A REPLY TO HAYEK

Hayek's famous book: 'The Road to Serfdom' has never been properly challenged by Marxists. (1) This represents a serious limitation because this work has represented an important opposition to the view that socialism can express the emancipation of society. Hayek wrote his book during world war two, and anticipated the coming to power of a Labour government. Hence his work was written in order to oppose all forms of socialism, and therefore suggests that this standpoint could only promote the prospect of totalitarianism. His view was that only a classical form of capitalism could represent the basis of political freedom. In contrast, he argued that both Stalinism and Fascism were strands of socialism because of a common emphasis on the role of state intervention and a planned economy. He did not contemplate the possibility of a genuine form of socialism coming to be realised, which would be based on workers control and participatory democracy. However these omissions do not mean that his book is irrelevant for principled and revolutionary Marxists. Instead we have to provide an answer to the view that only capitalism can represent genuine political freedom and economic emancipation. It is necessary to outline how socialism is not an elite form of society and instead can express the potential for humans to develop an alternative to capitalism and its exploitation of labour.

Hayek's starting point is that: “Few are ready to recognise that the rise of Fascism and Nazism was not a reaction against the socialist trends of the preceding period, but a necessary outcome of those tendencies.”(2) This conclusion is not based on a detailed analysis of the ideology and practice of the Nazi party in Germany, but is instead based on the significance of the role of state intervention in the economy since fascism came to power. The actual suppression of the working class and the connected rejection of the Marxist alternative are ignored by Hayek, and instead the success of Fascism in Germany is utilised in order to justify the vague conclusion that totalitarianism can come to power in any country based on the domination of state intervention. He does accept that this development can also be the opposite to the ideals of those who are often motivated by the aim of socialism. But he contends that socialism can only be a retrograde and repressive system. It is not possible to promote a type of socialism that will advance the emancipation of humanity. Hayek's motivation is to contend that only capitalism makes freedom possible. Hence it is an illusion to equate the Nazi regime with the consolidation of capitalism. He does not outline in any detail the justification of this view. Instead his reasoning is based on the dogmatic and formal view that equates socialism with a system of domination and capitalism with freedom. Thus he glosses over elaborating the details of the ideology of Fascism and instead insists that its totalitarian aspects are because of the influence of socialism. Hence he ignores the fact that Hitler's most important allies were the forces of monopoly capital. This actual political practice is ignored by Hayek because his intention is to indicate the similarity between the supposed socialism of the Nazi's and totalitarianism. In this context he also fails to indicate how the promotion of aggressive imperialism by the Fascists was compatible with the aims of socialism. He rejects discussion of the important question concerning how can an ideology of human emancipation be transformed into its opposite?

In other words, Hayek has no intention of examining the major works of socialism. Instead his aim is to justify his definition of socialism as having the logic of totalitarianism. This conclusion is based on his dogmatic view that capitalism can only result in economic and political freedom. Thus any opponent of capitalism is considered to be excusing a system that denies the possibility of individual freedom in the name of collectivism. The only flimsy empirical reasoning that upholds his view is based on the recognition that the Soviet Union did not result in the promotion of a democratic socialist society. However he cannot 'prove' that this conclusion is based on the logic of his own premises. We could provide an alternative that contends that the USSR was not socialist because of the absence of genuine democracy, and represented an economy that did not realise the material interests of the people. Furthermore, we could also argue that capitalism was unable to realise the common welfare of the people because of the situation of exploitation and the interests of the employers. Hence Hayek's approach is based on the projection of dogma in place of reasoned empirical arguments. His logic is effectively based on an anti-socialism, or the assumption that this society cannot function more effectively than capitalism because of its planned and collective nature. The assumption is that a capitalism based on the domination of individual entrepreneurs is superior. The irony is that this theoretical description is no longer how capitalism functions!

The stating point of Hayek's approach is that only he understands what is happening to the world. This is the standpoint of subjective idealism or the view that only his consciousness is able to comprehend what is happening in the world. Hence he concludes that: “We are ready to accept almost any explanation of the present crisis of our civilisation except one: that the present state of the world may be the result of genuine error on our part, and that the pursuit of some of our most cherished ideals have apparently produced results utterly different from those which we have expected.”(3) Such an arrogant comment implies that the only person who is not acting on behalf of illusions about the world is Hayek, himself. He contends that the role of ideas, and their transformation into practice, was not understood by most human beings in relation to the development of totalitarianism in Italy, Germany and the Soviet Union. His implicit assumption is that the ideology of socialism was responsible for this situation, because socialists could not recognise that their standpoint generated a repressive system. Only an ideology of free enterprise, and its chief advocate – Hayek - would understand what was happening. This arrogant and one-sided view ignores the fact that Marxists like Trotsky provided a comprehensive analysis of what was happening in both Germany and the Soviet Union. Thus if Hayek was to vindicate his viewpoint he would have to undermine the validity of these ideas. Instead he ignored them, and assumed that any socialist could not recognise the development of totalitarianism.

In other words, Hayek is content to dogmatically assert that the premises of socialism are unable to understand developments in the totalitarian countries. He attempts to vindicate his perspective by suggesting that: “Although we have be warned by some of the greatest political thinkers of the nineteenth century......that socialism means slavery, we have steadily moved in the direction of socialism.”(4) Consequently, it is assumed that the ideology of free enterprise is an omnipotent truth that cannot be deviated from. This means that any deviation will result in disaster for humanity. Such dogmatic reasoning is unable to recognise that he is denying the economic reality that fascism is actually a form of regime that upholds monopoly capital. Instead of discussing this powerful empirical point he makes the true but irrelevant point that fascism is a deviation from the individualist doctrines of free enterprise. This is true, but this view does not uphold the suggestion that fascism represents socialism. Instead what has been proved is that fascism, as the expression of the interests of monopoly capital, is opposed to the doctrines of free enterprise. However, the actual primary aspect of fascism is that it is a system based on repressing the opposition of the working class. In that sense it upholds capitalism. This is the empirical truth that Hayek does not want to recognise. Instead he arrogantly claims that only he is able to understand the character of fascism as socialism. He can only provide legitimacy for this claim by rejecting any definition of socialism which is provided by Marx and many other advocates of this standpoint.

Hayek is right to contend that individualism and tolerance is opposed to the totalitarian ideology of the Nazis. But this does not mean that the approach of the Nazis was socialist. Instead we can argue that genuine socialism is not opposed to individual freedom and the toleration of different views within society. Hence it is a dogmatic fallacy to assume that only the free enterprise system can express the aspirations of individualism and tolerance. Instead it is the very economic and political logic of capitalism that has led to the creation of a totalitarian state in Italy and Germany. Hayek assumes in the most dogmatic manner that only capitalism can promote individual freedom, but this standpoint is based on the assumption that the domination of capital can advance the goals of individual autonomy and the development of technology in order to enhance the goal of material progress. The working class has gained the highest standard of living because of capitalism. What Hayek forgets in this praise of the merits of capitalism is the role of the class struggle. The working class learns to act in a collective manner in order to defend its class interests, and therefore tries to increase the low wages offered by the employer. If trade union organisation declines then low wages become the norm. However, Hayek considers that there is a spontaneous dynamic to the system that result in improvements and progress, but he also admits that people are often impatient with this situation and so make unrealistic demands. The result of this development is what he effectively defines as ignorance about the possibilities and limitations of the economic system. This leads to militancy and intransigence: “And as the hope of the new generation came to be centred on something completely new, interest in, and understanding of the functioning of the existing system rapidly declined, and with the decline the way in which the free system worked our awareness of what depended on its existence also decreased.”(5)

In other words the alternative doctrine of socialism is defined by it supposed ignorance of capitalism. It is an ideology which has an unrealistic understanding of what is possible within capitalism, and instead utilises its impatience and shallow knowledge of capitalism in order to make ambitious demands that cannot be realised within the existing system. Hayek does not accept that the theoreticians of socialism have a satisfactory knowledge of capitalism which they utilise in order to promote the necessity of the social alternative. He can only contemplate that support for capitalism represents an adequate understanding of the present system and what is possible. Hence he argues that the thinkers in the UK are no longer intellectually capable because they no longer advocate free market capitalism. Instead there has been an intellectual decline as a result of the major theoreticians becoming supporters of socialism. This decline actually took a national form in terms of the alternative dominance of intellectuals originating from Germany. What Hayek could not contemplate was that it was the actual development of the strength and influence of the working class that led to support for ideas of socialism. The very exploitative character of capitalism meant that the subordinated class began to develop aspirations for its emancipation from capitalism; this was why the principles of Marxism began to prove popular.

In other words the aims of socialism proved influential and attracted mass support not merely because of some mysterious intellectual influence from Germany, but instead primarily because of the limitations of capitalism. It was the actual exploitative character of capitalism which meant that the working class became attracted to the revolutionary doctrine of Marxism. Furthermore, it would not have proved possible to establish a durable mass basis for Marxism if its ideals had proved to be superficial and inferior to the standpoint of capitalism. Instead Marxism provided a historical, economic and political basis for the socialist alternative. This development did not represent ignorance about capitalism, and instead expressed the highest level of knowledge about the system and why it should be transformed. Such a perspective was proved to have practical validity by the formation of the Paris Commune of 1870 and the Russian revolutions of 1905 and 1917. In this context the theory of Marxism combined with practice in order to create an effective revolutionary approach that could represent a mass striving for a historical alternative. For Hayek to define this development as an expression of ignorance was only an indication of his own arrogance, and related unwillingness to effectively oppose the standpoint of Marxism.

Hayek argues that socialism was based on the false doctrine of freedom, which meant an end to material insecurity and the equal distribution of wealth. This was a distortion of the original meaning of freedom which meant an end to compulsion within economic activity and the freedom of democracy. Hayek bluntly suggests that the socialist goal of freedom is false. (6) Instead this aim under socialism is an illusion that will result in servitude. Hence he is not only claiming that socialism is unrealistic because of its apparent ignorance about the possibilities within capitalism. It is also a system that will result in the genuine domination of people by the state. However, it is interesting that Hayek does not outline this possibility in terms of a careful analysis of the history of the USSR. Instead this situation can only be the result of the combination of theoretical ignorance together with the supposed unrealistic character of socialism. Hayek does not allow for the fact that the situation in the USSR was unfavourable for the development of socialism. Instead he argues that it has basic flaws when compared to capitalism. In order to uphold his standpoint he implies that his approach is infallible and cannot be questioned. Thus he bases his argument on the view that the USSR and German are both totalitarian, and that socialism can only result in dictatorship and not freedom. Hence he makes the assumption that democracy and socialism are not realisable. However, it is the very limitations of the USSR which express a challenge for socialists, which was to outline a conception of what could be a genuine socialism without the domination of the party state. This would mean adherence to the role of a multi-party democracy and the right to express opposing views. It would also mean striving for workers control of production, and so rejecting the centralisation of the economy by the role of a state planning agency. Hayek would presumably reject this possibility because in the last analysis he cannot consider any emancipatory alternative to capitalism. In other words his rejection of a democratic socialism is based on the justification of dogma rather than discussion of the issue in reflective and thoughtful terms.

