Hayek, Deflation and Nihilism: A Popperian Postscript

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In my previous post about Hayek's support for deflationary monetary policy in the early 1930s, I wrote that Hayek's support for deflation in the hope that it would break rigidities (he thought) were blocking the relative-price adjustments whereby self-correcting market forces would induce a spontaneous recovery from the Great Depression reminded me of the epigram attributed to Lenin: "you can't make an omelet without breaking eggs." I actually believed that that was a line that I had seen Karl Popper use somewhere. But in searching unsuccessfully for that quotation in Popper, I did find the following passage in Popper's autobiography (*Unended Quest*), which seems to me to be worth reproducing. Popper describes the circumstances that led him while still a teenager to renounce his youthful Marxism.

The incident that turned me against communism, and that soon led me away from Marxism altogether, was one of the most important incidents in my life. It happened shortly before my seventeenth birthday. In Vienna, shooting broke out during a demonstration by unarmed young socialists who, instigated by the communists, tried to help some communists to escape who were under arrest in the central police station in Vienna. Several young socialist and communist workers were killed. I was horrified and shocked by the brutality of the police, but also by myself. For I felt that as a Marxist I bore part of the responsibility for the tragedy – at least in principle. Marxist theory demands that the class struggle be intensified, in order to speed up the coming of socialism. Its thesis is that although the revolution may claim some victims, capitalism is claiming more victims than the whole socialist revolution.

That was the Marxist theory – part of so-called "scientific socialism". I now asked myself whether such a calculation could ever be supported by "science". The whole experience, and especially this question, produced in me a life-long revulsion of feeling.

Communism is a creed which promises to bring about a better world. It claims to be based on knowledge: knowledge of the laws of historical development. I still hoped for a better world, a less violent and more just world, but I questioned whether I really *knew* – whether what I thought was knowledge was perhaps not more than mere pretence. I had, of course, read some Marx and Engels – but had I really understood it? Had I examined it *critically*, as anybody should do before he accepts a creed which justifies its means by a somewhat distant end?

I was shocked to have to admit to myself that not only had I accepted a complex theory somewhat uncritically, but that I had also actually noticed quite a bit of what was wrong, in the theory as well as in the practice of communism. But I had repressed this – partly out of loyalty to my friends, partly out of loyalty to "the cause", and partly because there is a mechanism of getting oneself more and more deeply involved: once one has sacrificed one's intellectual conscience over a

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minor point one does not wish to give in too easily; one wishes to justify the self-sacrifice by convincing oneself of the fundamental goodness of the cause, which is seen to outweigh any little moral or intellectual compromise that may be required. With every such moral or intellectual sacrifice one gets more deeply involved. One becomes ready to back one's moral or intellectual investments in the cause with further investments. It is like being eager to throw good money after bad.

I saw how this mechanism had been working in my case, and I was horrified. I also saw it at work in others, especially my communist friends. And the experience enabled me to understand later many things which otherwise I would not have understood.

I had accepted a dangerous creed uncritically, dogmatically. The reaction made me first a sceptic; then it led me, though only for a very short time, to react against all rationalism. (As I found later, this is a typical reaction of a disappointed Marxist.)

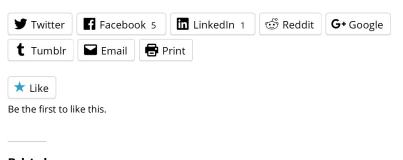
By the time I was seventeen I had become an anti-Marxist. I realized the dogmatic character of the creed, and its incredible intellectual arrogance. It was a terrible thing to arrogate to oneself a kind of knowledge which made it a duty to risk the lives of other people for an uncritically accepted dogma or for a dream which might turn out not to be realizable. (pp. 32-34)

Popper's description of the process whereby emotional investment in a futile, but seemingly noble, cause leads to moral self-corruption is both chilling and frighteningly familiar to anyone paying attention to the news.

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ambsanger

July 25, 2017 at 1:26 pm



To be fair, Popper's own interpretation of "scientific socialism" as dogma (although almost almost all hardcore communists I know of today fit his critique well and should humble themselves and possibly, idk, just grow up) I feel isn't as emotionally driven in this way when you take into account many economists historical positions.

A good example of this is Rudolf Hilferding and Alois Schumpeter (the Marxist theorist being influential as a teacher to the more well known Schumpeter). Where socialism seemed inevitable at the time because of empirical studies done on M&A and the degree of monopoly power of firms in Austria in the begining of the 20th century. A lot of this evidence made it seem that socialism was coming because increasing oligopoly was seen as only rooting out more and more competition. Hilferding's assumptions of a positive correlation between the size of finance and DOMP seemed to be somewhat empirical in the same way that Mises saw hyperinflation and government overreach as a real phenomena and not so much an "uncritical assessment" albeit it may seem that way in retrospect.

ambsanger

July 25, 2017 at 1:32 pm



Although I don't think Hayek fits the above characterization because as you wrote both Willhelm Ropke and Gotfried Habler made good cases for monetary stimulus and Hayek was probably aware of these arguments. I just want to put

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it out there that it might just be plain bad theory sometimes.	
ambsanger July 25, 2017 at 1:43 pm	~~
I guess these comments were completely off topic, my bad Mr. Glasner.	
Fom Brown August 2, 2017 at 10:11 am	
Very interesting David. Thanks.	
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