

Socialism after Hayek by Theodore A. Burczak
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The opening chapter of the book outlines Hayek's economic and social theory in what Burczak defines as an "applied epistemological postmodernism (p. 1)." Central to Hayek's postmodern economics is the human/economic problem or what is later defined, and used throughout the book as the *knowledge problem*. The knowledge problem deals with the coordination and action of economic actors and becomes one of the central themes of the book. For Hayek individuals lack all the information that is necessary to coordinate economic activities. Individuals are filled with limited and mostly erroneous knowledge. Because of this it then becomes impossible for centrally planned economies to collect, much less filter all the knowledge that goes into answering questions of production and distribution. Therefore Hayek defends free market capitalism, and suggests that the market is clearly the most efficient device to coordinate economic activities.

If Hayek is correct this puts a wrench in classical socialist theory. For socialists, capitalism is an exploitive process and should be replaced with national planning and public ownership. This would then lead to conditions that create widespread freedom and the end to exploitation especially in the labor market. Marx believes that it is the development and socialization of the production process, and the workers within that process, that then allows for the integration of formally dispersed knowledge into the economy. This then solves Hayek's knowledge problem. However Burczak cites Sciabarra, who states the above claim is Marx's "synoptic delusion". Sciabarra claims that it is nonsensical to assume that somehow the socialist goals of a fair distribution of economic resources and the end of exploitation of labor can be achieved through the development of some great new society, namely some form of socialism or communism. Instead Sciabarra favors Hayek's claim that free-market capitalism, over centrally planned socialism, is the best method to achieve social justice, because it avoids the "synoptic delusion", whereas Marx and his followers do not (pp. 1 – 7).

So the central question for Burczak, given these arguments, is there any form of socialism that can answer to this critique, can there be socialism after Hayek? For Burczak, his answer is yes. Burczak then goes on to illustrate how a post-Hayekian, postmodern socialism, which supports both markets and governmental control, is the answer to the aforementioned questions.

To achieve this Burczak first cites Hodgson, who lays out the fundamental challenge to socialist theory. Hodgson's argument is that for socialism to survive it must get rid of its fear of markets (p. 12). This is a claim that Burczak identifies with. Burczak states that "an appreciation of Hayek's epistemological postmodernism and its relationship to the Austrian theory of the market process can help postmodern Marxists to overcome any residual market phobia ... Post Hayekian socialism must inevitably be market socialism" (p. 13).

Burczak, in Chapter 2 discusses the theory of Hayek's economics; specifically he addresses Hayek's postmodern economics in fuller detail. Burczak stresses that for Hayek, human action cannot simply be reduced to the individual. Human action is rather the interplay between individuals and society, and that true individualism is simply an understanding of the determinants of the social life of man. Therefore Burczak points out that Hayek does not believe that all human action is reductionist, as in the neoclassical framework, and states that this is one of Hayek's principles that are often missed by both neoclassical and socialist economist.

He further goes onto discussing what constitutes human action. A core principle that is discussed in this chapter, which is further emphasized in later chapters, is Hayek's belief that human knowledge is limited, and is not objective. This is then used as one of the fundamental reasons why a central planned economy can never work, favoring the market. Hayek describes the market as a discovery process, favorable to freedom, and enhances exploration, and creativity (p. 26). Perhaps most importantly markets are the best system to take advantage of the dispersed and subjective knowledge of economic actors.

Chapter 2 ends and Chapter 3 begins with Hayek's notion of the "common good". Burczak cites Buchanan and Vandberg that the market is not a mechanism for achieving the common good and that there is no place in the theory of markets for distributive justice, a principle that socialists hold deeply. Hayek defines distributive justice in the fairness of the rules that regulate market activities, (p.37) this leaves much to be desired. Furthermore Burczak states that Hayek provides a thin theory of the common good. Hayek's *thin theory* goes against the fuller socialist theory of social justice; more so than just the fairness in regulating market activities, a more comprehensive social justice theory must also include equitable outcomes. Chapter 3 "Hayek's Theory of the Common Good: *Social, Evolution, Law and Justice*" bridges the gap between social evolution, procedural justice and Hayek's postmodern individualism (p. 37). This chapter is *the* chapter which fully lay out Hayek's theories. The goal, as Burczak

states of this chapter is to address the rule of law as the only practical mechanism for regulating market activities. To do this he addresses Hayek's spontaneous order, which Hayek used to describe social institutions. Social institutions are the result of social evolution, rather than the deliberate result of humans. Hayek (1973 p. 43) in Burczak states "...the formation of spontaneous orders is the result of their elements following certain rules in their responses to their immediate environment (p. 40)." Interestingly Hayek gives a very institutionalist perspective when defining spontaneous orders, which Burczak states include markets, money, and common law.

Burczak continues in this chapter to discuss that the rule of law is a necessary component to any capitalist system. It is the rule of law that answers the questions to the rules that guide the market. Furthermore the legal system itself is a *spontaneous* evolutionary process, so it then becomes impossible to separate the institution of the legal system with the market process, for it is the legal system that gives the market process its boundaries. Therefore rules, laws, and institutions that enforce these become necessary within the market process, i.e. allow "spontaneous orders to form" (p. 45).