Hence it is not surprising that Hayek can only define socialism in terms of the dominant role of a central planning agency. He cannot contemplate any alternative, and this means that he excludes the potential represented by industrial democracy as a superior and genuine expression of socialism. Thus, in a one-sided manner he considers that only the role of a central planning agency can truly express the character of socialism. Such a standpoint excludes discussion of any other type of planning, and ignores discussion of the importance of de-centralisation. In this context he provides a definition of the type of planning that would occur under socialism: “What our planners demand is a central direction of all economic activity according to a single plan, laying down how the resources of society should be “consciously directed” to serve particular ends in a definite way.”(7) This definition may have some formal similarity with the economy of socialism, but it ignores the importance of the democratic participation of the producers and consumers in the development of a genuine plan that is able to realise the interests and needs of society. The point is the central plan of Stalinism was in the interests of the party bureaucrats who devised its output targets and inputs. This type of plan actually upheld the subordination of the producers within the economy, and so did not express genuine socialism. But it was in the vested interest of Hayek to argue that extreme centralised planning was the only authentic form of socialism in order to promote the view that capitalism is a superior form of economic freedom. Hence he argues that the choice is between: “The question is whether for this purpose it is better that the holder of coercive power should confine himself in general to creating conditions under which the knowledge and initiative of individuals is given the best scope so that they can plan most successfully, or whether a rational utilisation of our resources requires central direction and organisation of all of our activities according to some consciously constructed “blueprint.” (8)

The point of dispute is that this comparison of capitalism and socialism is flawed. Capitalism can involve more than the planning of individuals and instead involve extensive state regulation and organisation, whilst socialism can express de-centralisation and the role of the market. It certainly cannot be limited to a restrictive definition based on the importance of a central planning agency. Indeed, we have to ask who is the planning being carried out by, and in whose interests? The crucial aspect of socialism is that it should involve democratic planning by the producers and consumers, and so the concept of planning is more than the role of a central agency. Hayek is able to reduce socialism to the role of a central planning agency because this implies that socialism is not democratic, and does not involve participation. Hence his definition of socialism is biased, and therefore upholds his reasoning. He cannot discuss any concept of socialism that would undermine his views. Instead he defines socialism by the role of a central planning agency because that suggests socialism is a system of intense state regulation and the domination of an elite. What is unthinkable for him is engaging in any discussion of a genuinely democratic socialist system. This very conversation would undermine his view that capitalism is inherently superior to socialism. Instead he has to assume that socialism is inferior to capitalism. He realises this assumption by reducing his definition of socialism to the role of the central planning agency. In this manner it is possible to outline many different limitations to socialism and enables him to equate this system with the repressive domination of totalitarianism. The elitist assumption within this standpoint is that the effective realisation of socialism is based on the role of intellectuals, and so it is not based on the revolutionary role and activity of the working class. This is why he is so concerned with defending liberalism against the rival ideology of socialism. He implies that the conflict of ideologies is more important than class struggle in terms of the question as to whether socialism will be realised. Such a standpoint is abstracted from the empirical importance of the class struggle and its outcome. Hence he considers that social reality is reduced to being a conflict of ideas, and the role of material social forces is secondary. In this manner he can outline why he considers that private enterprise is a superior ideology, and which is expressed by its dynamic role in reality. Consequently he can also elaborate the apparent limitations of socialism as an ideology, and in this manner establish its logical inferiority in practice. The result of his standpoint is that he considers history in terms of the confrontation of ideas which have been transformed into practice. Socialism is therefore an inferior ideology because he contends it can only justify a totalitarian conception of social activity. In contrast to this idealist view, Marxists would contend that the future of socialism is connected to the outcome of class struggle, and so the crucial question is whether the working class can be sufficiently conscious and practical to be able to establish a society that represents the values of solidarity and co-operation.

Hayek's idealism is also evident in his description of capitalism. He describes capitalism as a system that is based on the importance of competition, the price mechanism and the market. This means that any other aspect that develops under capitalism is a 'deviation'. Thus he contends that: “By destroying competition in industry after industry, this policy puts the consumer at the mercy of the monopolist action of capitalists and workers in the best organised industries.”(9) Therefore Hayek cannot consider that monopoly is the logical outcome of competition, and so represents the expression of the dynamic of capital accumulation. Instead he understands monopoly to be an aberration that undermines the actual dynamism of the system. However, and importantly, he does not outline how to restore a natural situation of competition, and instead in a pessimistic manner implies that the continued development of monopoly and state intervention will result in socialism. He seems to be unaware that this situation is the outcome of the development of the war economy, and so is not likely to continue after the war. In other words, his dogmatic and idealist conception of capitalism is unable to allow for the actual empirical development of the economic system in relation to the significance of historical events, and in order to try and tackle the problem of mass unemployment. Instead he can only complain that the continuation of the war is intensifying the problem of monopoly and state intervention. Furthermore, his rigid theoretical standpoint cannot allow for any possible compromise between state intervention and the role of private enterprise. Hence his perspective can only reject the role of the state in the name of free enterprise and argues: “Although competition can bear some admixture of regulation, it cannot be combined with planning to any extent we like without ceasing to guide as an effective guide to production.”(10)

Thus in the name of dogma, he rejects the importance of state intervention in times of war, and instead suggests that the restoration of the domination of private enterprise should be quickly realised in the name of dynamic economic activity! Hence he seems unaware that a war economy is necessary in order to promote the production of arms and to direct the military conflict against the enemies of the country. He would dismantle the war economy in the name of the economic principles of competition! His standpoint is that the combination of planning and competition won't work. But this dogmatic standpoint is repudiated by the fact that this very combination is being promoted in order to establish a war economy. In practice state capitalism has been established in order to uphold military aims during wartime. In contrast, Hayek denies the possibility of state capitalism in the name of theory. It is his position that is unrealistic and not feasible. State capitalism is the very outcome of the contradictions of world capitalism. But Hayek nostalgically advocates the return to an era of capitalism before monopoly, the role of state intervention, and the challenges of war.

Hayek suggests that he is only against planning that undermines competition. However, he seems to be unaware that this very development is required in order to organise the war economy. In the name of his principles, he cannot outline what alternative to the war economy should be developed in a situation of intense military conflict. Nor can be convincingly indicate how and why state capitalism is effectively undergoing transformation into socialism. Instead of this idealist and dogmatic viewpoint it would be more convincing to indicate, as Lenin and Bukharin did, that state capitalism was upholding the national interests of capitalism in a situation of emergency and world war. Hence state capitalism was not a process of transition to socialism, and instead was the most extreme form of capitalism which developed in an emergency situation in order to defend the interests of an imperialist nation state. Hayek could not admit the actuality of this situation because he was only able to conceive of the validity of free competition as the basis of capitalism. Hence he could not allow for deviation and different forms his ideal economic system. Instead he considered that state capitalism was a mere prelude to socialism, and so he seemed to be indifferent to the necessity to develop a war economy. Thus he implies that monopoly and planning are not the result of the given empirical situation of inter-imperialist war, but instead represent an ideological deviation: “The tendency towards monopoly and planning is not the result of any “objective facts” beyond our control, but is the product of opinions fostered and propagated for half a century till they have come to dominate our policy.”(11)

In other words monopoly and planning is not the outcome of capitalist development and the demands of war, but is instead an expression of ideological deviation. The argument is that it is necessary to 'roll back' the state despite the demands of war. Only the most pristine and immaculate form of capitalism is acceptable to Hayek. He is as much against monopoly capital as he is against socialism, and defines both these economic forms as terrible twins. Thus he is calling for tremendous economic regression and a reversal to a past historical period. The actual empirical requirements of capitalism should be rejected, and instead the immaculate demands of dogma should be accepted. This means he repudiates the view that the development of monopoly is connected to the demands of efficiency and technological progress, and instead he considers that they have resulted in the policy of state regulation. Hence monopoly is not the logical outcome of economic progress and is instead the expression of an artificial policy of the state. The result of the development of monopolies, planning and stare regulation in Germany was to promote this process in other countries. Hence in Germany: “That there was the suppression of competition was a matter of deliberate policy; that it was taken in the service of the ideal which we now call planning, there can be no doubt. In the progressive advance towards a completely planned society, the Germans, and all the people imitating their example, are merely following the course which nineteenth century thinkers, particularly Germans, have mapped out for them. The intellectual history of the last sixty or eighty years is indeed a perfect illustration of the truth that in social evolution nothing is inevitable but thinking makes it so.”(12)

Thus the economic development of the last eighty years is not primarily the expression of the logical outcome of capital accumulation, and is instead the result of ideological deviation or false theory. The 'natural' evolution of capitalism on the basis of competition has been replaced with the establishment of monopoly, planning and the ideological justification of socialism. Hayek is unable to recognise that these developments are connected to the evolution of capitalism into imperialism and the advent of world war. Instead of acknowledging these real reasons for the generation of monopoly capital he instead can only consider that it is the outcome of 'false' theory. However, he cannot explain how it will be possible for 'theory' to correct these developments. Instead he assumes that he has the superhuman ability to restore the 'correct' and 'principled' character of capitalism. This idealist reasoning has contributed no practical results in terms of ending the role of monopoly capital. But the practical significance of Hayek's work is to promote the view that socialism is inferior to capitalism. In that context the agencies of capital should energetically oppose any possibility that emerges to reject the domination of the existing system. His standpoint reinforces the view that capitalism is superior to socialism. However, his appeal for a return to free market capitalism is ignored by the other advocates of the system.

In other words the antiquated aspects of his approach indicate the ineffective and flawed character of his view that the development of monopoly capital is merely the outcome of false ideas. Instead what has occurred is inherent within the very logical character of the process of capital accumulation. However, Hayek's arguments in favour of the competitive character of capitalism are not primarily based on the limitations of monopoly, and instead are directed against socialism. He contends that the level of information required in order to rationally allocate resources in an economic system cannot be provided by a central planning agency, and instead can only be realised by the competitive logic of the price mechanism. This provides the necessary signals to entrepreneurs about what they should produce, and in what amounts. In contrast, the planning agency can never process similar levels of information in order to establish how to allocate resources in relation to the role of the division of labour. Hayek argues that in comparison to the price system: “It is no exaggeration to say that if we had to rely on conscious central planning for the growth of our industrial system, it would never have reached the degree of differentiation, complexity and flexibility it has attained. Compared with the method of solving the economic problem by means of decentralisation plus automatic co-ordination, the more obvious method of central planning is incredibly clumsy, primitive, and limited in scope.”(13)

This standpoint makes an apparently powerful argument against the rationality of socialism. However, it depends on the understanding that socialism is reliant on the role of a central planning agency and will reject the role of the price mechanism. We should dispute this caricatured view concerning what a socialist economy would be like. Instead we can accept that prices are a valuable indicator as to what should be produced, and in what amounts. In that context, the planning agency would not dictate the character of the economic system, and instead its guidelines would reflect the role of the price mechanism. Furthermore, the input of producers and consumers would promote the ability to create the goods that people need. In this manner, the waste of capitalism would be avoided, and instead there would be a more efficient allocation of resources. However, what would be disputed is the view that it is necessary to have private entrepreneurs in order to ensure economic efficiency. Instead it is possible to have democratic planning, guided by the price mechanism that would ensure that socialism does not waste resources, and is able to create the goods that people need and want. We can accept Hayek's view that conscious control is not omnipotent, but this does not mean that we should become servants of profit making. Instead the role of profit generating production will be replaced by the aims of socialism in order to connect efficiency with ethical aims. Any surplus should be reinvested in order to advance the welfare of producers and consumers. Ultimately we do believe that a system that is not dominated by the imperatives of capital accumulation can be replaced by a more efficient economy that is based on the importance of solidarity and co-operation. This system would still recognise that goods are still partially commodities in that they are connected to the continued role of the price system. But we can agree with Hayek that the central planning agency cannot represent an effective expression of the allocation of resources. This is why we have to establish an alternative approach.

