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Hayek's attack on social justice

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David Johnston

HAYEK'S ATTACK ON SOCIAL JUSTICE

ABSTRACT: *Hayek assailed the idea of social justice by arguing that any effort to realize it would transform society into an oppressive organization, stifling liberty. Hayek's view is marred by two omissions. First, he fails to consider that the goal of social justice, like the goal of wealth generation, might be promoted by strategies of indirection that do not entail oppressive organization. Second, he underestimates the tendency of the market order itself to generate oppressive organization, and consequently sees advantages in the market order that it may not possess.*

Friedrich von Hayek first gained a reputation outside narrow professional circles with the publication of *The Road to Serfdom* in 1944. In this and the other works that he produced until his death nearly half a century later, Hayek established himself as a scathing critic of fascism, communism, and all forms of collectivism, and an ardent defender of liberal market society. Hayek was not a defender of the liberal principle of *laissez faire*.¹ Nevertheless, his most distinctive claim, the one that won him both fame and notoriety, was that democratic socialism, which many observers have viewed as an attractive "middle way" between the excesses of unrestrained capi-

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talist competition and the horrors of totalitarian collectivism, is in reality a stage on the road to the latter. This repudiation of democratic socialism was bound up with a rejection of its egalitarian ideals. According to Hayek (1976, 136), the aspiration for social justice “has been the Trojan Horse through which totalitarianism has entered.” Hayek endorses the proposition that governments should make provisions for the welfare of the poorest members of society.² Yet in his view, it is a fundamental error to treat substantive equality or social justice as a goal of the social order.

Why did Hayek conclude that the pursuit of substantive equality is such a dangerous error? At bottom, the answer is that, like Lord Acton, he considered the goal of material or substantive equality to be incompatible with liberty. Liberty presupposes the rule of law, but Hayek argues in *The Road to Serfdom* (1944, 79) that “any policy aiming directly at a substantive ideal of distributive justice must lead to the destruction of the Rule of Law.” In subsequent works Hayek elaborated this claim by developing a theory of social order based on a dichotomy between the key concepts of “organization” and “spontaneous order.”

In this essay I contend that the arguments Hayek offers against adopting the goal of substantive equality are unsuccessful. While they contain shrewd insights that are vital for the analysis of social systems, his attack on equality succeeds only as a critique of a particular type of *strategy* for attaining equality, namely the strategy of directly imposing egalitarian outcomes as a matter of state policy. As a critique of the *goal* of substantive equality or social justice, Hayek’s argument fails.

Organized vs. Spontaneous Order

Since Hayek’s argument against the goal of substantive equality draws upon his general theory of social order, it is important to understand the basic elements of that theory in order to assess his claims. According to Hayek, two fundamentally different types of social order exist.³ The first and more familiar type is what Hayek calls a “made order” or an *organization*. A made order is the product of someone’s deliberate design. This type of order tends to be hierarchical in structure. It is maintained principally by relations of command and obedience. Above all, it is *purposive*, that is, oriented

toward the achievement of a particular goal. The goals of different organizations are various; while one organization may be devoted to the maintenance of national defense, another may be dedicated to the provision of charitable relief for poor or disabled people. Whatever particular purpose an organization may have, that purpose tends to dominate its operations. The diverse individuals who compose the organization must subordinate their own particular and often idiosyncratic purposes to the aims of the organization if their continued participation in its operations is to be assured.

It is not unusual to suppose that organization or made order is the only type of social order human beings are capable of sustaining and to assume that, where a social order exists, it must have been a product of deliberate design. According to Hayek, however, human beings routinely create social orders of a different kind, which he calls "grown order" or *spontaneous order*. Spontaneous orders are orderly in giving rise to actions that are reasonably predictable; they make it possible for their participants to form expectations about the consequences of their own actions that are likely to prove correct. Yet they are spontaneous in that they are not the products of anyone's deliberate design. They are maintained, characteristically, by relations of mutual adjustment, give and take, and reciprocity rather than by relations of command and obedience. Most important, since spontaneous orders are not designed at all, they are not designed to serve any single concrete goal. They are means, or they help individuals to acquire the means, to pursue their own diverse purposes, but they are devoted to no overriding purpose of their own.

