allowed to incur — both decisive points if a market is to operate properly. Furthermore, if the government were otherwise to let the market operate freely, it could do nothing to secure that the remuneration the market gave to each participant would correspond to what the government regarded as socially just. Yet to achieve such a so-called "just" remuneration was, after all, the whole intended purpose of the socialist revolution!

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The answers to the three questions we have been discussing do not depend on particular value judgements, except the answer to the first question, in which

certain values (such as personal liberty and responsibility) were taken for granted. It can be assumed that such values would be shared by all persons with whom one cared to discuss such problems. The fundamental problem was always whether socialism could achieve what it promised. This is a purely scientific problem, even if the answer may in part depend on points on which we cannot strictly demonstrate the correctness of our answer. Naturally, the answers at which we have arrived on all three counts are purely negative.

On the moral side, socialism cannot but destroy the basis of all morals, personal freedom and responsibility. On the political side, it leads sooner or later to totalitarian government. On the material side it will greatly impede the production of wealth, if it does not actually cause impoverishment. All these objections to socialism were raised a long time ago on purely intellectual grounds, which in the course of time have been elaborated and refined. There have been no serious attempts to refute these objections to socialism rationally. Indeed, the most surprising thing about the treatment of these problems by the majority of professional economists is how little they have made them the central point of their discussions. One would think that nothing could be of more important concern for economists than the relative efficiency and conduciveness to general welfare of alternative orders of economic affairs. Instead they have fought shy of the topic, as if fearing to soil their hands by concerning themselves with "political" topics. They have left the discussion to specialists in "economic systems" who in their text-books provide stale accounts of discussions of long ago, carefully avoiding to take sides. It is as if the circumstance that that issue had become the

subject of political dispute were a cause for silence of the scientists who knew they could definitely refute at least some of the arguments of one side. This kind of neutrality seems to me not discretion but cowardice. Surely it is high time for us to cry from the house-tops that the intellectual foundations of socialism have all collapsed.

I have to admit that, after vainly waiting for upwards of forty years to find a respectably intellectual defence against objections raised to socialist proposals, I am becoming a little impatient. Since I have always acknowledged that the socialist camp includes many people of good will, I have tried to deal with their doctrines gently. But the time is overdue to proclaim loudly that intellectually the foundations of socialism are as hollow as can be, and that opposition to socialism is based, not on different values or on prejudice, but on unrefuted logical argument. This must be openly said, especially in view of the tactics so frequently employed by most advocates and defenders of socialism. Instead of reasoning logically to meet the substantial objections they have to answer, socialists impugn the motives and throw suspicion on the good faith of defenders of what they choose to call "capitalism". Such crude efforts to turn discussion from whether a belief is true to why it is being held seems to me itself an outgrowth of the weakness of the intellectual position of the socialists. Quite generally, the socialist counter-critique seems often to be more concerned to discredit the author than to refute his arguments. At least the counter-critiques is to warn the young against taking the author or his book seriously. This technique indeed has been developed to a certain mastership. What young man will bother with such a book as my *Constitution of Liberty*, which he

is told by a "progressive" British political science don is one of those "dinosaurs that still occasionally stalk on the scene, apparently impervious to natural selection"? The principle seems generally: if you can't refute the argument, defame the author. That the argument against them may be genuine, honest and perhaps true, these left-wing intellectuals do not seem prepared to consider even as a possibility, since it might mean that they themselves are entirely wrong.

Certainly, political differences are frequently based on differences of ultimate values, on which science has little or nothing to say. But the crucial differences which exist today at least between the socialist intellectuals, who, after all, invented socialism, and their opponents are not of this kind. They are intellectual differences which between people not irredeemably wed to a muddled dream can be sorted out and decided by logical reasoning. I have never belonged to any political party. Long ago I shocked many of my friends by explaining why I cannot be a conservative. Insight into the nature of the economic problems of society turned me into a radical anti-socialist, I can honestly say. Moreover, it convinced me that as an economist I can do more for my fellow-men by explaining the reasons for opposing socialism than in any other manner. Anti-socialism means here opposition to *all* direct government interference with the market, no matter in whose interest such interference may be exercised.