Marxism has been a theory that has been able to outline the process of exploitation of labour within the relations of production. However, it has neglected the importance of consumption. This is why we can learn from the bourgeois economists about how the allocation of resources can be distributed in the most efficient manner in relation to the role of the price mechanism. In both theory and practice the conception of the importance of a central planning agency has shown to be flawed. This is why we need alternatives if the perspective of socialism is to remain credible and realistic. In this context, bourgeois political economy has made one important point: it is that the central planning agency cannot efficiently access and utilise the information of a complex economy. Instead the role of a price mechanism provides this information. This understanding should go together with the affirmation of the goal of socialism as the only valid alternative to capitalism

However, Hayek's major concern is to prevent the development of monopoly capital becoming the beginning of the process of transition to socialism. Hence he contends that technological progress should not become the pretext for the realisation of a situation of monopoly development within the economy. The problem with this standpoint is that he has no alternative to the onset of monopoly apart from the vague and subjective notion of economic freedom. This implies the continuation of competition, but the problem is that the very development of the war economy has encouraged the formation of monopolies in order to promote the state regulation of the economy. Thus the realisation of his standpoint is dependent on the overcoming of the conditions of war, and in this context the very role of state capitalism is vital. Hence Hayek is able to make immaculate arguments in favour of economic freedom, but they are not connected to the expediencies of the actual situation, which requires the maximum co-operation between the state and capital in order to carry on the war effort with the greatest level of efficiency. Instead of recognising these pragmatic reasons why the development of state capitalism has occurred, Hayek reduces planning to an ideology that is being put into effect by idealists. In actuality, the free trade society of Britain has become dependent on the relationship of state and capital because of the depression of the 1930's, and then as a result of the world war. It is definite circumstances that have generated the development of state capitalism. Nor is there any suggestion that this situation will advance the prospect of socialism. Instead state capitalism represents the defence of a given national capitalist society, and it has particular functions. Thus, at the end of the war it was likely that state capitalism would be ended. This is what happened. The supposed transition from state capitalism to socialism was shown to be a fallacy. Instead the only definite manner in which socialism could be realised was by the method of proletarian revolution. But Hayek makes no mention of this strategy because he conceives of socialism as being the outcome of the role of an elite collection of intellectuals inspired by the aims of planning.

One of Hayek's aims is to uphold the importance of the individual in moral and economic terms. He contends that in a classical competitive economy the individual will have responsibility for their own actions, which means that there moral values are also defined in similar terms. But when the state assumes economic domination within society this situation is ended because it has the power to define the morality and activity of individuals: “There is then, scarcely an individual end which is not dependent for its achievement on the action of the state, and “the social scale of values” which guides the states actions embrace practically all individual ends.”(14) The assumption is that this situation would mean an immense increase in power for the state in relation to the individual. Hence it would be entirely possible for a repressive situation to develop, because the state is not likely to limit its power in order to promote the role of the individual. This argument would be valid if the socialist state was inherently unaccountable, bureaucratic, and led to a condition of dictatorship over society. However, this development can be thwarted if a democratic state is promoted which means that people participate in its activity in order to ensure that the aims of society are carried out. Such a possibility is enhanced by the fact that the economic activity is not centralised under the auspices of a central planning agency. This perspective was advanced by Lenin in terms of the concept of a commune state, but for various reasons this aim was not realised, and instead an omnipotent state was created. However, it is controversial whether this was the result of the ideology of socialism, as Hayek would claim, or instead was because of the adverse social conditions in which the working class was not able to function as an effective ruling class.

In relation to the moral code it is dogmatic to argue that this is the outcome of the actions and values of individuals. This point is true in an informal sense in terms of everyday decisions of a moral nature, but the fact is that the moral code of society is defined by its laws, values and constitution. The laws of the land outline what is permissible, and this defines what is possible in moral terms. Hence the individual is guided by society and its laws. Hence it would be false to imply that the individual acts only in accordance with their own nature, but this is precisely what Hayek claims occurs under capitalism. He contends that: “From this the individualist concludes that the individuals should be allowed, within defined limits, to follow their own values and preferences rather than somebody else's, that within these spheres the individual's system of ends should be supreme and not subject to any dictation by others. It is this recognition of the individual as the ultimate judge of his ends, the belief that as far as possible his own views ought to govern his actions that forms the essence of the individualist position.”(15) This point is only valid in a narrow sense because as already outlined the moral activity of an individual is effectively guided and influenced by the ethical code of society. We all have to take responsibility for our own actions, and in this sense we are guided by our own understanding of morality and how it guides our activity. But this does not mean that society is nothing more than a collection of individuals. Indeed, this form of society would represent chaos. Instead we collectively relate with each other in many different forms of social activity, and in this process of interaction we are guided by the laws of the land. These laws are effectively the moral code of society.

However, is it also possible to suggest that socialism would have the same relationship between individuals and its legislature. One of the lessons of the history of the Soviet Union is the necessity for the development of an independent legislature, and that the judiciary would interpret and implement laws in an impartial manner. This process would enable the development of a strong moral code to develop, and so the state would not have an omnipotent power to dictate to people how they should behave. Instead people should be able to act within the limits of the laws of the land which have been decided by popular democratic organs, and these laws have been interpreted by a credible and impartial judiciary. There is nothing to suggest that socialism should be presided over by a strong state that is able to impose laws on individuals in an arbitrary and draconian manner. The point is that it is possible to develop a socialist state without the rule of dictatorship, or the imposition of its power onto society. But this presumes that this socialist society will be democratic and accountable. This is the very point that Hayek disputes.

He contends that if an effective plan is to be implemented it will be necessary to reject the interference of democratic organisations like Parliament, and instead the power to introduce planning will belong to the experts of the central planning agency. The intricate nature of the plan will mean that the process of democratic discussion cannot arrive at effective decisions concerning its complex priorities. Instead only the experts will be able to enforce the necessary aims of the plan: “But in a society which for its functioning depends on central planning, this control cannot be made dependent on a majority being able to agree; it will often be necessary that the will of a small minority be imposed upon the people, because this minority will be the largest group able to agree among themselves on the questions at issue.”(16) The conclusion is that only under capitalism is democracy possible. This conclusion would be sound if Hayek was describing the only possible form of socialism. But we would dispute his conclusion. Instead of the inherent necessity of planning by experts we would suggest that industrial democracy is a more effective and participatory method of planning. This process would also mean that the very decisions carried out about economic aims would involve democratic discussion. In contrast, a few elite capitalists take the effective decisions within a competitive economy, and this process is upheld by a formal democratic system that does not question the limitations on the character of involvement of the producers within the economy. Thus socialism has the potential to be more participatory and accountable than capitalism, and in this manner it could also be more democratic and based on the activity of society in the making of the economic and political decisions that could realise its aims.

However, Hayek would argue that his viewpoint implies that in order to carry out any form of planning effectively means that democratic discussion is not possible: “Our point, however is not that dictatorship must inevitably extirpate freedom, but rather that planning leads to dictatorship because dictatorship is the most effective instrument of coercion and the enforcement of ideals, and as such is essential if central planning on a large scale is to be possible. The clash between planning and democracy arises simply from the fact that the latter is an obstacle to the suppression of freedom which the direction of economic activity requires.”(17) In answering this point it is first of all necessary to outline how capitalism is a system of coercion and compulsion. In order to make profits it is vital to try and impose the lowest possible wages in the worst allowable conditions. The only effective basis for an increase in wages and improvement of conditions is by the self-organisation of the workers in the form of trade unions. This economic system is not based on democracy and is instead reliant on the hierarchical organisation of companies who are only accountable to their shareholders. Even governments are reluctant to introduce legislation that would limit the power of the capitalists.

Nevertheless, Hayek is right to suggest that planning could become unaccountable under a regime of dictatorship, and which undermines the possibility to establish democratic rules of procedure. However, this situation is because of the repressive limitations of the given regime which claims to be socialist, and is not an expression of the apparent inherent dictatorial aspects of planning. Instead planning is at its most effective when it is the expression of the democratic will of the producers and consumers. In this context planning without the application of democracy will be over-centralised and represent the norms and aims of an elite rather than the outcome of the views of society. In order for planning to be most effective it will be necessary to be responsive to the aspirations of society, and this development can only occur in terms of the application of democratic procedures. The problem is that there has not been the generation of this type of society that would be able to put this issue of the relationship of democracy and socialism to the test. Instead Hayek's standpoint would seem to be confirmed by the development of Stalinism. But his approach is based on a false conception of capitalism as the only relationship between democracy and individual freedom which ignores the actual application of coercion in the relations of production.

Nevertheless he is also cautious about democracy being able to withstand the development of arbitrary power. Hence he makes the ambiguous statement that the standpoint of democracy 'is largely responsible for the misleading and false belief that so long as the ultimate source of power is the will of the majority, the power cannot be arbitrary'. (18) This implies that his overall view is that the primary expression of freedom is not democracy but instead the role of private enterprise. Hence he considers that democracy should be the explicit servant of capitalism, and therefore he implies that it is possible to apply democracy in a manner that upholds arbitrary power at the expense of the economic system. This perspective indicates that his overall approach is to defend capitalism and that all else is merely a means to that end. Hence democracy is useful only to the extent that it protects capitalism, and if it became a means to facilitate the overthrow of capitalism, the assumption is that democracy should be rejected in favour of more effective methods.

Hayek's standpoint is connected to his view that it is only possible to defend the rights of the individual within the law if unlimited government or dictatorship is not imposed. The assumption is that the latter situation is identical with socialism. However, the development of the absolute power of the state is actually an expression of the rule of an elite which requires dictatorship in order to uphold its domination. In contrast, the development of an authentic form of socialism would mean that the activity and values of individuals had the proper expression in laws. The defence of the individual is a bourgeois right which should be incorporated into a genuine form of socialism. To suggest that planning is against the rights of the individual is a dogmatic view that implies that socialism can only be constructed on the basis of absolute economic and political power. Instead there must be appropriate limits to the role of the state under socialism, and this would include the protection of the individual within the law.