Organizations and spontaneous orders normally coexist and are interdependent. Spontaneous orders are dependent on the existence and enforcement of a framework of rules—Hayek calls them the rules of just conduct—that are applied equally to all persons in a society. But the enforcement of such rules requires an organization, normally a government. So at least some organization is a presupposition of any spontaneous order. At the same time, no society can be ordered successfully by organizations alone. One major reason for this fact is epistemological in character. Because organizations are devoted to the achievement of particular goals or purposes, they foster a limited range of vision and are capable of collecting and responding only to information that falls within that range. Any information that falls outside the organization's scope is likely to be

discarded or, even more probably, to go unnoticed in the first place. Moreover, organizations are capable of helping people to pursue only a limited range of ends. Since the concrete ends of real human beings are highly diverse, and since in general human beings disagree about ends,⁴ the most useful organizations are those designed to pursue goals about which broad agreement exists. When agreement fails, as it does on most subjects in modern societies, spontaneous order may be a more appropriate means of achieving order than organization, since spontaneous orders enable people to pursue their own diverse purposes.

Since spontaneous orders, unlike organizations, have no overriding purpose of their own, it is impossible in principle to predict the overall outcome of a spontaneous order in action. In this sense a spontaneous order is like a competitive game that involves an element of chance. To the extent to which a competitive game also involves an element of skill, we can make reasonable predictions about its outcome based on our knowledge of the players' skills. But we cannot actually know what the outcome will be in advance; if we could, then the game would have no point. (When competitive games are played by opponents with known, sharp differences in levels of skill, they often do seem pointless.) A game of this type is regulated, ideally, by strict adherence to its rules, and the outcome of the game is fair if those rules have been observed throughout. Similarly, in Hayek's view, a spontaneous order is ideally regulated by strict enforcement of its rules, and the outcome or consequences of such an order are just if those rules have been observed consistently.⁵ The status of rules in an organization is quite different. In an organization, a desired outcome—a goal—is stipulated in advance. Ideally, the rules of the organization are designed to achieve that outcome. If those rules fail to deliver the desired result, then they may be changed without threatening the purpose of the organization; indeed they *must* be changed in order to accomplish that purpose. What matters in an organization, as Hayek conceives it, is whether its goals are achieved.

Thus, spontaneous orders not only *lack any central organizing purpose* distinct from the purposes of the individuals who constitute them; they are also *non-hierarchical in structure* and possess *an integrity that is guaranteed by adherence to fixed rules*. In contrast, organizations are *oriented toward a particular goal*, are *hierarchical in structure*, and possess *relatively plastic rules and procedures that are legitimated instrumen-*

tally by reference to their goals. These characteristics of spontaneous orders and organizations are the most salient features of Hayek's theory of social order for his argument against the goal of substantive equality.

That argument runs as follows. A society whose members are largely free to pursue their own ends and purposes without subordinating those purposes to any other person or body constitutes a spontaneous order. The fairness of any set of interactions among the members of such an order can be guaranteed if they all adhere over time to publicly known rules (the rules of just conduct) that apply in the same way to everyone. Since individuals' ends are diverse and, for the most part, unknown to any given observer, it is impossible to know in advance the overall outcome to which such a set of interactions will lead.

By contrast, the idea of substantive equality defines a particular, determinate outcome. No spontaneous order can be expected to yield any such outcome. So the only way to guarantee the attainment of substantive equality would be to rely on an organization that adopts social equality as its goal. The rules that prevail within organizations are legitimated instrumentally, and if they fail to achieve a stipulated goal, they must be changed or overruled. But if rules that regulate individuals' actions are adjusted or ignored whenever necessary to guarantee the attainment of a stipulated outcome, that fact would make it impossible for people to adhere to publicly known rules that apply in the same way to everyone over time. Under these circumstances, it would be impossible to maintain a set of rules of just conduct that apply to everyone in the same way consistently over time. The absence of consistent and effective rules of just conduct would undermine the procedural fairness of a spontaneous order.

In fact, the consequences of any serious effort to guarantee substantive equality would be even worse than those already suggested. For in order to attain this goal, a society would have to take on the major features of an organization. Since organizations are hierarchical, the relations of reciprocity and mutual adjustment that are characteristic of a spontaneous order would be replaced, perhaps subtly and incrementally, by relations of command and obedience. Individuals would have to subordinate their ends to the purposes of the organization (the society), and much of their precious liberty would be lost.

Hayek's argument, if correct, deals a sharp and probably mortal blow to the ideal of substantive equality, which would hold little attraction if it could be purchased only at the cost of severe regimentation and a sacrifice of the freedom of individuals to pursue their diverse ends. But is Hayek's critique of the goal of equality on target?

