

Hayek versus Marx

And today's challenges

Eric Aarons



Routledge Frontiers of Political Economy

Hayek versus Marx

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

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

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

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

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

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

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About the author

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

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

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

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

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

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

Introduction

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

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

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

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

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

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

Mapping the problem

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1 The two social philosophers

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

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

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

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

Marx's project

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

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

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

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

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

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

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

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

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

The *Manifesto*

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