Hayek contends that under capitalism it is possible for individuals to establish economic autonomy which enables them, via the role of money, to have the means to realise their ends. In contrast, the domination of a state planning agency means that these economic aspects are defined in an authoritarian manner. The state dictates how our activity is defined and realised: “And whoever controls all economic activity controls the means for all our ends, and therefore must decide which are to be satisfied and which are not. This is really the crux of the matter. Economic control is not merely control of a sector of human life which can be separated from the rest; it is the control of the means for all our ends. And whoever has sole control of the means must also determine which ends are to be served, which values are to be rated higher and which lower, in short what men should believe and strive for. Central planning means that the economic problem is to be solved by the community instead of by the individual; but this involves that it must also be the community, or rather its representatives, who must decide the relative importance of the different needs.”(19)

This is one of the most important arguments of Hayek against socialism. He is contrasting the individual autonomy of capitalism with the collective direction and organisation of socialism by the central planning agency. His standpoint implies that this choice cannot be avoided. Only the private ownership of the means of production can allow for the role of individual autonomy as opposed to being dominated and organised by a central agency. Hence under socialism there is no individual freedom because the state must be the primary economic organisation, and so is in a position to dictate how individuals act. But in order to sustain this standpoint he must gloss over the coercive features of capitalism. People have limited individual initiative and instead are dependent on employers for their subsistence. The role of large companies and the state defines and explains the limitations of individual autonomy and the restrictive range of options we have. But Hayek considers that this situation represents the utilisation of individual autonomy because the state is not dominant. Hence he does not consider the various limitations on the individual as a result of the dependency of labour power on the actions of capital. In relation to socialism it is true that an omnipotent state planning agency would undermine our ability to define the relationship of means to ends. In this context the state would be able to influence our aspirations and the means to realise them. However, in a society that was not a form of caricatured socialism, the individual would be able to exercise autonomy. This would take the form of the role of collective organisations like trade unions and co-operative organisations. The individual would also exercise considerable specific autonomy in the form of the consumer. Thus the role of planning would have to respond to these expressions of the role of the individual.

However, Hayek would not be satisfied with this explanation because he would consider this type of planning as also expressing the undermining of individual autonomy. The individual would still be subject to important types of collectivism. However, this objection would indicate that his concern is not primarily about defending the virtues of individual autonomy, but instead would be about upholding the domination of the private ownership of the means of production. This is what he primarily considers to be the form of individual autonomy. In this context any role for the state beyond the level of common sense, such as limited public services, would be considered to represent the undermining of individual autonomy because of its collective dynamics. Therefore it is not surprising that he does not consider the freedom to buy goods as an expression of individual autonomy. Instead what counts is the end of private ownership of the means of production. Consequently his conclusion is not surprising when he comments: “The source of this power over consumption which in a planned society the authority would possess would be their control over production.”(20)

In other words it is the end of the private ownership of the means of production which effectively ends individual autonomy within the economy. Or, the end of the absolute power of the employer to organise the workers in a manner that expresses their dominating power is what Hayek primarily objects to. It is the fact that the state planning agency takes over from the private employer which means he considers this action as an expression of dictatorship, domination and collectivist control. Indeed this possibility could only occur if a repressive regime represents this process of change. But it is also possible to suggest that an authentic socialism could result which means that the individual autonomy of the producers and consumers flourishes without the domination of the private capitalist. The point is that it is Hayek's dogmatic reasoning which means he defines socialism in a manner that is considered helpful for his argument. This enables him to only consider the possibility of a type of socialism based on an extreme form of centralisation, and is therefore based on the denial of individual autonomy. In this manner he can outline why capitalism is superior to socialism and so represents the potential to realise individual freedom in contrast to the alternative which is defined as expressing the subordination of people to the aims of the state. The fact that this type of capitalism has been superseded because of its inner development, and so has become state capitalism is dismissed as representing an aberration without consequence.

In other words both the conceptions of capitalism and socialism represent 'ideal' types that have little relationship to reality. Hayek's approach is based on the imposition of theory onto reality rather than being the result of theoretical interpretation of what is occurring in empirical terms. Hence he is dismissive of the importance of monopoly despite its contemporary importance because its existence is not useful to his understanding of capitalism as an 'ideal' system. Indeed he considers that monopoly is transitional to socialism rather than being the ultimate outcome of the process of capital accumulation. In this manner monopoly is defined as being something that is not the logical outcome of capitalist development, and is instead a distortion in relation to what capitalism is supposed to be. This dogmatism means that he can also define socialism in terms of what he considers is its character, as opposed to what it could be in terms of its emancipatory potential. However, it was the obligation of the supporters of socialism to define socialism in terms of what it could represent in terms of its potential and promise, and in this manner to reject Hayek's biased and one-sided understanding. It was the task of contemporary socialists of the time to indicate why Hayek's starting point was a preferential conception of capitalism which resulted in a caricature of socialism. Unfortunately, this task was not carried out in any extensive manner because it was considered that Hayek's reactionary stance implied that he was not being serious. The result of this disdain for Hayek was that his criticisms of socialism were not thoroughly addressed. Hence it appeared to supporters of capitalism that his approach was superior to any alternative. This meant the serious and methodical aspect of Hayek's standpoint was not appreciated sufficiently until the 1980's.

Hayek also contends that the dominant power of the state means that it has the power to distribute resources preferentially to those groups that it has a bias towards. (21) This criticism has some validity because any principled form of socialism would be guided by the aim of establishing an equal distribution of wealth. This would mean that the wealth, power and domination of the capitalists would be replaced by the increased affluence and influence of working people within transformed relations of production. The domination of capital would be ended and replaced by the alternative situation of the importance of labour in terms of the process of decision making and the organisation of production. Furthermore, the lowest paid within capitalist society would no longer be in a position of poverty and instead they would be remunerated in terms of their ability to provide services for society. It could be argued that it will be too expensive to generously reward labour for work undertaken for society. This is a legitimate question, but the answer is that the priorities of society will change under socialism. No longer will the interests of capital predominate, and instead the importance of the role of labour will be provided with rewards that are consistent with the tasks that it provides. This situation is what Hayek would suggest represents preferential treatment, and the allocation of resources in an arbitrary manner. But what has really happened is that labour is no longer exploited by capital and is instead able to establish its levels of remuneration. This situation will not result in the squandering of resources, because working people will be aware that it is still necessary to generate a surplus in order to renew and expand the process of production. However, this surplus will no longer be extracted from them, and instead it will be based on the workers being able to determine in their own voluntary manner what portion of the surplus will be reinvested into the process of production, and what amount should represent their wages.

The point is that the level of autonomy and capacity for self-determination will be enhanced in this situation. No longer will the coercive domination of the employer be the norm, and instead the initiative and capacity of the workers to define their own forms of control and organisation of production will be generalised. This represents a situation of genuine and authentic socialism. In contrast, if the state has overwhelming domination and the ability to establish coercive control within the economy and society, this will mean that principled socialism will not have been established. Thus socialism is not defined by its ability to establish domination, but is instead expressed by the ability, or otherwise, of working people to be able to control and organise society. Hayek disputes this point and argues that it is the role of the market, via the activity of the price mechanism, which establishes the ability of the individual to act in an autonomous manner. However, he does not compare this situation to an example of authentic socialism based on industrial democracy and instead defines socialism in terms of the omnipotent domination of the state: “In a directed economy, where the authority watches over the ends pursued, it is certain that it would use its powers to assist some ends and to prevent the realisation of others. Not our own view, but somebody else's, of what we ought to like or dislike would determine what we should get. And since the authority would have the power to thwart any efforts to elude its guidance, it would control what we consume almost as effectively as if it directly told us how to spend our income.”(22)

What Hayek seemed unwilling to contemplate is that it may be possible to reconcile the role of the price mechanism with the collective organisation of resources, and in that manner distribute goods in an unbiased and impartial manner. An authentic form of socialism would limit the power of the state so that it did not effectively tell people how and what to consume, and instead it was based on the ability of people to act as autonomous individuals in relation to having a free choice of goods. However, this ability would be combined with the end of the domination of capital. But this did not mean that the state was the dominating agent within the economy and instead it becomes the instrument of the role of working people within society. In this manner the role of the state would be limited, and it would be democratic and accountable. An unaccountable and biased state would not represent genuine socialism, and instead would be the expression of an elite that established the power to be able to dominate society, and so be able to dictate the choices of individuals in relation to access to consumer goods.

Hayek also suggests that the ability of producers to act in accordance with their own independent initiative cannot be established by the role of a strong state. He reduces this issue to being one about the ability to freely choose an occupation. It is interesting that what is never mentioned by Hayek is the possibility of workers being able to control and organise the process of production. Instead he outlines a false choice between the right to choose jobs under capitalism or being directed and organised by a strong state. What is never discussed is the question of whether the working class is capable of being able to establish control over its own destiny within production and society. Instead the choice is posed between the subordination of the producers to either capital or the domination of the strong state. What is not considered to be a serious option is the potential for workers to go beyond the defence of their interests, via the role of trade unions, within capitalism to becoming an effective ruling class within socialism. Instead it seems to be the destiny of the working class to be the subordinated class within either capitalism or socialism, and in this sense capitalism should be preferable for the working class because it has the promise of greater job mobility and self-improvement. In contrast to this apparent dismal choice for the working class, Marx offers the promise of communism representing the self-emancipation of the proletariat. There is an alternative to subordination within the economy and society. This point is not discussed by Hayek because presumably he considers it to be ridiculous and utopian. But Marx's understanding of socialism represents the alternative that Hayek never mentions and instead he prefers to discuss the Stalinist notion of socialism.

Hayek contends that the promise of socialism is that it will generate a higher level of wealth than is possible under capitalism. But this promise is problematical because it is based on undermining the dynamism of the ability to choose occupations, and to be able to be engaged in what involves the most efficient utilisation of talents. Instead the state has the power to direct people to different occupations, and to define their role within the economic system. This process will involve favouritism and will mean that mediocrity is rewarded rather than excellence. However, Hayek has not established why socialism would benefit from the importance of mediocrity. Indeed it could be argued that socialism potentially means the flourishing of talent because the alienating and exploitative character of work has been overcome by the demise of the domination of capital over labour. In this context labour acquires the possibility to develop creative work which would express the possibility to realise the potential of the producers. However, if this type of authentic socialism was not realised and instead the economy was based on the importance of the strong state this could mean that the allocation of work is based on the role of bias and so the potential of people is not realised. This prospect indicates that Hayek is able to make credible criticisms of the type of socialism that exists in the USSR, but he is unable to provide effective arguments that can oppose the conception of authentic socialism. The point is that under a genuine socialist society the encouragement of talent would be one of its priorities. In this instance this type of social formation would prove to be superior to the limited and uneven realisation of the role of talent under capitalism.

An apparently more credible argument against socialism is provided by Hayek when he contends that the state has more power to dominate people when compared to the individual freedom people have under capitalism: “It is only because the control of the means of production is divided among many people acting independently that nobody has complete power over us, that we as individuals decide what to do with ourselves. If the means of production were vested in a single hand, whether it be nominally that of “society” as a whole, or that of a dictator, whoever exercises that power has complete control over us.”(23) This approach is dogmatic because it ignores the fact that immense power has developed within capitalism in terms of the generation of monopolies and the role of state intervention. However, his standpoint is also flawed because capitalism was never an expression of the autonomy of individuals but instead represented the unequal power between capital and labour. Hayek tries to deny the relevance of the subordination of labour within the relations of production of capitalism. He also glosses over the fact that the forces of labour can only establish some semblance of power by collectively combining their individuality into a collective power that is able to effectively oppose the domination of capital. However, he is right to suggest that a strong state would represent the ability to undermine the autonomy of individuals and so deprive them of a sense of power and initiative. But this situation would not represent genuine socialism which is defined not by a strong state and is instead based on the principles of the self-emancipation of labour. Furthermore, a strong state can emerge both within capitalism and a society that has failed to develop authentic socialism. Hence Hayek's understanding of capitalism as expressing the dynamism of individual autonomy is a biased caricature that only has a semblance of truth.