Hayek's Instrumentalism vs. His Inegalitarianism

Hayek is known not only as a critic of the ideas of social justice and substantive equality, but also as a staunch defender of the market order. Yet his defense of the market is in sharp tension with his argument against the goal of social equality.

Hayek argues for the market order on two grounds. First, as a species of spontaneous order, the market enables people to engage in cooperative activities without the need for agreement on ends.⁶ People commonly assume that social cooperation is impossible in the absence of agreement on a scale of particular values. This assumption, though deeply rooted in the history of human thought, is erroneous. The practices of barter and exchange make it possible for human beings to engage in collaborative endeavors without agreement on concrete ends or purposes, and the market order is the principal vehicle for this kind of cooperative activity. Second, the market order generates great wealth. While people often disagree about the value of ends, they can broadly agree on the value of means. Following Adam Smith closely, Hayek maintains that the market order leads to the generation of means—wealth—to an extent that far exceeds the potential of any known alternative type of economic order. The availability of a relatively abundant stock of means greatly enhances the chances of all to have their wants satisfied. The outstanding capacity of the market order to generate wealth constitutes its second and critically important advantage.⁷

These two arguments in defense of the market order draw on contrasting aspects of that order. The first argument emphasizes the fact that the market is a type of spontaneous order, imposing no overriding purpose of its own but merely enabling people to pursue their own purposes with reasonably accurate expectations about the likely consequences of their actions. This argument calls attention to the fact that market outcomes are indeterminate, since they

are the products of individuals' diverse ends and purposes. By contrast, the second argument emphasizes a particular determinate outcome of the market, namely its alleged ability to produce more wealth than alternative forms of economic order. The ultimate claim behind both arguments is that the market contributes to the satisfaction of human wants. But the two arguments point to distinct ways in which it does so by emphasizing two different features of that order. And the second of these features is at odds with Hayek's attack on the goal of social equality. For the claim that the market generates *greater aggregate* wealth than any alternative economic order constitutes a prediction about a determinate outcome of a spontaneous order. If the market order can be defended by reference to this particular outcome, it is not evident why other particular outcomes, such as the generation of an *equal distribution* of wealth, could not constitute a valid basis for the defense of alternative social arrangements.

It is true that the generation of great aggregate wealth is not, or at least was not originally, a deliberately intended outcome of market orders, a point Adam Smith emphasized in *The Wealth of Nations*.⁸ It might be argued, then, that the *outcome* of wealth-generation is not comparable to the *goal* of social equality, since the former is an unintended consequence of a real social order while the latter is an intended consequence of a possible (or imaginary?) social order. But this argument does not constitute a good reason for rejecting the goal of social equality. For in making his defense of the market order on instrumentalist grounds, Hayek opens the door to judging social arrangements by their success in achieving goals that may be more important than the one—wealth maximization—that the market supposedly achieves. In choosing to validate market outcomes according to the standard of wealth maximization, Hayek does what any social philosopher must do if he is to avoid an irrational approbation of an order merely because it was *not* consciously designed: he posits a goal that serves as the yardstick by which the order's outcomes are evaluated. Why, then, should we refrain from evaluating the market according to an alternative goal, such as the egalitarian goal of "social justice"?

Hayek argues with considerable zeal and consistency that the goal of social equality presupposes "a hierarchy of ends, a comprehensive scale of values in which every need of every person is given its place . . . in short . . . a complete ethical code in which all the different

human values are allotted their due place;”⁹ but that “no such complete ethical code exists” (Hayek 1944, 57–58). The market order is attractive to him in part because it requires no such ethical code, no agreement on ends, but only an agreement on means, an agreement he thinks can be achieved precisely because it would not require knowing what ends they will serve (Hayek 1976, 3, 109–11). So again it may seem that the goal of social equality is dissimilar to the goal of maximizing aggregate wealth. Whereas the former goal refers to a particular concrete end,¹⁰ the latter refers only to relatively abstract means on which people can generally agree.

As an argument against the goal of social equality, this line of reasoning is flawed. It is true that wealth is merely a means that enables people to pursue a range of possible ends. In this sense the generation of great aggregate wealth is not a “particular” end. However, much the same thing could be said about an *equal* distribution of wealth: such a distribution would not presuppose agreement on the ends to which that wealth should be applied. An egalitarian distribution of wealth is as “open” or “purposeless” a goal, and requires as little by way of agreement on ultimate ends, as the goal of maximizing aggregate wealth.

