



# MARTIN-LUTHER-UNIVERSITY HALLE-WITTENBERG

Faculty of Law and Economic Sciences  
Chair of Economic Ethics  
Prof. Dr. Ingo Pies

## Ethics and Economics of Institutional Governance

*Lecture 6*  
*Winter Term 2025/26*

# Overview

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## *Ethics and Economics of Institutional Governance: 14 Lectures (L)*



Introduction (L 1)

1. The Ordonomic Approach (L 2 + 3)
2. The Social Structure of Modern Society (L 4 + 5)
3. The Semantics of Modern Society (L 6)
4. Social Learning Processes for the Reciprocal Adaptation of Social Structure and Semantics (L 7 + 8 + 9)
5. Case Study on Climate Policy (L 10 + 11)
6. Applications: The Ordonomic Line of Argumentation (L 12 + 13)

Summary and Outlook (L 14)



# What have we learned?

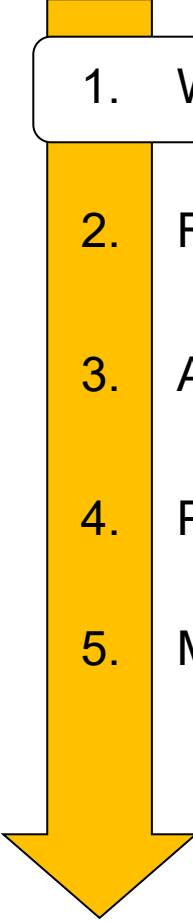
*The most important lessons of the fifth lecture are:*

- The state assumes legal, economic, social and environmental responsibilities. It is about overcoming, establishing and overcoming social dilemmas (internal and external peace, prohibition of cartels, social welfare and environmental protection).
- The political order relies not only on the majority principle in general elections with universal suffrage, but on competition between the parties, on constitutional and administrative law, and on the critical public in order to solve political principal-agent problems.
- The capitalist enterprise is designed for an infinite time horizon and is subject – via competition – to the system imperative of having to pursue asset maximization (vulgo: profit maximization). The decision-making rights lie with the owners of equity, because they are the only ones who want and can enforce the societal interest in efficient production and dynamic innovation.
- The civil society Not-for-profit-organization also maximizes profits, but is limited in the use of profits. Ultimately, this serves to prevent the misuse of resources. Donors should be able to trust that their donations will be used as intended for moral causes.
- Bureaucrats, parties, states, companies and CSOs can find themselves in social dilemmas. That is why modern (world) society needs an appropriate framework for competition to be at the service of cooperation.



# Structure of Today's Lecture

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- 
1. Why is semantics important?
  2. Rational irrationality
  3. A thought experiment on the functionality of semantics
  4. Political semantics
  5. Material for reading Hayek



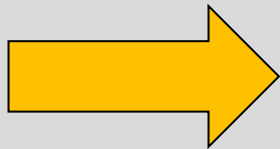
# Social Structure and Semantics

*Social structure is important because it sets the incentives that determine behaviour (rules of action). But semantics is also important. For it determines the order of thought.*

*Definition: Semantics = the (particularly normative) concepts of our societal communication and the underlying categories of thought.*

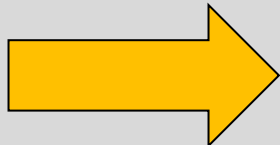
There are two paradigms for diagnosing political problems in democracy:

- a) Problems result from too much room for manoeuvre on the part of the agents, who can impose their self-interest on the principals. (Politicians and bureaucrats do what they want, but not what is in the interests of the citizens.)



Problem of **Social Structure**: Governance

- b) Problems result from the fact that the agents (must) do exactly what the principals demand, but the wishes of the principals are distorted by errors. (Politicians and bureaucrats meet the expectations of citizens and thereby violate the common good.)



Problem of **Semantics**: Enlightenment



# How does Democratic Politics Work?

Caplan and Stringham assign the first paradigm to the Public Choice School. The second paradigm they associate with the names Mises and Bastiat.

Bryan Caplan



<https://goo.gl/KWGWjm>

Edward Stringham



<https://goo.gl/KA3MKE>

*„While traditional public choice generally maintains that democracy fails because voters’ views are rational but ignored, the Mises–Bastiat view is that democracy fails because voters’ views are irrational but heeded.“*

Caplan und Stringham (2005; p. 79, emphasis in original.)

„Both the Mises–Bastiat view and the standard public choice view reach relatively negative conclusions about democracy. But the two positions appeal to contradictory mechanisms. In the usual public choice view, the problem with democracy is that the voters are right, but ignored. In the Mises–Bastiat view, the problem with democracy is that the voters are wrong, but heeded.“

Caplan und Stringham (2005; p. 80)



# Semantics is Important (I)

*Caplan and Stringham characterize the Mises perspective as follows:*

Bryan Caplan



<https://goo.gl/kWGWjm>

Edward Stringham



<https://goo.gl/KA3MKE>

„In Mises’ view, ... economic education can move mountains. Changing public opinion in the right ways is virtually a sufficient condition for stopping socialism and even reviving laissez-faire“.

Caplan und Stringham (2005; p. 85)

Citation:

„If public opinion is ultimately responsible for the structure of government, it is also the agency that determines whether there is freedom or bondage. There is virtually only one factor that has the power to make people unfree—tyrannical public opinion. The struggle for freedom is ultimately not resistance to autocrats or oligarchs but resistance to the despotism of public opinion. It is not the struggle of the many against the few but of minorities—sometimes of a minority of but one man— against the majority. The worst and most dangerous form of absolutist rule is that of an intolerant majority. Such is the conclusion arrived at by Tocqueville and John Stuart Mill.“

Mises (1957, 2005) Theory and History, p. 44



## Semantics is Important (II)

*Caplan and Stringham characterize the Bastiat perspective as follows:*

Bryan Caplan



<https://goo.gl/kWGWjm>

„Special interests work through public opinion rather than against it. Interests do not persuade the legislator to harm his constituents; they convince the constituents to ask to be harmed“.

Caplan und Stringham (2005; p. 86)

Citation:

„Protectionism is too popular for its adherents to be regarded as insincere. If the majority had faith in free trade, we should have free trade. It is doubtless motives of self-interest that have been responsible for the imposition of tariffs, but only after having produced sincere conviction.“

Bastiat (2002) Economic Sophisms, p. 45)

Edward Stringham



<https://goo.gl/KA3MKE>





# The Role of Public Enlightenment

*Caplan and Stringham characterize the Bastiat perspective as follows:*

Bryan Caplan



<https://goo.gl/KWGWjm>

Edward Stringham



<https://goo.gl/KA3MKE>

„If the public exercised common-sense skepticism, lobbying for protectionism would be pointless. Indeed, interest groups’ tactics show how *little* autonomy politicians have vis-à-vis the electorate. They have no need to deceive the powerless. The key then for Bastiat is to educate the public of policies that would best serve their interests.“

Caplan und Stringham (2005; p. 86, emphasis in original)



# Similarly Milton Friedman

*Friedman attributes protectionism to citizens' (rational) ignorance:*

Milton Friedman  
(1912-2006)



[http://object.cato.org/sites/cato.org/files/images/image\\_friedman.gif](http://object.cato.org/sites/cato.org/files/images/image_friedman.gif)

„We do not have tariffs because they are in the self-interest of the public at large. We have tariffs because most members of the public are uninformed about the effect of tariffs on them.“

Friedman (1986; p. 4).