The other interesting points to take out of this chapter is that Hayek does allow for government intervention, when common law alone fails, however he is against the use of government as a way of advocating distributive justice. Simply because it is impossible, under a Hayekian framework, to identify what is fair policies for all. Therefore Hayek, as warned in *The Road to Serfdom* is adamantly opposed to goal-oriented governmental policy. Burczak states that Hayek considers the need for social justice a "mirage" (pp. 54 – 55).

The next two chapters refute Hayek's claims that are presented in chapter 3. Burczak does a nice job explaining in great detail the non-neutrality of the law, and of the legal system itself, which calls into question Hayek's notion that the market cannot be independently defined outside the context of the legal institutions that regulate it. Burczak challenges this contention, citing the work of Frank, and Llewellyn. In which laws are actually indeterminate and unpredictable. The enforcers of those laws are the judges, and judges rulings are based on the interpretation of the laws, and of past judgments. In which case it becomes hard to determine judges' decisions simply based on prior decisions and existing laws. Therefore the conclusion that Burczak makes here is that... "There is no reason to believe that judicial decisions must reflect the customs regulating behavior or an articulate sense of justice, as Hayek proposes. A

common law system thus may not necessarily fulfill the requirements of objectivity and neutrality that Hayek believes the rule of law ensures (p. 64).”

Burczak further continues citing the importance of the credit rationing process, and the inequality caused by it. If one looks at the credit rationing models, it becomes clear that the poor are less likely to have credit made available to them than the upper classes. Therefore free markets, when analyzed through this lens, does discriminate, and he discusses the work of Stiglitz and Weiss to illustrate this point. As Burczak correctly points out “It takes money to make money (p. 68).”

Finally the chapter concludes with a discussion of democracy and the common good. As was seen in earlier chapters it is common law that ensures individual freedom. However as was pointed out, this argument is internally inconsistent because the enforcement of laws are based on the subjective decision making of judges, which Burczak states, citing Christensen (1990) that there is no “discovery process” that does into the process that would ensure efficient decisions (p. 79). Furthermore Burczak cites the work of Gus diZerega in which he states that the common good can not be found through the market process alone (p. 80). Instead, Burczak calls for the common good to be a goal. One in which a centralized, democratic policymaking should be implemented. Such a system would allow for the possibility of procedural and distributive justice (p. 81).

The second half of the book essentially illustrates the socialist critique to Hayek’s knowledge problem and expands on the theory and the necessity for distributive justice. One of the goals that is introduced in Chapter 5 is to determine what social justice procedures should be implemented in order to determine the “welfare-enhancing distribution of property rights (p. 82)” Burczak suggests that Nussbaum and Sen’s capability theory meets Hayek’s criticisms of social justice, and provides an outline of the capability theory. Burczak then shows how this capabilities approach promotes individual freedom, and can be used as a means for providing an answer for Hayek’s knowledge problem. However Hayek’s knowledge problem suggests that there are limitations to the knowledge that a governmental body can process. Burczak suggests, that even given these limitations, one should not overlook the potential benefits that a capabilities approach may bring into being, contending that markets are still relevant within a capabilities approach. However he advocates a market system that is embodied in the

framework of an institution (p. 97) that creates a setting for the thriving of all human, so as what Nussbaum refers to as an “institutional welfarism”.

Chapter 6 continues along these same lines. Here Burczak cites Ellerman’s labor theory of property as well as his theory of justice, in which Ellerman calls for the abolition of capitalist private property versus all private property. By capitalist private property Ellerman is referring to “...the ability of the owner of the means of production to appropriate the entire output of an enterprise that employs wage labor (p. 101)” and is an advocate for “...democratic, labor managed workplaces in a market economy...(p. 102).”

Burczak describes Resnick and Wolff’s analysis of Marxism in this chapter, in which simply socializing the means of production does not necessarily end the exploitation of capitalism. Burczak calls for a blend of Ellerman’s labor theory of property, Nussbaum and Sen’s capability theory, and Resnick and Wolff’s theories of Marxism as a prescription to counteract Hayek’s notion of capitalist justice.

The following two chapters conclude with an outline of postmodern Marxism, or market socialism, which calls for labor appropriation in democratic, self managed firms. This would achieve “socialist appropriative justice (p. 138).” He also advocates the inclusion of the capability theory of justice, one in which supports both markets and the inclusion of government. Burczak does a nice job in repudiating the fear that some socialists may have with the inclusion of markets in a post-Hayekian socialist theory. In fact, he demonstrates, how the inclusion of markets does not destroy the theory, rather he demonstrates why markets are necessary to achieve socialist objectives.

After one reads Burczak’s book, whether they view themselves as a socialist or capitalist, would find it hard pressed to disagree with his conclusions. All of his arguments are well organized and thoroughly laid out, in this short yet comprehensive text. He does an excellent job at analyzing both socialist and capitalist theory to come to his conclusions. Burczak’s book does a fine job to show how there could be socialism after Hayek.

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