The choice between these two social goals—the maximization of aggregate wealth and the equalization of its distribution¹¹—must ultimately be made on normative grounds. Hayek would not accept this claim. In his view, the differences between socialists and defenders of the liberal market order stem from disagreements about the actual workings of society rather than from normative sources.¹² It is certainly true that many differences about social order are products of disagreement about the workings of society, but it is implausible to suppose that all these differences stem from that source.

Hayek might claim that normative arguments about distributive justice are rendered otiose by the fact that the least well-off participants in a market order are likely to be better off than the most privileged members of an economically backward society. Adam Smith ([1776] 1937, 12) famously remarks that

the accommodation of an European prince does not always so much exceed that of an industrious and frugal peasant, as the accommodation of the latter exceeds that of many an African King, the absolute master of the lives and liberties of ten thousand naked savages.

From time to time Hayek echoes this comment in his works. It might seem, then, that the sole basis for choosing among social orders must be a proper understanding of their operations and consequences. For it does not seem plausible that anyone considering two societies of the kinds Smith describes would find it difficult to select the wealthier one, even if the poor society were highly egalitarian and the wealthy society were not.

No doubt the correct choice between these two societies is obvious. But we are not likely to find ourselves in a position of having to choose between a social order that is extremely underdeveloped economically and a highly productive market order. Insofar as we are able to choose among social orders at all, our choice is more likely to be between one that generates maximum aggregate wealth without regard to its distribution and one that generates a more egalitarian distribution of wealth. Of course some might argue, and Hayek occasionally comes close to suggesting, that if we maximize aggregate wealth generation, we are likely to enhance the material circumstances of the least favored members of society as well. Whether or not this suggestion is accurate is a matter that can be settled only by empirical investigation. *A priori*, however, there is no good reason to assume that for a given society, the economic structure that would generate the greatest aggregate wealth would also maximize the material well-being of the society's least well-off members. While some positive correlation between aggregate wealth and the material well-being of the poorest members of society might reasonably be expected, it would be a remarkable coincidence if the economic structures that maximize the former were also consistently to maximize the latter.

Hayek's first and broadest line of reasoning against the idea of substantive equality as a social goal, then, appears to be irreconcilable with one of his two major arguments in defense of the market order, namely that that order generates greater aggregate wealth than any likely alternative. But this irreconcilability is only a sign of a larger difficulty with his argument. The source of this difficulty lies in Hayek's assumption that the achievement of collective goals entails an organization charged with the task of accomplishing those goals.¹³ In the case of some goals, this assumption is probably correct. For example, it seems unlikely that laws to defend what Hayek calls the rules of just conduct could be adopted and enforced in the absence of legislative and judicial institutions of the

organizational type. For other goals, however, Hayek's assumption seems to be false. The example of aggregate wealth generation demonstrates this conclusion. If Hayek's assumption were correct, then the only way we could maximize the generation of aggregate wealth would be by creating an organization devoted to that end. Yet Hayek himself suggests that this end is best achieved by the market order rather than by an organization. While the market order can be sustained only within a framework of rules that must be enforced by an organization, it is itself a spontaneous order, one that, as a whole, is not the product of anyone's deliberate design and is maintained primarily by relations of mutual adjustment and reciprocity. Hayek's own defense of the market order on the ground that it generates great wealth belies his assumption that collective goals can be pursued effectively only by means of organization.

Of course it is possible to *attempt* to achieve social justice by means of organization and direct imposition. This type of means has in fact been the preferred method of pursuing nearly all social goals throughout recorded history. In the case of social justice, however, these efforts have had limited success. One systemic reason for this fact is that the direct imposition of a relatively egalitarian distribution of wealth can be accomplished only by an act of concentrated—that is, *unequally* distributed—power. Social equality with regard to the distribution of wealth can be accomplished by means of organization only on the condition of sharp inequality with regard to the distribution of power. So if we define the condition of social justice broadly as a state of affairs in which both wealth and power are distributed in a roughly equal way, the suggestion that social justice could be realized by means of an organization in Hayek's sense seems self-refuting.