## Similarly Walter Eucken

*Eucken wrote a basic essay in 1932, in the final stages of the Weimar Republic. There he diagnoses that it is primarily semantic factors that cause the crisis. In particular, he explains spirals of intervention as a result of a failure of discourse.*



Walter Eucken  
(\* 1891; † 1950)

Eucken writes about contemporary ideologies:  
„These ideologies have ... a peculiar character. **They affirm and advocate movements that achieve exactly the opposite of what the ideologues hope of them.**“ (p. 319, emphasis in original).

His conclusion:

„This leads to a whole catalogue of errors“ (p. 320)

Concrete example:

„the extremely widespread mistake of not recognizing the undesirable consequences of interventionism as such, but of seeking the causes in the free play of market forces.“ (p. 321).

Walter Eucken (1932): Staatliche Strukturwandlungen und die Krisis des Kapitalismus, in: Weltwirtschaftliches Archiv 36, p. 297-321.



## Similarly Joseph A. Schumpeter (1883-1950)

*As early as 1942, Schumpeter pointed out that citizens have different incentives in private matters than in public affairs.*



In his view, the private citizen uses "less disciplined effort to master a political problem than to a bridge game." (p. 415)

He states that there is a reduced sense of reality and a reduced sense of responsibility in the political sphere. (p. 415)

Joseph Schumpeter (1942, 2005): Kapitalismus, Sozialismus, Demokratie, p. 415.

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# Structure of Today's Lecture

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1. Why is semantics important?

2. Rational Irrationality

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# A Model of Individual Demand for Irrationality

*Idea: Irrationality causes costs and benefits.*

Bryan Caplan



<http://thinkiea.com/wp-content/uploads/2016/05/caplan-2.jpg-003-2.jpg>

Edward Stringham



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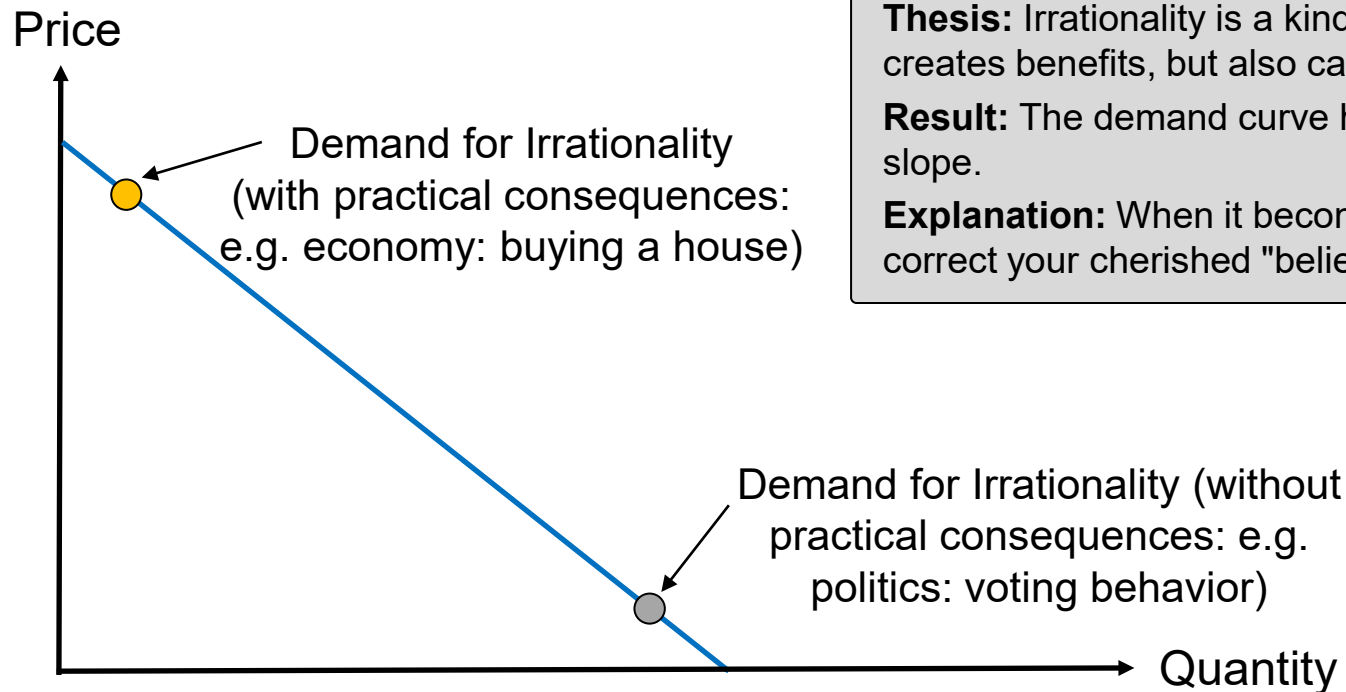
„[C]onceptualize actors as trading off between material wealth and cherished beliefs. More of one means less of the other. From here, it is easy to draw a ‘demand for irrationality’ curve, where the quantity of irrationality falls as its price in terms of material wealth rises (Figure 1). Thus, one can be rationally irrational, in the sense that consumption of irrationality responds to its implicit price in terms of real-world success.“

Caplan und Stringham (2005; p. 95)



# Theory of Rational Irrationality (I)

*It can be pleasant and consequently useful to fancy false views. Therefore, it depends on whether there are feedback mechanisms that make wrong views individually costly. Without feedback, there is a strong tendency towards rational ignorance.*



**Thesis:** Irrationality is a kind of "good". It creates benefits, but also cause costs.

**Result:** The demand curve has a negative slope.

**Explanation:** When it becomes costly, you correct your cherished "beliefs". If not, then not.

## Demand for Irrationality

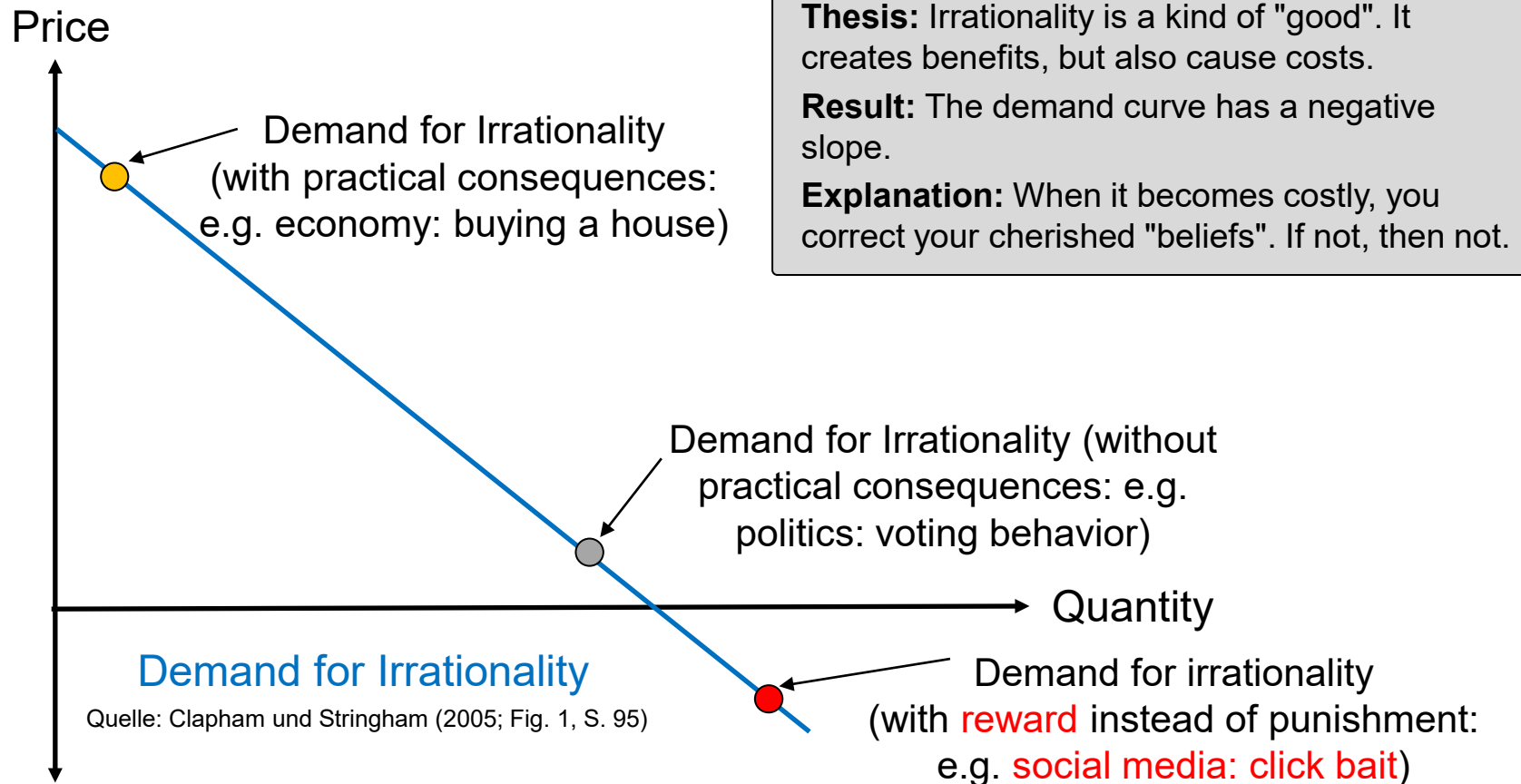
Quelle: Clapham und Stringham (2005; Fig. 1, S. 95)