The point is that Hayek considers a system of private property to represent individual freedom, and in that context denies that a powerful capitalist has more power than the functionary of the strong state. This standpoint represents a dogmatic assertion and glosses over the actuality of the unequal power relations between the forces of capital and labour. As mentioned before, the only way in which the power relations of capitalism can be addressed is by the development of class struggle. Hayek ignores this point because he wants to minimise the importance of class conflict within capitalism. Instead he considers it to be a system of competing individuals. Hence he denies the divide between those that own the means of production in relation to those that do not. The question of unequal wealth and influence within capitalism is considered to be merely a temporary condition that can be overcome by the application of individual initiative. This comment may have had truth at the beginning of capitalism, and it obviously applies to a minority of determined people within capitalism, but it does not explain the relations of unequal power in the economic system. However, it is not a dogmatic view to consider that the strong state has the ability to dominate people within the relations of production. It can tell people what type of job to do, and it can determine the character of consumption because it is not defined by the role of competition and the price mechanism. But this does not mean that freedom is abolished with the end of the free market. Instead if a democratic state is created, and if workers control of production is established, then people have the freedom to define their own future. Indeed, this development is the most effective manner in which the problem of the strong state can be overcome.

The point is the domination of the strong state cannot be overcome by the continuation of capitalism. Indeed historical experience has proved that a strong state is perfectly compatible with the continuation of capitalism. Instead what is required in order to overcome any tendencies towards the formation of an authoritarian state is to promote the development of a democratic state in which the people are able to define its activity in terms of the importance of popular participation and accountability. In this political sense the conditions will be created that limits the economic power of the state. Instead the character of the economy will be based on the significance of the role of the producers, and the free choice of consumers. Hence it was not socialism that led to a strong state, but instead the degeneration of the revolutionary regime in the Soviet Union into a dictatorship that was based on the domination of the party elite. If an authentic form of socialism had been promoted, this would have represented the most effective manner in which the repressive limitations of the strong state could have been overcome.

However, Hayek may reply and maintain that the very aim of trying to realise an equal distribution of wealth must mean that the state interferes in the affairs of individuals and in society in general. But this situation did not occur because the Soviet regime in Russia became the defence of the privileges of the bureaucracy, and so was indifferent to the problem of an unequal distribution of wealth. It was not egalitarian objectives that led to the domination of the strong state. Instead the state became repressive because it no longer upheld the interests of the workers and peasants. This meant that in order to limit the alienating power of the state in Russia, it would have been necessary to promote the genuine self-rule of the producers and peasants. The false socialism of the party elite would have had to been replaced by the genuine socialism of working people. Hayek is unable to recognise these choices for the people of the USSR because he can only comprehend capitalism as freedom. To him any form of state regulation of the economy represents interference and unwanted domination. Thus he cannot understand that genuine freedom is possible only with the restoration of genuine socialism within the USSR.

The standpoint of Hayek becomes an apology for capitalism when he contends that the misfortune generated by the impersonal forces of the market such as mass unemployment are less humiliating than the conscious decision of the state to make people redundant.(24) This approach provides no actual consolation for those that were made redundant during the period of the depression. Furthermore, Hayek implies that this situation was inevitable. In fact the Roosevelt government utilised state intervention in order to create jobs, and working people began to oppose mass unemployment with their militant activity. But, ironically it was the development of state capitalism – which Hayek despises – which led to the end of the widespread unemployment of the 1930's. Hence the strong state became identified with the rising welfare of the people. Hayek can only remain ambiguous about this development because of his ideological opposition to the role of the state. Instead in an apologetic manner he has to suggest that unemployment is an inevitable expression of the trade cycle, and that the situation would be worse under a planned economy. Ultimately he can only uphold his defence of the limitations of capitalism by suggesting that the situation would be worse under a strong state. For example: “As the coercive power of the state will alone decide who is to have what, the only power worth having will be a share in the exercise of this directing power. There will be no economic or social questions that would not be political questions in the sense their solution will depend exclusively on who wields the coercive power, on whose are the views that will prevail on all occasions.”(25)

Thus he has outlined two unenviable choices. We can either be subordinated to the impersonal forces of the market, which can result in unemployment or poverty, or else our ability to control our economic situation is restricted by the role of the strong state. In neither instance does Hayek provide another alternative which is people acting in order to determine their own affairs, and in that manner deciding the character of the economy and political apparatus. Instead he outlines two different forms of repression and subordination. The first is the domination of the market which has the ability to decide the conditions and situation of individuals within the economy, and secondly, the capacity of state power to dictate all aspects of the conditions of people. He obviously prefers the first form of subordination, of workers being subject to the fluctuations of the market, and implies that this suggests the possibility of individual autonomy. In contrast the role of the state implies a situation of total domination, and so should be rejected. But principled Marxists would reject both options and contend that both are limited because the situation of the domination of human beings is not ended. Instead we consider that it is possible to end the subordination of people to either the forces of capital or the state. Working people can act together in order to transform their situation and bring about an end to domination by either so-called economic laws or the coercive forces of the state. In other words people can act together and bring about emancipation, or the end to exploitation and subordination to alienating forces of domination.

Hayek indirectly rejects this perspective by suggesting that the possibility of absolute equality, or the common good and social welfare, are vague and impractical to implement. But this does not mean that he favours a different form of equality because he considers that the very notion of the distribution of wealth would result in disputes about how it would be determined. In other words he implies that the notion of society as being composed of competing individuals cannot be overcome, and this is why equality in the process of distribution will never be realised. Indeed he argues that we lack the common moral standards that could determine what is a fair wage, and the standards of morality are based on the activity of free competition. This morality would not be replaced by a higher socialist morality but instead the very role of morality itself would be undermined under socialism. This is a dogmatic standpoint which implies that it is only possible to have morality under capitalism: “What standards we have are derived from the competitive regime we have known, and would necessarily disappear soon after the disappearance of competition.”(26)

This dogmatic comment implies that the only possible morality is one that is determined by the dynamics of competition. It is not possible for humans to be able to influence this process, because they would only be able to establish subjective types of criteria and so would not be able to agree a common moral standard. Thus it is impossible to decide what is fair wage or price outside of the dynamics of the market and competition. In contrast, the action of the state planner will decide the level of prices or wages, and this could result in controversy about whether fairness has been realised. This point is actually very serious and could express the problem of establishing rational calculation within a socialist society. The major point being made by Hayek is that it is very difficult to establish what is a moral standard in terms of the distribution of wealth and the level of prices. In order to tackle these issues it is necessary to compromise with the dynamics of the market. Hence some workers will be more rewarded than other if their goods realise a high level of demand, and prices will be determined by the role of the market. However, this does not mean that the economy is not very different from capitalism because the creativity of the workers is crucial to the ability to produce and it is possible that some of the most important goods are sold at low prices. The point is the principle of the distribution of wealth will be realised in terms of interaction with the market. In other words the ability to realise moral principles will take into account important economic aspects concerning what is the most efficient manner in which scarce resources can be realised. This situation is not a compromise with capitalism because the domination of capital has been overcome within the relations of production.

However, Hayek maintains that not only is it difficult to develop agreed moral values within socialism, he also suggests that the rival forms of socialism, of Social Democracy or Fascism, are based on contrasting appeals to different sections of the working class. The Social Democrats are based on in the traditional industries, whilst the Fascists appeal to the new salaried white collar class. Hayek has no perspective as to how the triumph of fascism could have been thwarted. Indeed it could be argued that his major concern is not to develop a strategy of opposition to fascism, but instead to outline its supposed affinity with a form of socialism. Indeed he seems to suggest that the victory of fascism was likely because it offered a credible programme to its supporters, and so was able to be an effective rival to international socialism. This apparent fatalism glosses over the fact that Trotsky outlined a dynamic programme of opposition to fascism based on the formation of a united front of the working class parties, and called for militant anti-fascist resistance. Trotsky was aware that passivity only encouraged the Fascists, whilst the determination of the working class could bring about genuine socialism and the defeat of the counter-revolutionary threat. In contrast, Hayek has no strategy as to how liberal capitalism could defeat the fascists, and instead he is only able to indicate the resourcefulness and ability of the Nazi's to come to power. The assumption is that Germany is receptive for totalitarianism, and so the forces of democracy are weak and unable to uphold an alternative.

This passivity on the part of Hayek only indicates that his conception of liberal capitalism is not able to provide opposition to the political forces of monopoly capital. Instead he can only outline the reasons, both sociological and political, why the situation was favourable for the ascent of fascism to power. In this context he is also not able to outline the limitations of the Marxist parties, and so cannot suggest why they are also passive. Instead of a strategic approach, he can only imply that the situation in Germany is a warning as to why private capitalism should not be replaced with monopoly capital and the possibility for socialism. But he cannot provide any practical suggestions as to how it is possible to undermine the transformation of private capital into monopoly capital. This apparent limitation in his approach indicates that he is not able to perceptively understand economic and political trends. Instead he can only blame the intelligentsia for promoting the approach of state regulation and socialism. Hence he effectively blames the 'German character' for the rise of Fascism, and is not able to provide a more objective understanding of the class struggle. He cannot recognise that the situation in Germany has arisen because of the acuteness of the class contradictions, and the political effects of mass unemployment and depression. Instead he blames the ideology of socialism for the influence of reaction, which means he can absolve the capitalist system for any responsibility for the polarised situation.

Thus it is not surprising that he can blame the aspiration for economic security as being against the standpoint of freedom. Thus he implicitly blames the working class, and its defence of its social conditions, for the rise of the forces of reaction. Hence he seems unaware of the close relationship between the forces of monopoly capital and fascism, and instead suggests that some types of concern with economic security result in the aim of abolition of the market. In short, he denies the empirical fact that an important concern of the Nazi's was to defend capitalism from the possibility of its revolutionary overthrow. There conception of socialism was something that was compatible with the role of the capitalist state, and in this sense they were hostile to any development of a genuine mass movement against the system. Hayek was able to reject this understanding because he counter-posed the planning of the Nazi's to the interests of the market. He did not recognise that in the extreme situation in Germany, state intervention was necessary in order to uphold the role of the market. The state was required to act on behalf of capitalism, and in this manner oppose the threat of the genuine overthrow of capitalism.

Hayek also contends that the rigid and draconian application of economic security can only be realised in terms of the undermining of economic freedom. Thus in an economy based on competition the problem of unemployment is unavoidable. It can only be overcome by the most draconian application of the role of the state. This standpoint implies an uncritical acceptance of capitalism, and so the imperatives of profit making mean that the possibility of unemployment or economic insecurity is a typical aspect of an economy that is based on the uncertainties of the market, competition and the struggle between companies. In contrast, the commitment to absolute economic security in terms of employment and livelihood can only be established by the role of state coercion. Hayek is suggesting that economic freedom means the acceptance by the workers of the uncertainties of the trade cycle, and a passive acceptance of the possibility of unemployment in the name of economic freedom. Hence only the subordination of the worker to the requirements of capital can ensure a condition of economic freedom. The demand for full employment represents a restriction of freedom in the name of the interests of the worker. Marxists would reject this reasoning, and instead maintain that the possibility of economic security is not unrealistic or a denial of freedom, and instead insist that it is necessary in order to ensure the material welfare and interests of the working class. It is not unrealistic to advocate the view that it is possible to establish an economy in which the promise of economic security is part of the rights of the workers, and that the state should ensure this standpoint as part of its constitution. This right should not result in the justification of the coercive power of the state, and instead represent the ability of the working class to uphold its interests within a genuinely socialist society. In contrast, the USSR upholds economic security in order to try and ensure that workers do not move to better jobs. Hence the principle of economic security within the USSR is in order to subordinate the interests of the workers to the requirements of the state. But it possible to have an alternative which would mean the possibility to benefit from a situation of economic security, and which also represents the ability to move to a different job. Mobility of labour would be combined with the right of full employment. This is not an unrealistic demand because a genuinely socialist society would have an expanding economy, or represent a situation of shortage of labour because of the need to continually create goods in order to meet consumer demand.