However, it does not follow from this line of reasoning that we should give up on the idea of social justice as a "mirage," as Hayek would have us do. The fact that socialists have tried and failed to achieve social justice by deliberately designing organizations devoted to that purpose is no more a reason to abandon the idea of social justice than the fact that mercantilists once tried and failed to enhance the generation of wealth by similar means was a reason to abandon the goal of enhancing the production of wealth. Neither of these goals seems amenable to a direct approach.

This should not seem particularly odd. Many individual and collective ends are amenable to attainment through indirect methods.

For example, at the individual level, it is commonly understood that the aims of falling asleep and attaining happiness are best approached by indirect means and that efforts to attain these ends directly are likely to be self-defeating. People cannot generally fall asleep by focusing on the desired state of sleepfulness; they are usually better advised to do something to distract themselves from that goal and other cares, such as reading a relaxing book. Similarly, as philosophers from at least Aristotle onward observed, people do not attain happiness by concentrating on its attainment. Happiness is generally a byproduct of one's engagement in activities that have a different purpose. It should not be too surprising, then, that collective goals such as the generation of wealth and the attainment of substantive equality are best pursued by indirect means. Hayek's greatest contribution to twentieth-century social theory was his emphatic and consistent insistence, following Smith, that organization is not the only means, and often not the best means, of achieving social goals such as the generation of great wealth. Perhaps his greatest shortcoming was his failure to see that this observation could be applied to the goal of social equality as well.

Spontaneous Orders and Their Coercive Consequences

The comparative element in political and social criticism determines the power of that criticism. An attack on the principle of laissez faire can be powerful only if the advantages of a feasible alternative to that principle outweigh any disadvantages that alternative might have. Criticism is pointless unless there is a relatively attractive alternative to the object of criticism.

Hayek implicitly recognizes the comparative dimension of political criticism, for his attack on the ideal of substantive equality goes hand in hand with his defense of the market order. As we have seen, Hayek's principal criticism of the ideal of substantive equality is that that ideal undermines the rule of law and, with it, the liberty of individuals to pursue their own ends as they see fit. In his view, to attain the ideal of substantive equality, a society would have to take on the features of an organization and to shed those of a spontaneous order. In the previous section, I argued that this assumption is incorrect. The ideal of social justice aims at a determinate outcome. But one of Hayek's principal arguments in favor of the mar-

ket order is contingent on the claim that *that* order produces a determinate outcome. There is no necessary reason to suppose that the first of these stipulated outcomes is more likely than the second to require the organizational type of social order.

The question to which I now turn is: How successfully does the market order protect the liberty of individuals to pursue their own ends as they see fit? The question is relevant to Hayek's attack on the ideal of social justice because the market order is Hayek's alternative to a social order that would aim at the attainment of social justice. Is the market order as effective a protector of liberty as Hayek claims?

Hayek himself makes much of the differences between his own conception of liberty and the conception to which he believes socialists typically adhere. According to Hayek, who claims to be following in a tradition of thought that extends from the ancient Greeks and Cicero down to Locke, Hume, and Kant, law and liberty are inseparable (Hayek 1973, 51–52). Man is free if he can pursue his own ends as he sees fit within the law without the imposition of anyone else's arbitrary will upon him. By contrast, in the characteristic socialist conception, freedom becomes "merely another name for power or wealth" (Hayek 944, 26).¹⁴

Nonetheless, Hayek's defense of the market order rests almost as heavily on the claim that it empowers human beings by generating wealth as on the thesis that it protects liberty. Here is a typical statement:

In civilized society it is indeed not so much the greater knowledge that the individual can acquire, as the greater benefits he receives from the knowledge possessed by others, which is the cause of his ability to pursue an infinitely wider range of ends than merely the satisfaction of his most pressing physical needs. (Hayek 1973, 14)

The reason individuals in civilized societies can pursue such a wide range of ends—and the reason that, according to Hayek, these societies are preferable to their less-developed forerunners—is that civilized societies generate vast amounts of wealth. A short name for the ability to pursue a wide range of ends is "power." So there is a good deal less at stake in the longstanding quarrel over how best to define "liberty" than is often alleged, at least for the purpose of assessing Hayek's theory.

Still, for my purposes Hayek's conception of liberty is adequate. In the discussion that follows, then, by "liberty" I will mean an absence of coercion, where coercion is understood to consist of the arbitrary imposition of one human being's will upon another. How well does the market order protect liberty conceived in this way?