Eigene Darstellung



# Theory of Rational Irrationality (II)

*What happens when irrationality is not punished, but rewarded? When there is not a negative, but a positive feedback loop? The economic answer is: increase in demand! Graphically, we are moving into the realm of **negative** prices and **increasing** irrationality.*



Eigene Darstellung

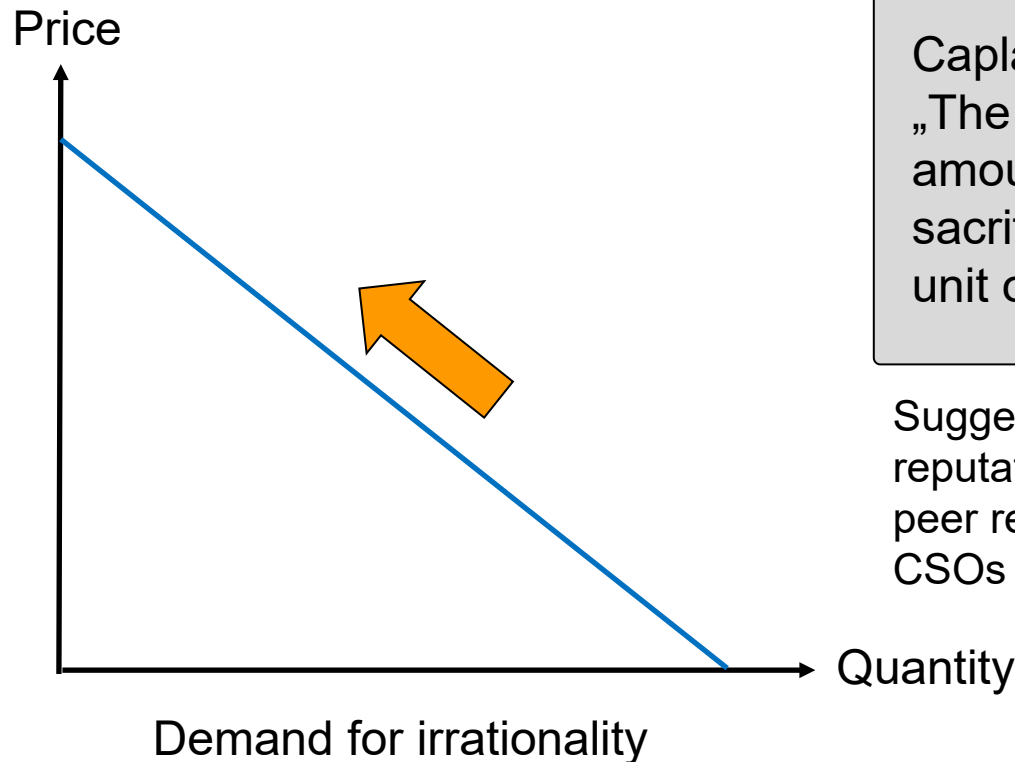




# Theory of Rational Irrationality (III)

*Empirical thesis: In different areas, the costs of irrationality vary.*

*Normative consideration: How can feedback be set up to make the costs more tangible individually?*



Caplan (2007; p. 123):  
„The »price of irrationality« is the amount of wealth an agent implicitly sacrifices by consuming another unit of irrationality.“

Suggestions for further thinking:  
reputation of media brands; scientific peer reviews; Liability rights for CSOs

Own presentation



# A Theory of Democracy Failure

*Idea: Democracy invites us to act out our demand for irrationality.*

Bryan Caplan



<http://thinkiea.com/wp-content/uploads/2016/05/caplan-2.jpg-003-2.jpg>

Edward Stringham



<https://www.depts.ttu.edu/provost/facultybios/2014/images/estringham.jpg>

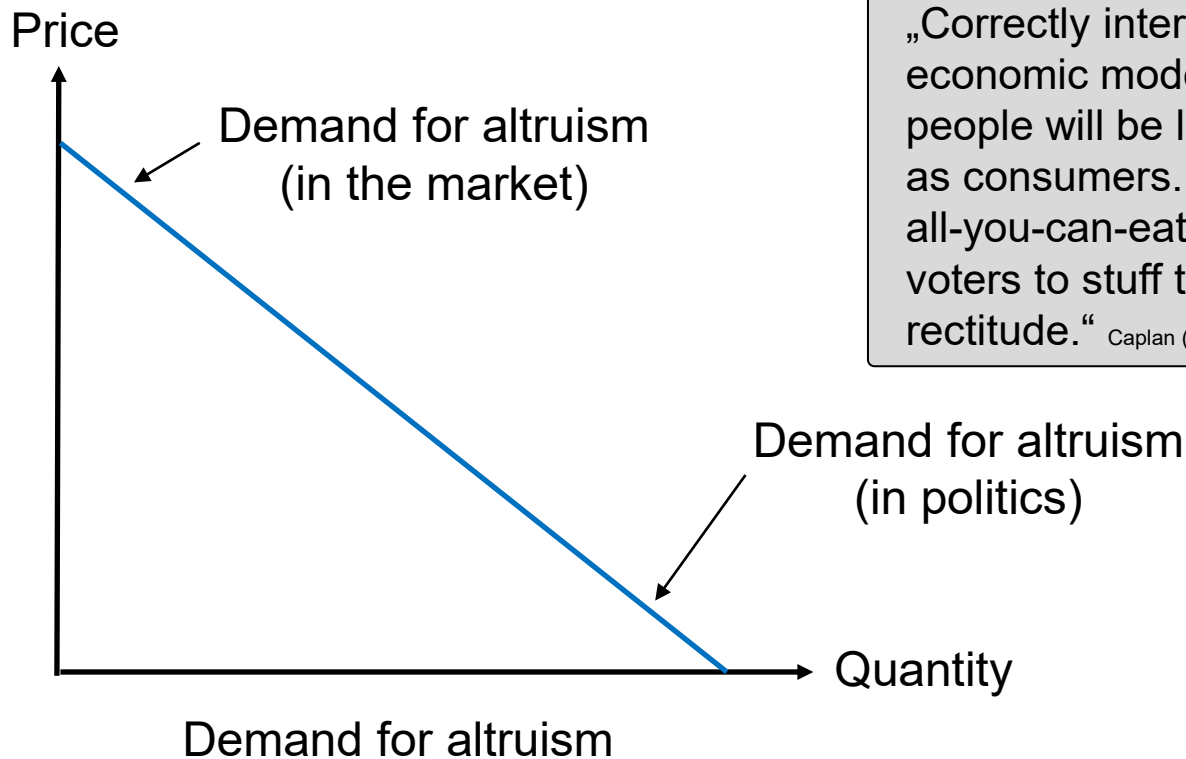
„[D]emocracy makes irrationality a free good. Like a diner at an all-you-can-eat buffet, the voter’s incentive is to ‘sate’ his desire for irrational beliefs – to embrace whatever crazy policies appeal to him, no matter how deadly they would be in practice.“