Hayek replies and maintains that the ability to promote economic security for one group of workers implies increased insecurity for another group. But this reasoning is based on the view that people cannot alter the laws of competition and therefore a situation of insecurity is 'normal' under capitalism. However, the insecurity of capitalism only indicates that it is the interests of the working class to strive to achieve a situation of full employment. To Hayek this prospect is unrealistic, or economic security for one group of workers only enhances the possibility of insecurity for others. This standpoint is based on the view that the interests of capital should never be challenged, and as a result he mistrusts the collective action of workers to try and realise full employment. He disguises his allegiance to capital by suggesting that economic security would be detrimental to the interests of some workers: “Thus the more we try to provide full security by interfering with the market system, the greater the insecurity becomes; and what is worse, the greater becomes the contrast between the security of those to whom it has been granted as a privilege and the ever increasing insecurity of the under-privileged.”(27) What this comment indicates is the mistrust of the collective ability of the working class to improve its situation. Instead he is implying that this realisation of economic security can only be detrimental for the situation of the working class as a whole. He glosses over this reactionary standpoint by also outlining how the preference for security as opposed to liberty in Germany has promoted the victory of fascism. But what he is actually describing is the increased power of the capitalist state and its impulses to crush the opposition of the working class. Furthermore, it has been working class action which has indicated that there is not a contradiction between the ideals of liberty and security. The demand for security within the working class has been because of the very inability of capitalism to provide full employment. This aspiration is not against the principles of genuine freedom, and instead promotes the formation of a society based on the aspiration for equality.

The perspective of Hayek is connected to the view that the working class should be prepared to make sacrifices for the principle of freedom and capitalism: “It is essential that we should re-learn frankly to face the fact that freedom can only be had at a price and that as individuals we must be prepared to make severe material sacrifices to preserve our liberty.”(28) This view is biased; he is not recommending that the forces of capital should make sacrifices in order to promote its viability. Instead he is suggesting to the working class that they should be prepared to be flexible and make sacrifices in order to uphold the process of capital accumulation. Hence he is implying that the working class should do what is necessary in order to promote the profit making process of capitalism. The problem is that the enforced sacrifice of the working class often neither make capitalism more successful, and nor does it result in the promotion of the well-being of the producers. Instead the bitter truth, which Hayek accepts, but tries to disguise, is that there is a bitter class struggle taking place, and the only manner in which the working class can improve its situation is to oppose the imperatives of capital! The successful result of this class struggle can only be the creation of a situation in which the revolutionary transformation of society becomes possible. If this development does not occur, the working class will continue to sacrifice its material interests in order that capitalism becomes more successful. Or, at least that is the theory!

One of the major views of Hayek is to suggest that a collective type of society is identical to the development of totalitarianism and the generation of the absolute powers of the rulers. This crude identity must be rejected by any principled socialist. Genuine socialism is a collective society because it has goals based on the co-operative activity of humans, and which are motivated by the highest moral standards of solidarity. This situation contrasts with capitalism which is based on the interests of the most powerful within society, and its exploits the collective character of labour in order to realise the private aims of the few important capitalists. In contrast, totalitarianism is a dictatorship which is organised also to benefit the elite, and as a result is organised in accordance with the approach of immorality rather than morality. Hence there is a difference between collectivism and totalitarianism. The former is an expression of the genuine influence of the working class in order to create an egalitarian society, whilst the latter represents a system of absolute power, and the organisation of coercion on that basis. Hayek has no methodological criteria by which to equate the character of collectivism and totalitarianism. Instead he defines the latter in terms of a small elite group that is prepared to subvert democracy in order to establish absolute power, and then equates this process with the formation of a collective society. But the very character of totalitarianism represents false collectivism. The nation is considered to be a hostile unit with aims that are opposed to those of other nations, whilst authentic collectivism recognises the internationalist unity of the nations of the world because of the principle that workers of all countries should unite! Totalitarianism is based on the aims of expansion and war, and rejects the solidarity of internationalism. It is also an ideology of the interests of an elite and the collective principles of co-operation are rejected in the name of absolute power. Stalinism represents this type of totalitarianism because the principles of socialism are distorted in order to correspond to the interests of a party dictatorship, and the collective power of the working class is reduced to the aims of extracting a surplus from the producers.

Hayek ignores these differences between collectivism and totalitarianism. By associating these two types of society he can hope to provide the pretext for discrediting socialism and reducing it to the power imperatives of an elite. In actuality collectivism and totalitarianism are diametrically opposed. The former represents the highest form of solidarity between individuals, whilst the latter is an atomised society full of people who are strangers to one another. In totalitarianism people within families are estranged from each other, but a collective society is one common human family. Collectivism is the expression of genuine socialism, whilst totalitarianism represents the justification of absolute power and the denial of any freedom. Hayek can conflate these two opposed systems because to him socialism can only be the definition of totalitarianism. Hayek considers that collectivism represents an infringement on the role of freedom because it promises the expropriation of the wealth of capital. He can only consider that something is consistent with the aims of freedom if it represents the interests of capital. In contrast, collectivism aspires to end the domination of capital over society in terms of nationalisation, and the realisation of equality. In order for collectivism is established involves the democratic participation of the people so that an economic alternative to the domination of capital is created. But Hayek does not recognise that socialism can have a democratic content in terms of both means and ends. Instead he can only envisage it as an expression of totalitarianism, which glosses over the fact that capital is often upheld by the process of dictatorship.

Hayek also tries to discredit the internationalist character of socialism. He denies the importance of the aim to unite the working class of the world in the struggle against capitalism, and in order to establish a new international type of society, and instead contends that it can only become a nationalist state. He ignores the internationalist standpoint of Marx, Lenin and Trotsky, and instead utilises the example of the Stalin USSR in order to uphold his argument. He does not recognise that Russia adopted a nationalist ideology precisely because it did not realise socialism. Instead he maintains that only capitalism can be international. This is because socialism is based on the interests of a small group that is connected to the role of a nation. He does not accept that this dictatorship of the few can only be reactionary, whilst the class struggle in order to be effective must be international and aim to establish world socialism. Instead of replying to the internationalists arguments of Marx, he dogmatically utilises the pro-imperialist comments of the Fabians in order to indicate the nationalist standpoint of socialism. But this expression of nationalism was because of the reformist views of the Fabians and there rejection of the standpoint of revolutionary class struggle. In contrast, it was Marxism which both created the Second International and responded to its opportunist degeneration with the development of the Third International. In contrast to a serious study of the theory of revolutionary Marxism and its history, Hayek instead insists that collectivism and socialism upholds the interests of small groups based on the role of the nation. But the point is that if Marxists have upheld nationalism instead of socialism and internationalism, as in 1914, this is because, as Lenin commentated, was a result of the effective repudiation of the perspective of world revolution. It was necessary for Marxists to renew this internationalism in terms of the October revolution and its promise of international expansion.

Furthermore, for Hayek to claim that only capitalism is international glosses over the fact that this very development of the world economy was expressed in terms of national and imperialist rivalry. This situation led to world war in 1914 and 1939. The globalisation of the recent period has not overcome national rivalries, and it is still effectively true that only the promotion of world socialism will provide a situation of harmony and peace. However, it is necessary to emphasise the original message of Marx's Communist Manifesto if we are to be able to generate the internationalist consciousness that can overcome the influence of popular nationalism within capitalist societies. This task is difficult because the role of the nation has preceded capitalism and is an enduring historical construct. But bourgeois politicians have understood the importance of nationalism in order to uphold their popularity and in order to maintain power. Hence we can consider that the present system represents the contradictory tendencies of international economic development combined with the role of the nation.

Hayek extends his understanding that totalitarianism is expressed by socialism in order to suggest that the central planning agency represents the complete power of one human over another. Hence: “To split or decentralise power is necessarily to reduce the absolute amount of power and the competitive system is the only system designed to decentralise the power exercised by man over man.”(29) The understanding is that the individual ownership of production implies this situation of decentralisation. However, he is neglecting the fact that the bourgeois state can act in a centralised and coercive manner, as with the strict control over local government finance in contemporary UK, and the individual owner of an enterprise can exert absolute power over employers. But it cannot be denies that an omnipotent state planning agency would have immense power within an economy, and be able to instruct the employees in relation to tasks and outcomes. But this is not genuine socialism which does require decentralisation in order to be effective. Hence the individual consumer will have influence over the market based system of the allocation of goods, and the system of workers co-operatives will express the ability of groups of workers to be able to influence what goods they produce, and they will have the power to change priorities and adopt different tasks. In this context the state planning agency will not be omnipotent but instead will be advisory, and only provide general guidelines in relation to priorities and targets. This situation will mean that the problem of centralised power should be overcome.

Such an argument will not satisfy Hayek who contends that only individual ownership of enterprises can ensure that power is not centralised. Such a view ignores the problem of the absolute power of the owner of capital, and that only the collective organisation of the working class can modify this exercise of total domination. The point is that it is the promotion of class struggle which challenges the centralised power of the employer. Instead of recognising this point, Hayek implies that is the dispersal of resources between different owners which overcome the problem of the centralisation of power. But the fact that there are many employers within capitalism does not undermine the fact that they can have absolute power within their enterprise. Only the collective organisation of the working class can challenge this situation.

Hayek also suggests that under a collective society there is no effective moral code because the only thing that matters is following instructions, and so the means should always realise the end. If we are describing a totalitarian society this argument seems to be valid. The ruthless power elite are not influenced by any effective code of morality, and instead their concern is to ensure continued domination of society and to make sure that orders are obeyed. But this description cannot apply to socialism. If socialism lacked a moral code it would mean that its principles and premises were being undermined and replaced by the standpoint of an elite. Instead it is vital that a socialist society has an independent judiciary which is able to implement laws with high moral standing. Furthermore, one of its major principles would be that people cannot be used by others, or the view that the means are unimportant and only the end matters would be rejected. Instead humanity is valuable and only its vital role, which can be ensured by democracy, would be realised. In this manner the importance of the class struggle and socialist aims would not be elevated above the role of a moral code, and instead these principles would be compatible with ethics. In contrast, the contradiction between capitalist practice and its ethics would be indicated. The morality of socialism would be humanism, or the view that only the integrity of humanity is consistent with the striving to realise the goals of socialism.