The answer, I am afraid, is: not very well. Hayek's own theory of social order provides some of the principal tools that point toward this conclusion. According to that theory, spontaneous orders are maintained by relations of mutual adjustment, give and take, and reciprocity. In contrast, organizations are maintained primarily by relations of command and obedience. The rules (if any) by which these relations of command and obedience are regulated are themselves legitimated instrumentally by reference to the goals of the organization and are consequently as plastic as the pursuit of those goals requires. So the primary relations on which organizations depend tend inherently to have at least a partially coercive character, even when that character is masked by widespread acceptance, routinization, and the like. Human beings are free (by Hayek's definition of freedom) to the extent that their relations are free of this coercive element.

As we have seen, Hayek describes the market order as a species of spontaneous order. This description is accurate as a characterization of the *theory* of the market order Hayek presents. It is also *partially* accurate as a characterization of market orders in practice. As a depiction of the character of market orders as a whole, however, Hayek's description is a serious distortion of reality.

As Hayek cheerfully acknowledges, the market order, and indeed any spontaneous order, presupposes organization. Spontaneous orders are dependent on the enforcement of a framework of rules of just conduct, and the task of enforcement requires an organization (a government). In the case of the market order, by Hayek's account, the essential, minimal¹⁵ functions of government include the maintenance of security and the enforcement of laws of property and contract.¹⁶ If these services were not performed, no spontaneous order, providing a context within which individuals can reasonably predict the consequences of their actions, could arise. So even though, in Hayek's view, the coordination of human actions is generally best accomplished by means of spontaneous orders, some element of organization is also required to achieve coordination.

Hayek is probably right to claim that the market order, and per-

haps any spontaneous order, *presupposes* organization. But he fails to grasp the extent to which the market order tends inherently to *generate* organization. This tendency has at least two sources. First, in a competitive market environment, human beings tend to combine forces in order to improve their competitive positions and reduce uncertainty. The primary results of this tendency toward combination are business enterprises and labor organizations. Second, because market transactions entail pervasive externalities, these transactions cumulatively tend to stimulate demand for organizations to correct or compensate for those externalities.

Hayek was well aware of the existence in modern societies of groups organized around common economic interests. In fact he took critical aim at these groups in *The Road to Serfdom* and continued his assault on organized economic interests, especially labor unions, throughout his life. Hayek was a biting and dogged critic of the idea of collectivist or "organized capitalism" (1979, 92):

It is a wholly mistaken conception that a bargaining between groups in which the producers and the consumers of each of the different commodities or services respectively are combined would lead to a state of affairs which secures either efficiency in production or a kind of distribution which from any point of view would appear to be just. . . . [Such a scheme] would in fact produce a structure which would be demonstrably irrational and inefficient, and unjust to the extreme in the light of any test of justice which requires a treatment of all according to the same rules.

According to Hayek, the tendency of economies to be dominated by bargaining among organized groups distorts the distribution of benefits so that that distribution is neither efficient nor fair. This conclusion is pithily summarized in his statement that "the collective actions of organized groups are almost invariably contrary to the general interest" (Hayek 1976, 138).¹⁷

Hayek was far from blind, then, to the existence of organized economic interests. Nevertheless, he failed to see how "spontaneous" the tendency for these interests to assume collective and organized forms really is. As a general rule, people's interest in security takes priority over their other interests. If people can enhance their security by combining forces with others, they will do so, usually without much regard for the consequences of their combinations for third parties. Just as people will combine politically and

militarily to preserve their physical security, leaving those who are excluded from the combination to fend for themselves, they will combine to maintain their economic security with little consideration for the effect of their common actions on others.

Hayek portrays the tendency of human beings to band together into groups for the purpose of collective action as a relic of primitive societies that is out of place in, and at odds with, the spontaneous orders that constitute modern liberal societies. But the truth is that this tendency is inherent in the market order itself. For as Hayek frequently emphasizes, the market order generates a great deal of economic uncertainty. That uncertainty is in tension with the fundamental human interest in security. The tendency toward collectivization and organization is a consequence of this tension.

In the nineteenth and twentieth centuries—the period in which the market order arose and evolved—this tendency has been so striking that it has led to the transformation of one of the central presuppositions of political philosophy. Political philosophers from Plato and St. Augustine to Machiavelli and Hobbes tended to assume that in the absence of calculated and deliberate human intervention, social life would tend to drift toward anarchy. The condition of anarchy was seen as the natural starting point, and for many writers the natural ending point, of the evolution of human institutions; any non-anarchical form of human society, it was assumed, could arise only as a product of conscious human activity designed to bring that form of society into being. In modern political philosophy this presupposition has been virtually reversed. To many modern writers, the “natural” drift of human affairs has seemed to be not toward anarchy, but toward organization of increasingly stultifying kinds. The outstanding statement of this perception is the work of Max Weber, whose prediction about the “iron cage” toward which he believed modern societies were evolving still captures one of the principal anxieties of modern social observers (Weber 1958).