Caplan und Stringham (2005; p. 95)



## Digression: Altruism in Markets and Politics

*Bryan Caplan wrote an important book in 2007: **The Myth of the Rational Voter**. There, he argues that the low probability of deciding the election with one's own vote seriously distorts the cost of one's own decision. This makes it understandable why, for example, the rich publicly advocate tax increases.*



„Correctly interpreted, the simple economic model *specifically predicts* that people will be less selfish as voters than as consumers. Indeed, like diners at an all-you-can-eat buffet, we should expect voters to stuff themselves with moral rectitude.“ Caplan (2007; p. 151, emphasis in original)

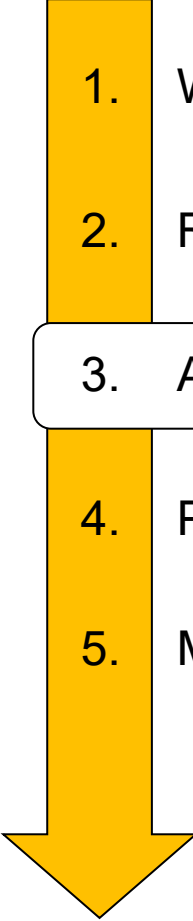
Quelle: Caplan (2007; Fig. 6.3, p. 151,) : The Myth of the Rational Voter

Own presentation



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# Thought Experiment

*Please think about the period before the outbreak of the Corona crisis. Imagine you get a visit from a Martian. He introduces himself as an extraterrestrial cultural anthropologist who wants to get to know Germany. So you take him to the stadium to experience a Bundesliga match live.*



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At half-time, your new acquaintance is **extremely outraged**. He has recognized several **injustices**:

- The outfield players run and run until they are blue in the face. The goalkeeper usually stands around.
- The goalkeeper is boss in the penalty area and commands the defence.
- The goalkeeper is privileged. He has his own protection zone (5-meter-space).
- The goalkeeper is allowed to take the ball in his hand and even wear gloves.



# Equality: Goal or Means?

*A football match is based on work-sharing specialization within (cooperation) teams that compete with each other. The allocation of outfield players and goalkeepers is decided by self-selection.*



Objective:  
no discrimination,  
no privilege,  
no arbitrary discrimination

Means:  
"equalization" would prevent work-sharing specialization and would be dysfunctional. The game would lose its social meaning.

The social meaning of the football game only unfolds if the rules for the goalkeeper are completely different from those for the outfield players.  
Punch line: It is **not** unfair to treat unequal things unequally!



# Equality Semantics

*In modern society, one must learn to deal with equality semantics in a differentiated way. As a general rule, equals should not be treated unequally. But apart from that, three very different cases are possible. Particularly interesting is Quadrant I, which provides for treating the unequal equally.*



	Treat unequally	Treat the same
Unequals	<b>IV</b> Goalkeeper versus outfield players	<b>I</b> Equality before the law
Equals	<b>III</b> ?	<b>II</b> Prohibition of discrimination

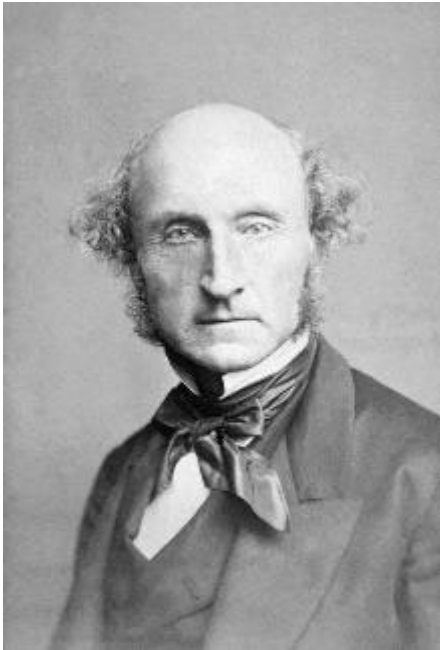
We must pay attention to whether the normative semantics are appropriate to the problem of social structure to be solved: does it fit the game? Or would it lead to a “disimprovement”?



# John Stuart Mill (\* 1806; † 1873) on Moral Progress

Mill (1861, 1969): *Utilitarianism*, in: *Collected Works*, Band 10, London: Routledge & Kegan Paul, S. 203-259. *Emphasis in bold by IP.*

John Stuart Mill



<http://images.fineartamerica.com/images-medium-large/john-stuart-mill-1806-1873-everett.jpg>

„All persons are deemed to have a *right* to equality of treatment, **except** when some recognised social expediency requires the reverse. And hence all social inequalities which have ceased to be considered expedient, assume the character not of simple inexpediency, but of **injustice**, and appear so tyrannical, that people are apt to wonder how they ever could have been tolerated; forgetful that they themselves perhaps tolerate other inequalities under an equally mistaken notion of expediency, the correction of which would make that which they approve seem quite as monstrous as what they have at last learnt to condemn. **The entire history of social improvement has been a series of transitions**, by which one custom or institution after another, from being a supposed primary necessity of social existence, has passed into the rank of an universally stigmatized injustice and tyranny. **So it has been with the distinctions of slaves and freemen, nobles and serfs, patricians and plebeians; and so it will be, and in part already is, with the aristocracies of colour, race, and sex.**“

(CW X, S. 258 f.)





# Important Lesson

*We must pay attention to the functionality of semantics. For example:*

- Ideas in business ethics – for example on profit orientation or the company's stakeholder orientation – must be able to withstand the countercheck of economic system analysis: Would they make the market economy work better or worse?
- The moral concern to improve the status of disadvantaged groups must be in accordance with the judicial compatibility test: is it compatible with the prohibition of discrimination – the principle of equal treatment?
- The notions of equality must be able to withstand the countercheck whether they make it easier or more difficult for society to use processes of competition, together with their static and dynamic incentive effects, for better implementing moral desiderata.

Normativity is not an end in itself, but must in turn be based on expediency.  
That is why the test question is this: Is a concrete semantics suitable or unsuitable to functionally guide societal learning processes?