Hayek outlines how a totalitarian system must be based on propaganda in order to implement its plans without the development of dissent. Hence this results in the creation of myths in order to make the instructions acceptable to the people. But he also implies that the only alternative to this situation is a system that unites individual autonomy in the realm of economics with individual freedom in terms of the views within society. Hence he considers that collectivism, or the society of an central planning agency, is what is responsible for the demise of intellectual freedom, because the role of the plan cannot tolerate the expression of opposition to its imperatives: “It may indeed be said that it is the paradox of all collectivist doctrine and its demand for the “conscious” control or “conscious “ planning that they necessarily lead to the demand that the mind of some individual should be supreme.....Individualism is thus an attitude of humility before this social process and of tolerance to other opinions, and is the exact opposite of that intellectual hubris which is at the root of the demand for comprehensive direction of the social process.”(30)

Thus Hayek is arguing that a collectivist society will be without intellectual freedom because it must represent a situation in which the directives of the plan are obeyed without question. Consequently, collectivism is identical to totalitarianism. But in a genuine collective society, the interests of truth are vital because the plan must be based on accurate representations of the role of human activity. This means that discussion about what is the most effective manner in which goals can be realised will be vital. In this context it is not planning which is the primary basis of the repression of dissent, and instead it is the outcome of a political regime of dictatorship. In order to establish the most effective plan in terms of the realisation of priorities it will be vital that the producers and consumers are consulted, and this possibility can only be realised in the form of a democratic regime. In contrast, the planning of a totalitarian regime does not involve genuine consultation because it is devised by a collection of bureaucrats who are unaccountable. In this situation different views about the plan are not welcome, and therefore the plan should not be accepted by the realisation of genuine universal support. Hence the plan in this situation is effectively the result of the views of the dictator like Stalin. Consequently, it is not capitalism which ensures a situation of intellectual freedom, but it is instead the result of the ability of the people to establish a democratic regime. It is democratic rights within capitalism that upholds the principle of free speech, and it is a democratic form of socialism that will enable genuinely open discussion about the plan, or concerning any other issue, to occur.

In other words the character of planning does not imply the unquestioning carrying out of its directives within a totalitarian society. Instead the most effective plan will be one that has been developed and promoted by the producers and consumers. In this manner people will carry out the advice within the plan without coercion, or in a voluntary manner. However, what about the freedom to reject the plan? Rejection of the plan that has been democratically agreed will amount to an individualist attempt to undermine the plan. In this instance it will be possible for a person to express dissent with the plan, but their very collective involvement with the other producers will mean that in practice they still carry out the plan. Ultimately people will be able to express their dissent by trying to obtain a different job. However, the fact that the plan has been agreed in a democratic manner, and that it is in the material interests of the people, means it is likely to have widespread support without there being much opposition. It is also necessary to remember that the de-centralised character of production under socialism means that there is more than one plan. This effective variety implies that the plan is not a monolithic entity that has been imposed onto society, and instead it will be agreed by each worker co-operative.

In contrast to this situation the production aims of the capitalist are not discussed by the workforce, and his/her aims have to be accepted without dissent. The imperatives of profit making mean that it is not possible to have a democratic discussion of economic priorities. Hayek accepts this autocracy of the capitalist within each enterprise, and he defines this situation as freedom relating to the dispersal of economic power between the competing capitalists. The only indicator of intellectual freedom within this situation is expressed by a democratic regime that includes the right of the free expression of views. Thus if democracy becomes opposed to the interests of capital it can be repressed, which is precisely what occurred with the development of fascism.

Hayek tries to establish his most vitriolic argument against socialism when he contends that it has motivated the rise of fascism in Germany. This view is not based on a careful analysis of the political situation in Germany, but instead various intellectual ideas combined with the militarism of world war one are considered to have resulted in the influence of national socialism. In a vague manner, he implies that the German Social Democrats have been influenced by these nationalist trends, whilst liberalism is rejected by the people. But, what is most apparent is that he is describing the rise of an aggressive German imperialism which is opposed to the Entente. This development is connected to capitalism, and its relationship to socialism is only established by reference to vague ideological ideas. Hence, apart from the views of individuals like Karl Mannheim, the relationship of socialism to the Nazis is not outlined. Significantly, Hayek does not carry out a study of the actual ideas of the Nazi party. Instead in a caricatured manner, he is justifying the view concerning the apparent inherent militarism of German society, which has been inherited from the Prussians. This crude description cannot provide a sophisticated analysis of the actual social trends within Germany. What he is unable to explain is that an intense class struggle has being taken place in Germany, and this has led to the rise of a mass counter-revolutionary movement which is opposed to Marxism. Thus it is basically a slander to imply that the genuine socialism of Marxism has any affinity with the views of the Nazi's. Instead this opposition meant that the genuine socialists were repressed by the nationalist counter-revolution.

Hayek extends his analysis to imply that fascism could become dominant within the UK. Once against he has no substantial basis for his claims, apart from vague references to some books. But primarily, his approach ignores the fact that the UK is in a military conflict with Germany. The imperialist interests of the UK mean that it is in military struggle with Germany. Furthermore, in order to make his claims about the UK Hayek ignores the actual basis for the rise of fascism which is the threat of proletarian revolution. The fact that this possibility is not apparent in the UK means that the potential for fascist counter-revolution is not likely to occur. In other words he has no understanding of what can result from the development of the class struggle. Instead in an astonishing manner he implies that a UK in conflict with Germany may be maturing the intellectual conditions for the maturing of the victory of fascism. Indeed, he effectively bases his standpoint on the view that Professor E.H Carr has criticised liberal economics! (31) Thus any suggestion of support for state intervention is defined as representing an indication of support for fascism. But what possibly motivates his concern is an unarticulated recognition that the 1930's has discredited liberal economics because of mass unemployment. He is effectively aware that the post-war situation will result in the promotion of the role of the state in order to tackle problems of poverty and unemployment. This is why he warns that the influence of the private entrepreneurs is waning within society and is instead being replaced by the role of the monopolists, but in the last analysis he prefers the continuation of the monopolies under private control in contrast to the possibility of state regulation and control: “Private monopoly is scarcely ever complete and even more rarely of a long duration or able to disregard private competition. But a state monopoly is always a state protected monopoly – protected against both potential competition and effective criticism.”(32)

This indicates that in the last analysis, Hayek is prepared to recognise the empirical reality of monopoly capital and to support it against the possibility of state capitalism and the nationalisation of industries. His actual preference for private entrepreneurs is not allowed to interfere with the actual practical necessity to oppose the formation of state capitalism and the welfare state. In that context he is prepared to support monopoly capital, despite his criticism of this type of economic organisation. His dogmatic preferences are not allowed to interfere with the pragmatic necessity to oppose the development of state capitalism. This also means that he is critical of monopolies that have become useful to the role of the state. In other words he is critical of monopolies that have become useful to the war economy! He outlines how his ideological preference is for the development of free private competition, but accepts that in reality this is not always possible. But his ideal strategy is for a return to the hegemony of private competition. It is also necessary to recognise that his major objection to the importance of monopoly is because it represents the influence of labour: “The recent growth of monopoly is largely the result of a deliberate collaboration of organised capital and organised labour where the privileged groups of labour share in the monopoly profits at the expense of the community and particularly at the expense of the poorest, those employed in the less well organised industries and the unemployed.”(33) What this comment effectively indicates is that Hayek is concerned that the working class is increasing its influence alongside the growing concentration and centralisation of capital. Hence he ultimately is for a return to the importance of free competition in order to undermine this growth of importance of the class interests of working people.

Hayek then outlines possibly the most important view in his book. He suggests that the support of the Labour Party for state capitalism represents a crucial threat to individual freedom: “There is no other possibility than either the order governed by the impersonal discipline of the market or that directed by the will of a few individuals; and those who are out to destroy the first are wittingly or unwittingly helping to create the second.”(34) He identifies the standpoint of the Labour party during world war two with the approach of German fascism and its support for the denial of freedom in the name of the planned society. This is a monstrous slander given that the Labour Party has played a crucial role in the wartime coalition government in opposing the aims of German and Italian fascism. Hayek standpoint is also very dogmatic given that he glosses over the awkward fact that the Labour party is committed to the rules and institutions of bourgeois democracy in order to establish a mandate for its programme. Furthermore, its end is not the complete planned society but instead a mixed economy in order to implement its programme of reforms. Hayek is trying to justify a desperate slur concerning the democratic credentials of the Labour Party in order to provide reasons why it should not be elected after wartime. He must sense that public opinion is moving in favour of the Labour party and its aim to establish a welfare state. Hence he attempts to define the Labour Party as moving towards totalitarianism in order to try and oppose its probable election victory after the end of war.

However, Hayek has also established an apparently valid choice between individual freedom and socialism. Genuine Marxists would reply that authentic socialism is not against individual freedom. It is in favour of the right to hold independent opinions and the maximum participation of people in the development of economic and political policy. The collective character of socialism in terms of developing common goals for society is not at the expense of the ability of individuals to make their own choices. But these choices will no longer be at the expense of other members of society. Thus the power of capital, and its ability to exploit the producers, which may represent formal freedom under capitalism, will be ended and replaced by a system that aims to establish emancipation for all within the relations of production. Furthermore, the democratic system will uphold the rights of individuals to organise, hold meetings, have a free press, and form parties. Hence genuine socialism will mean that the role of the individual will flourish, and this will be especially possible because the exploitation and alienation of capitalism is ended and replaced by the co-operative relations within society. But Hayek considers that this aim is an illusion. He considers that society is too complex to become under the conscious control of the ethical and social aims of humanity: “The refusal to yield to forces which we neither understand nor can recognise as the conscious decisions of an intelligent being is the product of an incomplete and therefore erroneous rationalism. It is incomplete because it fails to comprehend that the co-ordination of the multifarious individual efforts in a complex society must take into account of facts no individual can completely survey. And it fails to see that, unless the complex society is to be destroyed, the only alternative to submission to the impersonal and seemingly irrational forces of the market is submission to an equally uncontrollable and therefore arbitrary power of other men.”(35)

The choice is posed between the importance of the market which human activity and thought cannot control and the more oppressive influence of the plan. This is not the choice that is emancipatory, and instead limits the importance of human initiative. It is also necessary to recognise that under capitalism there has been a conscious attempt to control the market. This is precisely why the development of monopoly has occurred, and the state introduces policies in order to modify the anarchic effect of the market. In the last analysis, Hayek does not object to these attempts to influence the market in the interests of capital. It is also the aim of socialism to modify the operation of the market because its proponents recognise that in the last analysis the potential of humanity is undermined by the domination of anarchic laws which defy the attempt to bring them under conscious control. This means the plan is important in order to promote the possibility that the role of the market should be limited, or even overcome, in order that the aims of equality and the formation of a classless society can be advanced. If we were to admit that society was too complex to realise these aims this would represent a resigned confession that the intention to overcome exploitation and inequality, which are expressions of the domination of the market, was impossible. This pessimistic attitude cannot be accepted by Marxists, and indeed we would argue that the very development of capitalism is promoting the material and social conditions to make socialism possible and credible. The very forces of planning are being generated within capitalism, but this development is presently being utilised in order to create profit at the expense of the workers. This situation can be transformed so that the planning being promoted under capitalism can be liberated and instead become an aspect of the development of socialism and its aim of establishing a classless society.

In contrast, Hayek considers that the market is too complex to understand because he wants to maintain the system of exploitation, and so considers that the aims of socialism are unrealistic. His standpoint is based on defence of the status quo. Hayek considers that the aim of mastering the forces within society can only result in totalitarianism. This contention should be rejected because, firstly, within certain limits this aim is already being realised within capitalism, and secondly, the definitive ability to establish control of society will be promoted within socialism. Humans have the intelligence and motivation to be able to determine the very character of society. What undermines the realisation of this ability is not the complexity of society, but instead the ideology which preaches submission to those who are subordinated to capital. We are constantly told, and Hayek reinforces the message, that humans lack the creativity to be able to determine their own future. Instead we must submit to economic laws, such as those of the market. This message should be rejected because it is the expression of the interests of capital, and instead people should attempt to utilise collective forms of organisation in order to create a society that conforms to the dynamics of their practice.