The market order also generates organization as a means of compensating for market failures. These failures take two forms: failures of markets to provide goods in which many people have an interest but for which no one wants to pay, and failures to prevent the imposition of harmful effects, such as pollution. Usually these failures are redressed by governments through the provision of services or through regulation—that is to say, through organizations devoted to

the accomplishment of specific ends. Hayek acknowledges the need for some government services beyond those required to establish rules of just conduct and to prevent violence, theft, and fraud. But he appears to underestimate the consequences for social order of the need for these services, and he fails to see that the extent of the need for organizations to redress market failures is related directly to the extent and vigor of the market order.

The fundamental claim lying behind Hayek's attack on the ideal of substantive equality is that any feasible order in which that ideal could be realized or approximated would fail to provide the kind of strong protection for liberty (defined as the absence of coercion) that is guaranteed by the market order. But the tendency of the market order to generate organizations that maintain coordination by means of relations of command and obedience undermines Hayek's depiction of that order as the guarantor of liberty. The market may in theory be a spontaneous order based on relations of mutual adjustment, give and take, and reciprocity, with no centralized authority and no systematic hierarchy characteristic of the entire order. But if in reality that order tends systematically to generate in reaction to its deficiencies organizations that are structured hierarchically by relations of command and obedience, it may fail to provide the high degree of protection for liberty Hayek claims for it.

It might be argued that an economic order that has come to be dominated by organized groups is no longer a market order at all in Hayek's sense of the term. This argument is correct, but it suggests that a market order in Hayek's sense of the term either is not a feasible alternative at all, at least on a sustained basis, or does not have the liberty-protecting consequences he claims for it.

Hence Hayek's attack on equality fails on the two major fronts on which it would have to succeed in order to be persuasive. Hayek claims that the ideal of social justice entails substituting organization for spontaneous order so as to secure the goal of substantive equality. This substitution would result in a diminution of liberty. But Hayek fails to demonstrate that the goal of substantive equality is more likely to be damaging to the prospects of liberty than the goal of maximizing the generation of wealth, which he endorses. So Hayek's negative argument against the ideal of social justice collapses. Hayek's positive argument in favor of the market order—the alternative for which he claims superiority over any feasible order

that might realize the goal of social justice—falls short as well. For he fails to see that the tendency of the market order to generate organization and thereby to threaten liberty is inherent in that order itself.

Insofar as Hayek's attack on the goal of social justice is rooted in his defense of the value of liberty, that attack should be reconstructed as an attack on a *particular strategy* for attaining social justice, namely by means of its direct imposition as a matter of state policy. In the end, this strategy is bound to be self-defeating, at least if the condition of social justice is defined as one in which individuals enjoy some rough equality of power as well as wealth. If the strategy of direct imposition is inadequate, however, it does not follow that the goal of substantive equality itself should be abandoned. Like many other desirable states of affairs, substantive equality is probably best approached by what I have called strategies of indirection, strategies that employ indirect means to attain a goal that probably cannot be reached by the most direct approaches.

Of course, nothing I have said in this essay proves that the goal of social justice is attainable. We do not know whether strategies of indirection can generate egalitarian results with the same effectiveness with which the market order apparently generates wealth. If no plausible strategies can be discovered, then the goal of social justice will prove to be a mirage after all. Yet on the other hand, Hayek offers us no reason to assume that the search for such strategies is likely to prove futile. Hayek's own conclusion that the goal of social justice is a mirage is premature, at best.

It may turn out that the position occupied by the goal of social justice today is roughly comparable to that occupied by the goal of wealth generation in the years preceding the publication of Adam Smith's *Wealth of Nations*. At that time, social theorists and policy makers had developed a strong interest in the generation of wealth. Yet their success in attaining this end was spotty at best, and their understanding of how to proceed toward it was limited. This description aptly characterizes the state of the ideal of social justice as a matter of both theory and policy today. If this judgment is correct, then it may be more appropriate for us to rethink the strategies by which the goal of social justice has been pursued in the past than to abandon that goal.