# Structure of Today's Lecture

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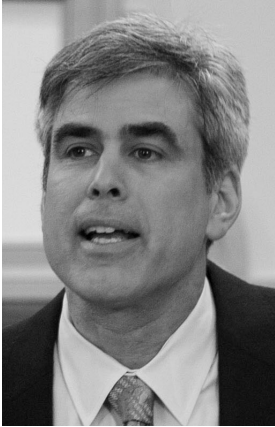
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# Semantics: Morality and Politics

*Haidt and Graham (2007) identify 5 moral categories that underlie political camp formation.*

Jonathan Haidt



[http://upload.wikimedia.org/wikipedia/commons/c/ca/Jonathan\\_Haidt\\_2012\\_03.jpg](http://upload.wikimedia.org/wikipedia/commons/c/ca/Jonathan_Haidt_2012_03.jpg)

„We present theoretical and empirical reasons for believing that there are five psychological systems that provide the foundations for the world’s many moralities. The five foundations are psychological preparations for detecting and reacting emotionally to issues related to harm/care, fairness/reciprocity, ingroup/loyalty, authority/respect, and purity/sanctity. Political liberals have moral intuitions primarily based upon the first two foundations, and therefore misunderstand the moral motivations of political conservatives, who generally rely upon all five foundations.“

Haidt and Graham (2007; p. 98, in original emphasized)

Jesse Graham



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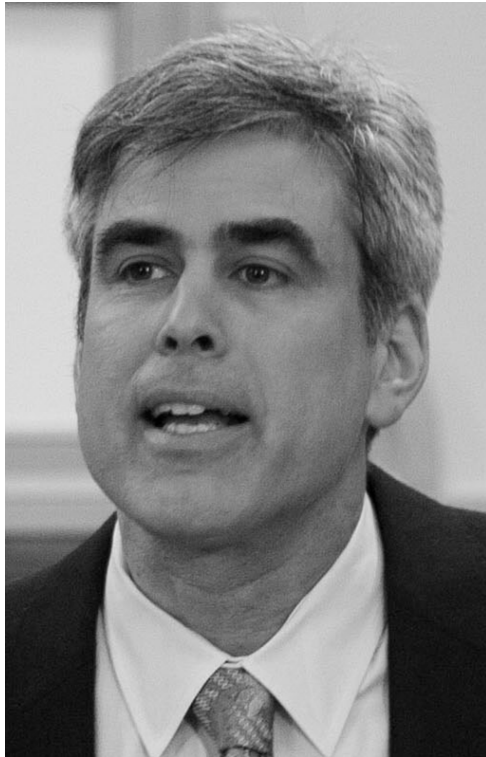
## Haidt (2012; Fig. 6.2, p. 146)

<b>Foundation:</b>	<b>Care/ harm</b>	<b>Fairness/ cheating</b>	<b>Loyalty/ betrayal</b>	<b>Authority/ subversion</b>	<b>Sanctity/ degradation</b>
<b>Adaptive challenge</b>	Protect and care for children	Reap benefits of two-way partnerships	Form cohesive coalitions	Forge beneficial relationships within hierarchies	Avoid communicable diseases
<b>Original triggers</b>	Suffering, distress, or neediness expressed by one's child	Cheating, cooperation, deception	Threat or challenge to group	Signs of high and low rank	Waste products, diseased people
<b>Current triggers</b>	Baby seals, cute cartoon characters	Marital fidelity, broken vending machines	Sports teams, nations	Bosses, respected professionals	Immigration, deviant sexuality
<b>Characteristic emotions</b>	Compassion for victim; anger at perpetrator	anger, gratitude, guilt	Group pride, rage at traitors	Respect, fear	Disgust
<b>Relevant virtues</b>	Caring, kindness	Fairness, justice, trustworthiness	Loyalty, patriotism, self-sacrifice	Obedience, deference	Temperance, chastity, piety, cleanliness



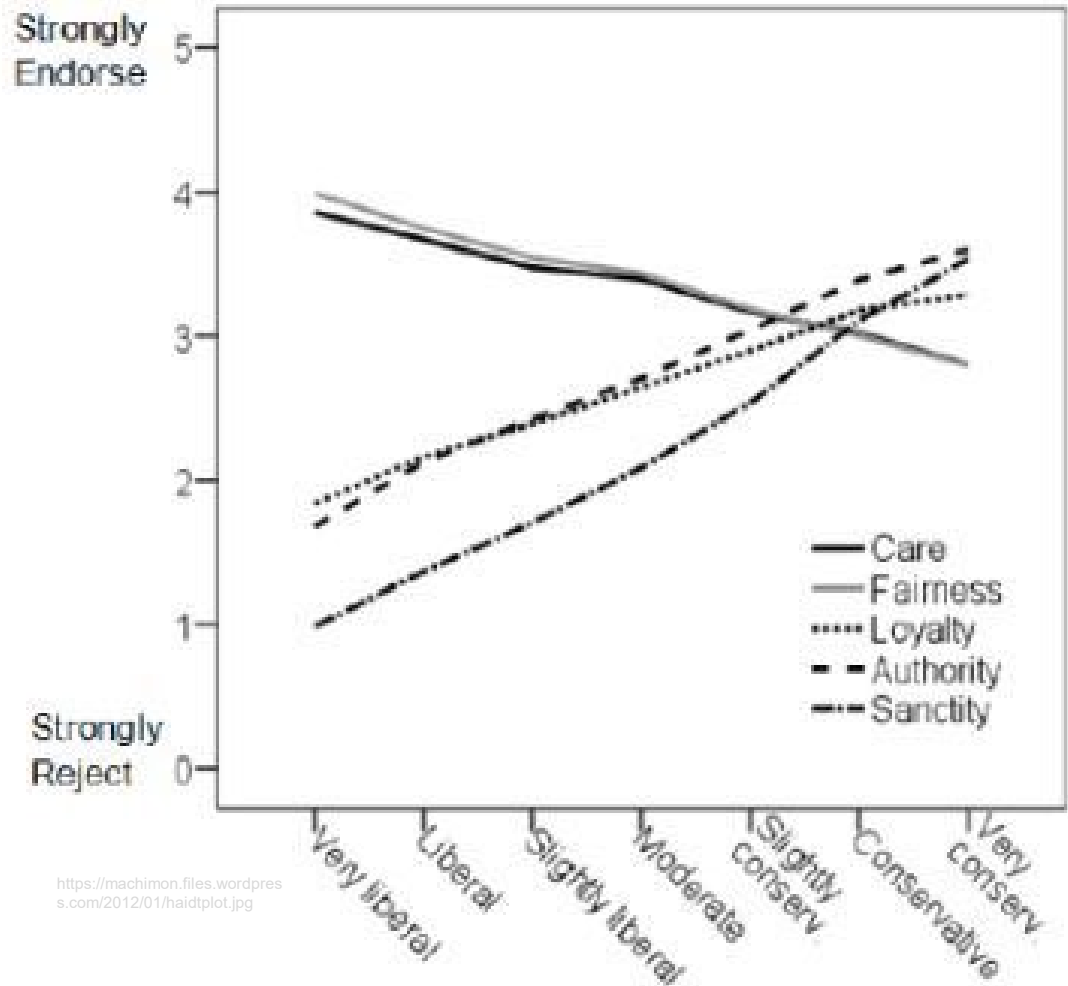
# Jonathan Haidt: The Political Spectrum

*Jonathan Haidt (2012; Fig. 8.2, p. 187): Left and right have different moral priorities.*



[http://upload.wikimedia.org/wikipedia/commons/c/ca/Jonathan\\_Haidt\\_2012\\_03.jpg](http://upload.wikimedia.org/wikipedia/commons/c/ca/Jonathan_Haidt_2012_03.jpg)

*Jonathan Haidt*



# Moral Foundations: Expansion from 5 to 6 Categories

## The 6 Moral Foundations

Care / Harm

Fairness / Cheating

Liberty / Oppression

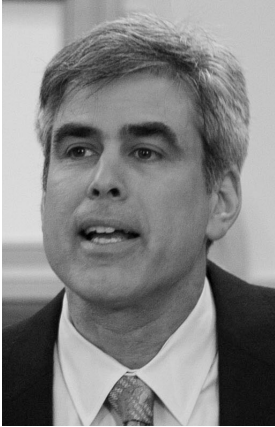
Loyalty / Betrayal

Authority / Subversion

Sanctity / Degradation

Haidt & Graham (2007)