In the meantime Hayek can only propose a policy for after the war which means continual sacrifices, low pay, and possible perpetuation of unemployment. He is advocating that people should accept that their conditions may not improve in order to restore the strength of capital. This standpoint indicated that he was worried about the possibility of a radical labour government being elected which would have radical policies, and so would encourage the militancy of the working class. Hayek does reluctantly accept the war economy, but he wants it quickly dismantled in order to revive the influence of private enterprise. In this context he is worried that the Labour government will utilise the present situation of state capitalism in order to advance towards socialism. He need not have worried; it was the very reformist character of the Labour party which mean it rejected a favourable situation to transform society in the direction of socialism. Instead it adopted a compromise programme of the formation of a mixed economy and welfare state. This development did represent progress, but it became undermined by the demands of the American war economy with the onset of the cold war. The irony of this situation was that Hayek was aware of the real possibilities of the transition to socialism in the context of the radicalisation created by the war. This was why he wrote this book against socialism. But the Labour party was not going to introduce socialism because it was committed to reformism. This meant only the working class could promote the prospect of socialism. However, the tragedy was that workers were committed to supporting the Labour party. In this context the impasse was created by mass illusions in the Labour party and the belief that socialism could only be introduced via the institutions of parliament. The necessity was to build a revolutionary party, but the mass communist party was undermined by Stalinism and the forces of Trotskyism were small. But Hayek was leaving nothing for chance. He tried to politically ensure that socialism would not occur in terms of writing this diatribe in favour of capitalism. His message was popular with conservative voters, but his warning that the Labour Party could embark on a fascist type overthrow of the system only annoyed and alienated Labour supporters. His message became more relevant for the ruthless defence of capitalism by Conservative governments since the 1980's.

Hayek's major advice for the post-war period is that social goals should not undermine the necessity of generating improved material wealth. In other words the interests of capitalism are primary, and the aim of a welfare state should be limited to what is possible under this economic system. Ironically, the Labour government effectively accepted this advice and its programme of reform was based on what was possible within the perspective of trying to revive the economy. Hayek was not against the guarantee of a basic minimum income, but this was defined in terms of what was possible and acceptable within the system. He maintained that moral aspirations should not become the basis to undermine the primary importance of economic goals, which meant emphasis on the primary importance of the restoration of the dynamism of the economic system. The Labour party did not have any alternative to this standpoint because its commitment to capitalism meant that it was concerned to encourage the development of private capital. It did not seem to recognise that this aim could be at the expense of the social goals of the new government, and this was indicated by the modest and limited generation of the welfare state.

Hayek tried to defend his biased support for capital by defending the view that morality is most effectively upheld by an emphasis on the role of the individual: “What our generation is in danger of forgetting is that morals are of necessity a phenomenon of individual conduct, but also that they can exist only in the sphere in which the individual is free to decide for himself and called upon voluntarily to sacrifice personal advantage to the observance of a moral rule.”(36) Thus it is being suggested that if the state has total control of society we obey it not out of a sense of moral obligation, but instead because we are compelled to accept its instructions. This view may be an accurate description of a dictatorship, but it does not represent the character of a genuine socialist society. It would be one of the rights of democratic socialism that people would not have to act against the wishes of their individual conscience, but instead their agreement to work with others would be based on a voluntary agreement to do so. It is to be hoped that the aim to realise the material welfare of society would enable people to freely accept the moral obligation to co-operate with each other in order to produce for the benefit of others. It would not require the economic coercion of capital in order to ensure that production occurs. It would also be a right of conscience that people would not utilise forms of coercion against others, and instead inter-relations between people would be based on the values of co-operation and solidarity as opposed to compulsion. Hence in this manner the importance of individual conscience would be combined with collective interaction of people. Collectivism would not be opposed to the role of the individual conscience. But in the final analysis people would be able to follow their conscience if it corresponded to the laws of the land. (However they would also have the right to protest against the law as being unjust) This situation would enable them to change jobs, or to refuse to carry out duties to society. But this protest would mean that their obligations to society would have to be realised in terms that were compatible with their conscience.

Hayek concludes his study of morality by suggesting that it is necessary for the British to uphold traditional values against the ideas of totalitarianism and the strong state. Ironically, the British have already established the strong state in order to conduct the war. This development has not led to dictatorship because it is compatible with the influence of bourgeois democracy, and the continuation of political freedoms. But state capitalism has proved necessary if the war is to be organised effectively. Hence the choice is not between liberalism and totalitarianism, and instead the most progressive choice for the UK is between state capitalism and democratic socialism at the end of the Second World War. Tragically, the choice that was taken by the Labour government was to continue with state capitalism when the peaceful and democratic introduction of socialism was possible. The reason that this latter development did not occur was because of the illusions of the working class in the policies of the Labour government. There was no independent mass mobilisation in order to promote an effective transition to socialism. Hence it was instead Hayek's perspective that was re-introduced in the reactionary form of a Thatcher government.

Hayek advocates for the future a society based on the international development of free trade and contends that a societies based on planning would be based on national rivalry: “To imagine that the economic life of a vast area comprising many different people can be directed or planned by democratic procedure betrays a complete lack of awareness of the problems such planning would raise. Planning on an international scale, even more than is true on a national scale, cannot be anything but a naked rule of force, and imposition by a small group on the rest of the sort of standard and employment which the planners think suitable for the rest.”(37) This comment may apply to the Soviet Union which imposed a regime on Eastern Europe because of its invasion and effective military domination. But genuine socialism would be the result of the international action of the working class. The resulting regimes would recognise the economic logic of the international division of labour, and so would agree what goods to export and import for their mutual benefit. In this manner the wealth of the various socialist societies would increase. Hence it would be self-defeating to prefer autarky and a regime of self-sufficiency. The benefits of trade that were evident within capitalism would be continued under socialism, and this process would be encouraged by the close and equal union of the various revolutionary regimes.

Hayek denies this point and directly implies that international socialism based on working class regimes is impossible: “Perhaps the most powerful agent in creating the belief in the possibility of a single central directing agency by democratic means of the economic life of many different peoples is the fatal delusion that if the directions were left to the “people”, the community of interests of the working class would readily overcome the differences that exist between the ruling classes. There is every reason to expect that with world planning the clash of economic interests that now arises about the economic policy of any one nation would in fact appear in even fiercer form as a clash of interests between whole peoples which could be decided only by force. On the questions which an international planning agency would have to decide, the interests and opinions of the working classes of the different people will inevitably be as much in conflict, and there will be even less of a commonly accepted basis for an equitable settlement, than there is with respect to different classes in any one country.”(38) This is the first time that Hayek has conceded that socialism may have something to do with the role of the working class. However, he makes this admission in order to reject the possibility of an international world economy after the demise of capitalism. Hayek suggests that in order for trade to occur under socialism, the production of the workers in the less developed countries will still have a lower value than the exports of the more sophisticated countries. There will be a vested interest for the workers of the more developed countries to maintain the preferential terms of trade that occurred under capitalism. The result of this situation will be national conflict. This seems a plausible view, but it ignores the recognition that the workers of the advanced countries will acknowledge that the terms of trade have to be altered in order to generate trade that improves the position of the less advanced countries. Why will they accept this situation? It is because the level of trade will increase under these conditions, and so result in an expansion that is to the advantage of all the workers concerned. This situation will also mean that the workers of the less advanced countries will be able to export more than a few primary products, and will instead increasingly produce manufacturing goods. Such a situation will benefit the advanced countries that will respond by exporting an increased variety of goods. The increased productivity because of the superiority of socialism will mean that world trade increases, and this situation will be to the mutual benefit of all those that participate in this process. It will be illogical to try and exploit any country, or group of workers, such an action would only undermine the process of the expansion of trade.

Hayek assumes that a central planning agency will be unable to decide fairly between the competing claims of different nations under socialism. But this is a pessimistic view because the very increase in productivity because of the role of democratic planning would mean that the overall effect would be to allow countries to increase trade and to therefore overcome the uneven economic conditions. This situation would not be resented by the most advanced countries because they would also benefit from the increased trade. The point is that the uneven terms of trade of capitalism are because of the imperatives of profit making. This aspect will be replaced by a commitment to international solidarity. Hayek denies this possibility because he contends that the central planning agency would be in charge of all aspects of economic activity, such as distribution of raw materials, the organisation of production and the role of trade. Such an understanding is absurd. The development of the world economy under socialism would still imply autonomy for nations to be able to define their own levels of output, and involvement in trade. But instead of the exploitation and unfair trade of the capitalist system it would instead be based on the possibility of the realisation of mutual interest.

Hayek maintains that the great powers would still retain their power and influence under socialism in the form of an international authority. This would also mean that international planning was carried out by a single power: “This disguise would, however, not alter the fact that for all the smaller states it would mean a much more complete subjection to an external power, to which no real resistance would any longer be possible, than would be involved in the renunciation of a clearly defined part of political sovereignty.”(39) The argument is that an international economic authority would undermine the possibility of national self-determination. But this is a caricature of socialism, which accepts national autonomy within an international based society. The de-centralised character of socialism would mean that national units would still be able to take economic decisions. In this context matters of possible political dispute could be resolved by an international union. However it is to be assumed that the mutual interests of socialist societies would reduce these disputes to a minimum. In other words socialism would be able to realise its internationalist aspirations concerning the building of a new type of society, such as economic efficiency and international unity in terms of national autonomy. It would be bureaucratic if a single planning agency tried to dictate the character of economic activity within all countries. Such a situation could generate forms of exploitation and bias. Federalism, which means national autonomy, is the most effective manner in which the interests of the international and local can be reconciled.

In conclusion, Hayek has provided some important arguments against socialism. However, we would suggest that the emphasis of his criticisms is against a bureaucratic type of socialism rather than the genuine and democratic article. But his views on planning and its supposed relation to coercion have to be taken seriously and an alternative provided. Hence the standpoint of socialism can only benefit by a critique of the views of Hayek.

FOOTNOTES:

(1)F.A. Hayek: The Road to Serfdom, Routledge reprint London 2001

(2) ibid p4

(3) ibid p11

(4) ibid p13

(5) ibid p20

(6) ibid p27

(7) ibid p36

(8) ibid p37

(9) ibid p42

(10) ibid p43

(11) ibid p45-46

(12) ibid p50

(13) ibid p52

(14) ibid p64

(15) ibid p62-63

(16) ibid p73

(17) ibid p74

(18) ibid p74

(19) ibid p95

(20) ibid p96

(21) ibid p96

(22) ibid p97

(23) ibid p108

(24) ibid p110

(25) ibid p111-112

(26) ibid p115

(27) ibid p134

(28) ibid p137

(29) ibid p149

(30) ibid p169-170

(31) ibid p193-194

(32) ibid p203

(33) ibid p204-205

(34) ibid p205

(35) ibid p210

(36) ibid p216

(37) ibid p229

(38) ibid p231

(39) ibid p237