It is not correct to describe this as a *laissez faire* attitude — another of the smear-words so frequently substituted for argument — because a functioning market requires a framework of appropriate rules within which the market will operate smoothly. Strong reasons exist for wishing government to render *outside*

the market various services, which for one reason or another the market cannot supply. But the state certainly ought never to have the *monopoly* of any such service, especially not of postal services, broadcasting, or the issue of money.

Some signs are appearing of a return to sanity. But I do not really feel hopeful about prospects for the future. There is much talk about countries becoming "ungovernable", but little realisation that attempts to govern too much are at the root of the trouble, and even less awareness of how deeply the evil has already become entrenched in prevailing institutions. For progress towards its aims, socialism needs government with unlimited powers, and has already got this. In such a system various groups must be given, not what a majority thinks they deserve, but what those groups themselves think they are entitled to. Granting these groups what they think they deserve therefore becomes the price that must be paid so that some groups will join together to become a majority. Omnipotent democracy indeed leads of necessity to a kind of socialism, but to a socialism which nobody foresaw or probably wanted: a position in which the individual elected representative as well as the governing majority must work to redress every imagined grievance which it has power to redress, however little justified the claim may be. It is not the assessment of the merits of persons or groups by a majority, but their power to extort special benefits from the government, which now determine the distribution of incomes.

The paradox is that the all-powerful government which socialism needs, must, if it is to be democratic, aim at remedying all such dissatisfaction, and to remove all dissatisfaction means that it must reward groups at their own estimates of

their deserts. But no viable society can reward everyone at his own valuation. A society in which a few can use power to extort what they feel they are entitled to may be highly unpleasant for the others, but would at least be viable. A society in which everyone is organised as a member of some group to force government to help him get what they want is self-destructive. There is no way of preventing some from feeling that they have been treated unjustly — that is bound to be widespread in any social order — but arrangements which enable groups of disgruntled people to extort satisfaction of these claims — or the recognition of an "entitlement", to use this new-fangled phrase — make any society unmanageable.

There is no limit to the wishes of the people which an unlimited democratic government is obliged to try and satisfy. We have indeed the considered opinion of a leading British labour politician that he regards it as his task to remedy all dissatisfaction! It would be unfair, however, to blame the politicians too much for being unable to say "no". Under prevailing arrangements perhaps an established leader could afford occasionally to do so, but the ordinary representative cannot say "no" to any large number of his constituents, however unjust their demands, and still hope to be re-elected.

In a society whose wealth rests on prompt adaptation to constantly changing circumstances, the individual can be left free to choose the directions of his efforts only if rewards fluctuate with the value of the services he can contribute to the society's common pool of resources. If his income is politically determined, he loses not merely the incentive but also the possibility of deciding what he ought to not know himself what he must do to make his services valuable to his fellows,

he must be commanded to do what is required. To suffer disappointment, adversity and hardship is a discipline to which in any society most must submit, and it is a discipline by which it is desirable that all able persons ought to have to submit. What mitigates these hardships in a free society is that no arbitrary human will impose them, but that their incidence is determined by an impersonal process and unforeseeable chance.

I believe that, after a little socialism, people generally recognize that it is preferable for one's well-being and relative status to depend on the outcome of the game of the market than on the will of a superior, to whom one is assigned by authority. Present trends, however, make it seem likely that, before such an insight spreads widely enough, existing political institutions will break down under stresses

which they cannot bear. Unless people learn to accept that many of their grievances are unjustified, and give them no claims on others, and that in this world government cannot effectively assume responsibility for how well off particular groups of people are to be, it will be impossible to build a decent society. Indeed, the most idealistic among the socialists will be forced to destroy democracy to serve their idealistic socialist vision of the future. What present trends point to is the emergence of ever larger numbers, for whose welfare and status government has assumed a responsibility it cannot discharge, and whose revolt when they are not paid enough, or asked to do more work than they like, will have to be subdued with the knout and the machine-gun: This too, by the very people who genuinely intended to grant all their wishes.

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