*Jonathan Haidt*



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*Jesse Graham*

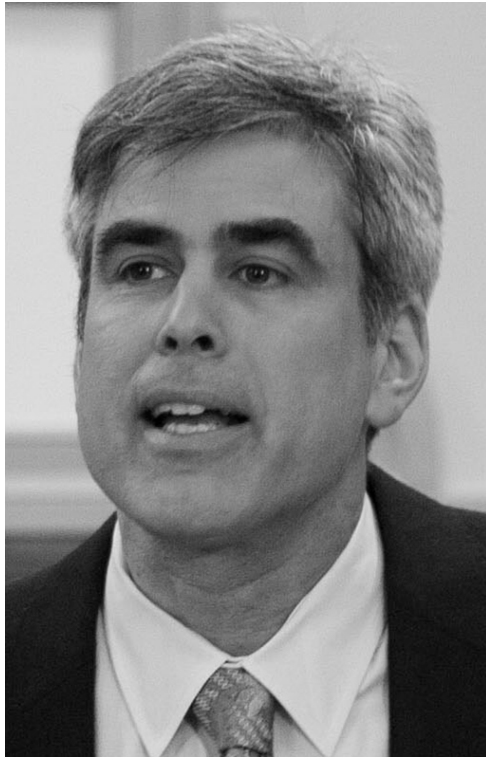


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# USA: The Moral Matrix of the American Right

Jonathan Haidt (2012; Fig. 12.4, p. 357): 6 categories (additional: Liberty / Oppression)  
Among the Conservatives, all six categories are equally strong.



[http://upload.wikimedia.org/wikipedia/commons/c/ca/Jonathan\\_Haidt\\_2012\\_03.jpg](http://upload.wikimedia.org/wikipedia/commons/c/ca/Jonathan_Haidt_2012_03.jpg)

Jonathan Haidt

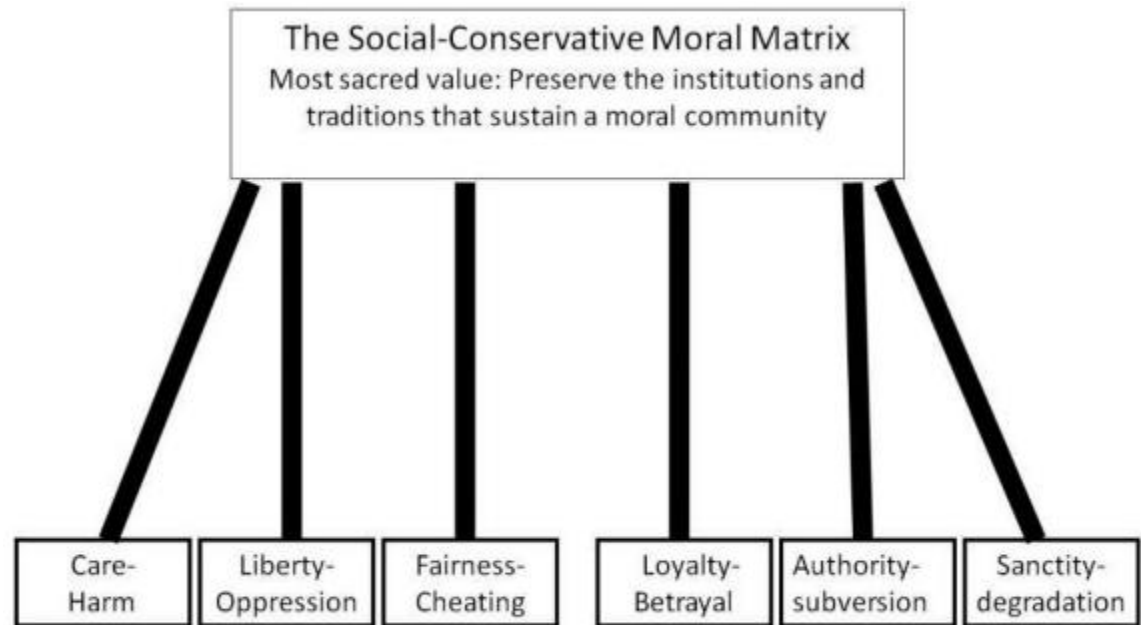


Figure 12.4. *The social conservative moral matrix.*

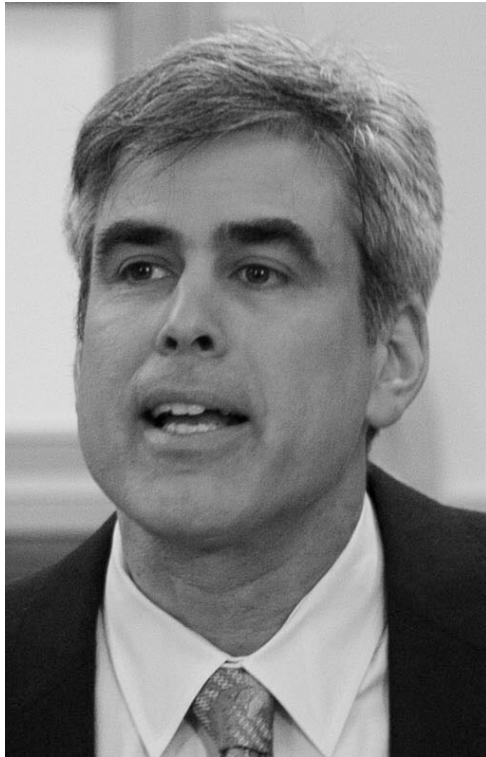
<https://theindependentwhig.files.wordpress.com/2015/03/the-conservative-moral-matrix1.jpg>





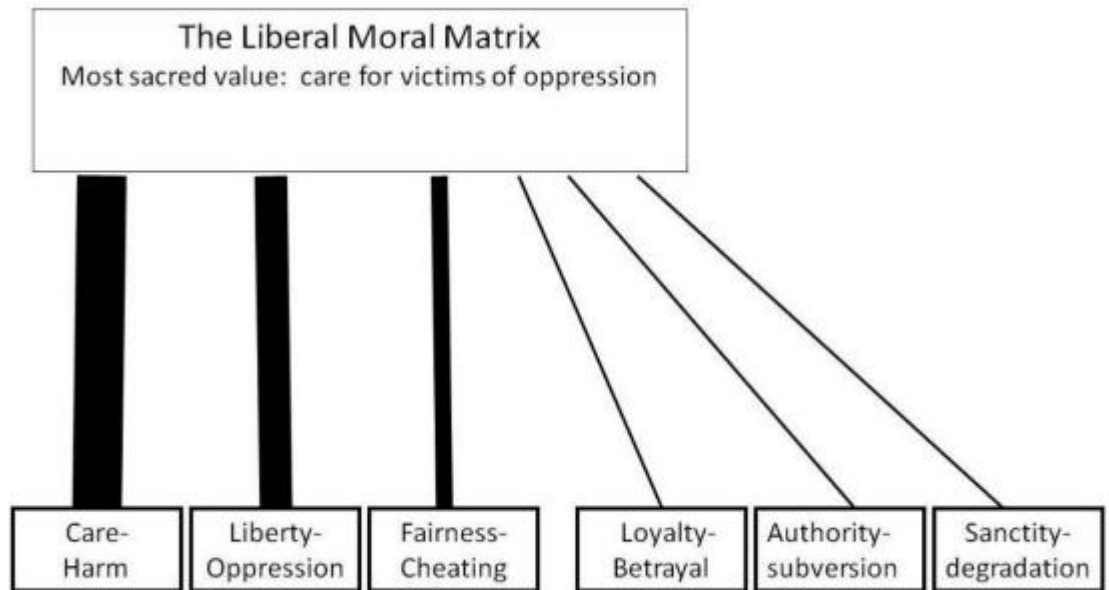
# USA: The Moral Matrix of the American Left