NOTES

1. "Probably nothing has done so much harm to the liberal cause as the wooden insistence of some liberals on certain rough rules of thumb, above all the principle of *laissez faire*" (Hayek 1944, 17).
2. "There is no reason why in a society which has reached the general level of wealth which ours has attained the first kind of security should not be guaranteed to all without endangering general freedom. . . . There can be no doubt that some minimum of food, shelter, and clothing, sufficient to preserve health and the capacity to work, can be assured to everybody" (Hayek 1944, 120).
3. Hayek lays out his theory of the two types of order succinctly in Hayek 1973, ch. 2. The theory is developed and embellished throughout the three volumes of *Law, Legislation and Liberty*.
4. For the theme of disagreement about ends, see Hayek 1944, 57–59; 1976, 3, 109–111; 1979, 24.
5. John Rawls calls the notion of justice Hayek has in mind "pure procedural justice." See Rawls 1971, 86.
6. For this theme, see Hayek 1976, 109–111.
7. "With the world as it is, with everyone convinced that the material conditions here or there must be improved, our only chance of building a decent world is that we can continue to improve the general level of wealth" (Hayek 1944, 210). See also Hayek 1973, 103 and Hayek 1976, 70ff.
8. "This division of labor, from which so many advantages are derived, is not originally the effect of any human wisdom, which foresees and intends that general opulence to which it gives occasion" (Adam Smith [1776] 1937, 13).
9. The direct reference of the comments quoted here is to the practice of planning in general rather than to the goal of social justice in particular.
10. Hayek's argument about this point bears a close resemblance to Robert Nozick's (1974, 153–66) criticism of the idea of a patterned end-state conception of distributive justice.
11. These two alternatives do not exhaust the possibilities, of course, and it seems likely that another alternative would be preferable to both. The best-known alternative to them nowadays is John Rawls's (1971, 1993) difference principle. According to this principle, when we are faced with a choice among alternative social orders, we should select the alternative that leaves the least advantaged members of society better off than any of the other alternatives would do, as long as certain other conditions are met (most notably, the condition that certain basic rights and liberties should be guaranteed equally for all).
12. In the preface to the original edition of *The Road to Serfdom* (1944, xvii), Hayek writes that "all I shall have to say derives from certain ultimate values," about which he appears to assume that his readers will agree. Hayek does not explain why he expects people to agree about ultimate values de-

spite the fact that (as he repeatedly observes) they disagree fundamentally about ends.

13. A close look at some of the language in which Hayek first argued his case against the ideal of substantive equality is revealing:

A necessary, and only apparently paradoxical, result of this is that formal equality before the law is in conflict, and in fact incompatible, with *any activity of the government* deliberately aiming at material or substantive equality of different people, and that *any policy aiming directly* at a substantive ideal of distributive justice must lead to the destruction of the Rule of Law. (1944, 79, *emph. added*).

As this language shows, Hayek aimed his criticism carefully at direct governmental action. Unfortunately, he never considered any other possible means of pursuing the end of social justice, and his later attacks on that ideal became less carefully targeted than this initial attack.

14. Hayek's attack on the alleged conflation by socialists of the concepts of liberty and power was echoed and amplified by Sir Isaiah Berlin ([1958] 1969).
15. Of course, Hayek never denied that governments can and should provide services that go well beyond these minimal functions, including the provision of welfare services. For one statement, see n2 above.
16. Ironically, the institution of universal freehold property, which Hayek rightly regards as *fundamental to the market order*, is itself a product of the very "constructive rationalism" he attacks as a threat to liberty in Hayek 1973. For a recent historical study, see Kaim and Baigent 1992.
17. In this as in many of his other claims, Hayek echoes Adam Smith. Curiously, however, Hayek tends to exempt the modern business corporation from his condemnation of combinatory and collectivist practices by arguing that corporations possess power primarily over material things rather than men (see the argument that begins at Hayek 1979, 80). In contrast to this view, Smith held that the tendency of employers to combine and conspire posed considerably greater dangers than any corresponding tendency among other economic groups. In part this judgment reflected the fact that laws at the time prevented workers from combining effectively, whereas they permitted combinations among employers. It also reflected Smith's view that the interests of employers as a group, unlike those of landowners and laborers, are systematically at odds with the common interest. For the most relevant passages, see Smith [1776] 1937, 66–67, 128, 248–50.

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