*Jonathan Haidt (2012; Fig. 12.3, p. 352): 6 categories (additional: Liberty / Oppression)  
Among progressives, only the first two categories are strong. The last three play almost no role.*



[http://upload.wikimedia.org/wikipedia/commons/c/ca/Jonathan\\_Haidt\\_2012\\_03.jpg](http://upload.wikimedia.org/wikipedia/commons/c/ca/Jonathan_Haidt_2012_03.jpg)

*Jonathan Haidt*



*Figure 12.2. The moral matrix of American liberals.*

<https://theindependentwhig.files.wordpress.com/2015/03/the-liberal-moral-matrix1.jpg>





# Key Conclusions: Asymmetry and Tribalism

*Two hypotheses: (a) Those on the right of the political spectrum can well understand left-wing citizens, because values are shared. On the other hand, it is difficult for the left to perceive right-wing citizens as morally motivated because they do not share their values. (b) Both camps may be prone to tribalization.*

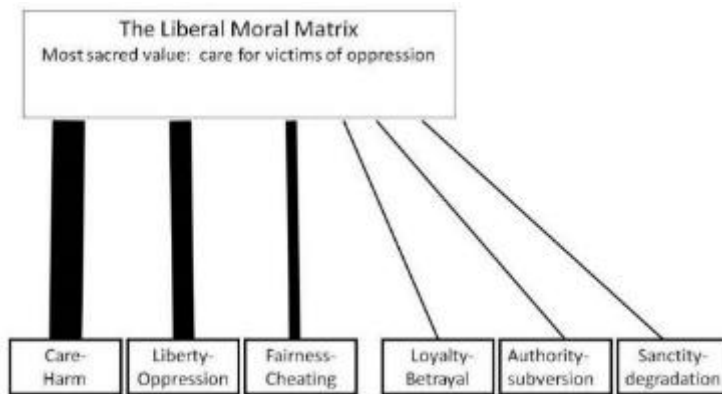


Figure 12.2. The moral matrix of American liberals.

Left

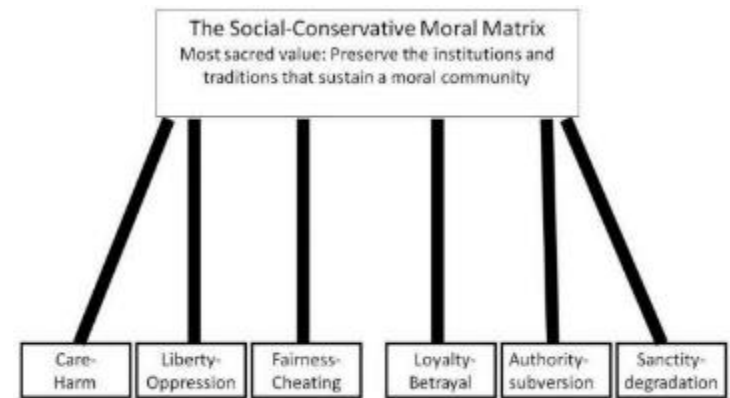


Figure 12.4. The social conservative moral matrix.

Right



# An Application to the German Refugee Crisis

*In Germany, the refugee crisis has thrown public discourse off course.*



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<http://personal-thurm.de/wp-content/uploads/2014/04/41.jpg>



[http://bilder.t-online.de/b/73/74/90/42/id\\_73749042/610/tid\\_da/die-zunehmende-fluechtlingsflut-zwingt-die-eu-zum-handeln-.jpg](http://bilder.t-online.de/b/73/74/90/42/id_73749042/610/tid_da/die-zunehmende-fluechtlingsflut-zwingt-die-eu-zum-handeln-.jpg)

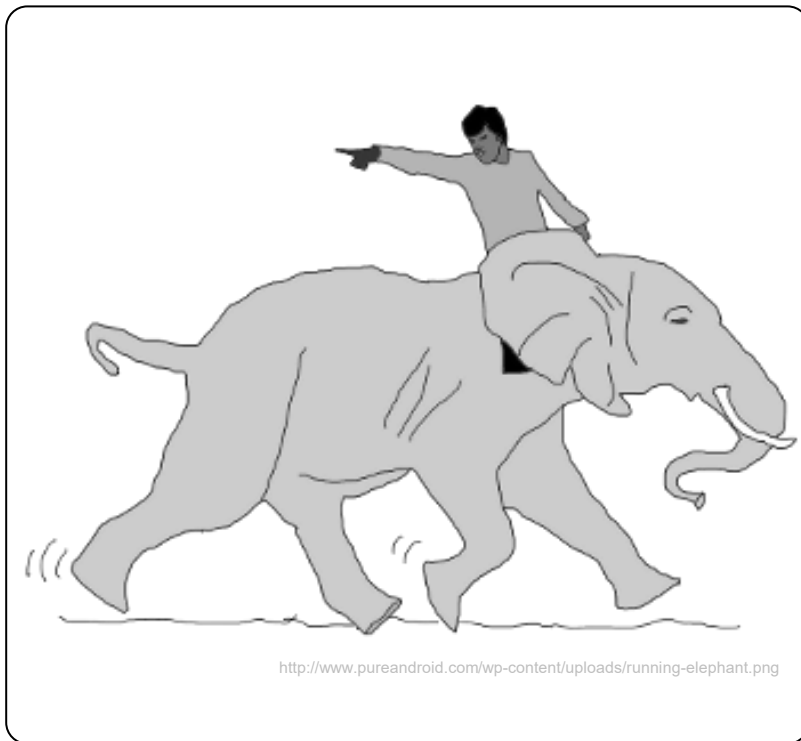
The (social-liberal) pro-side finds itself moral and classifies the other side as xenophobic.

The (national-conservative) contra-side finds itself moral and classifies the other side as hostile to national community.

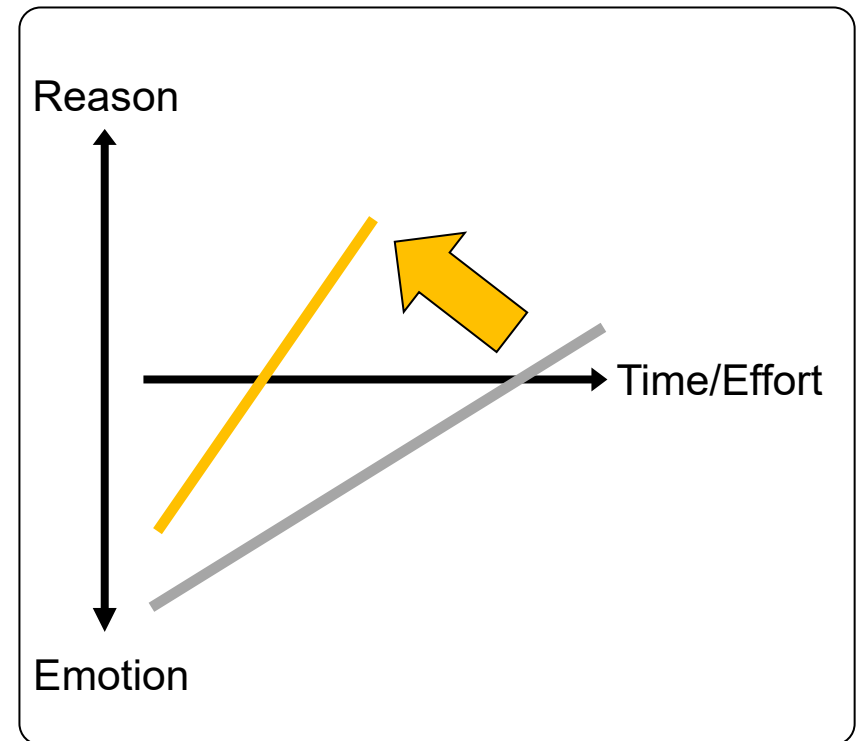


## Interim Conclusion

*Moral judgments are often made out of a gut feeling. If anything, reason is switched on retrospectively – but primarily to find (or invent) arguments that justify intuition. We tend to defend our prejudices. Nevertheless, enlightenment is possible!*



*Jonathan Haidt: Reason and emotion behave like rider and elephant.*



*Crucial question: How can moral judgments be made more objective?*



## Digression on „Woke“ Culture of „Victimhood“ (I)

*In recent years, one could observe the emergence of a new kind of moral culture of criticizing „microaggressions“, primarily in the English speaking world, but (with some delay) also in continental Europe. Campbell and Manning (2018) provide the following analysis: They diagnose a clash between dignity culture and victimhood culture, while the latter shares some features with honor culture.*

„Our argument is that the microaggression program is controversial because its approach to morality is relatively new to the modern West and is by no means universally shared. Microaggression complaints arise from a culture of victimhood in which individuals and groups display a high sensitivity to slight, have a tendency to handle conflicts through complaints to authorities and other third parties, and seek to cultivate an image of being victims who deserve assistance. This new moral culture, we shall see, differs sharply from other moral cultures—such as cultures of honor, where people are sensitive to slight but handle their conflicts aggressively, and cultures of dignity, where people ignore slights and insults. The current debate about microaggressions arises from a clash between dignity culture and the newer culture of victimhood. The debate is polarized because the moral assumptions of each side are so different.“



## Digression on „Woke“ Culture of „Victimhood“ (II)

*Campbell and Manning (2018) provide the following comparison:*

	Honor culture	Dignity culture	Victimhood culture
Sensitivity for slurs?	Yes	No	Yes
Recourse to third party?	No	Yes	Yes
Victimhood status?	No	No	Yes



The new phenomenon:

- People are extremely hypersensitive with regard to language and symbols
- People call authorities for conflict resolution
- People reverse traditional status hierarchies



# Tribalism through Semantics

*The economist Arnold Kling draws attention to political language. His diagnosis: Certain semantics lead to tribalization.*

*He writes in the third edition of his 2013 book – Kling (2013, 2019): The Three Languages of Politics:*

Arnold Kling



<https://www.cato.org/sites/cato.org/files/authors/akling.jpg>

„Americans appreciate the value of cooperation, and we are skilled at it. However, when it comes to politics, politically aware Americans seem to split into tribes, and those tribes use the skills of cooperation not to work with each other, but instead to mobilize against each other. ... Political discussion can be ... deliberative. However, recently the trend is in the opposite direction, toward becoming more obstinate and less tolerant of other points of view.

My goal in this book is to encourage people to take the first step toward healthier political discussion. I believe that this first step is to recognize the language of coalition mobilization so that we can resist being seduced by that language.“

(p. 2)





# The Three Camps of U.S. Politics

*With regard to the US, Kling distinguishes three political camps, to each of which he assigns a different language – or different value priorities: (a) progressives, (b) conservatives, and (c) libertarians. Each camp considers itself morally superior to others.*

Arnold Kling



<https://www.cato.org/sites/cato.org/files/authors/akling.jpg>

„My politically interested friends tend to sort themselves into three tribal coalitions—progressive, conservative, and libertarian. Progressives (P) assert a moral superiority over conservatives and libertarians. Conservatives (C) assert a moral superiority over libertarians and progressives. And libertarians (L) assert a moral superiority over progressives and conservatives. They cannot all be correct. And when they think in those terms, it is unlikely that they will sit down and work out solutions to shared problems.“ (p. 3)



# The Three Languages of U.S. Politics (I)

*Kling distinguishes three political camps with regard to the US: (a) progressives, (b) conservatives, and (c) libertarians. – Each camp speaks its own language. This creates communication problems.*

Arnold Kling



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„In politics, I claim that progressives, conservatives, and libertarians are like tribes speaking different languages. The language that resonates with one tribe does not connect with the others. As a result, political discussions do not lead to agreement. Instead, most political commentary serves to increase polarization. The points that people make do not open the minds of people on the other side. They serve to close the minds of the people on one's own side.“ (p. 3)





## The Three Languages of U.S. Politics (II)

*Kling distinguishes three political camps with regard to the US: (a) progressives, (b) conservatives, and (c) libertarians. – Each camp has its own ideals.*

Arnold Kling



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„(P): My heroes are people who have stood up for the under-privileged. The people I cannot stand are the people who are indifferent to the oppression of women, minorities, and the poor.

(C): My heroes are people who have stood up for Western values. The people I cannot stand are the people who are indifferent to the assault on the moral virtues and traditions that are the foundation for our civilization.

(L): My heroes are people who have stood up for individual rights. The people I cannot stand are the people who are indifferent to government taking away people’s ability to make their own choices.“  
(p. 4 f.)



## The Three Languages of U.S. Politics (III)

*Kling distinguishes three political camps with regard to the US: (a) progressives, (b) conservatives, and (c) libertarians. – He formulates a three-axis model: (a) Oppressor vs. Oppressed, (b) Civilization vs. Barbarism, (c) Freedom vs. Coercion.*

Arnold Kling



<https://www.cato.org/sites/cato.org/files/authors/akling.jpg>

„The central claim of this book is that P is the language of progressives, C is the language of conservatives, and L is the language of libertarians. ...

I call this the three-axes model of political communication.

- A progressive will communicate along the oppressor-oppressed axis, framing issues in terms of the P dichotomy.
- A conservative will communicate along the civilization-barbarism axis, framing issues in terms of the C dichotomy.
- A libertarian will communicate along the liberty-coercion axis, framing issues in terms of the L dichotomy.“ (p. 5)



## The Three Languages of U.S. Politics (IV)

*Kling argues that the three different languages cause political communication problems. They invite tribalism and internal communication directed to their own camps, which makes it difficult to communicate between the camps.*

Arnold Kling



<https://www.cato.org/sites/cato.org/files/authors/akling.jpg>

„[W]hen we **communicate** about issues, we tend to fall back on one of the three axes. By doing so, we engage in political tribalism. We signal to members of our tribe that we agree with them, and we enhance our status in the tribe. However, even though it appears that we are arguing against people from other tribes, those people pay no heed to what we say. It is as if we are speaking a foreign language.“  
(p. 6, emphasis in original)



# The Three Languages of U.S. Politics (V)

*Kling argues that the three different languages cause political communication problems. This can extend to the demonization of the other side(s).*

Arnold Kling



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„One might also think of the three axes as axes of demonization. For example, when a progressive labels someone a racist, the progressive is putting that person on the oppressor end of the oppressor-oppressed axis. When a conservative labels someone a nihilist, the conservative is putting that person on the barbarism end of the civilization-barbarism axis. When a libertarian labels someone a statist, the libertarian is putting that person on the coercion end of the liberty-coercion axis.“ (p. 7 f.)



## The Three Languages of U.S. Politics (VI)

*Kling argues that the three different languages cause political communication problems. This can extend to the demonization of the other side(s) – and to moral self-aggrandizement.*

Arnold Kling



<https://www.cato.org/sites/cato.org/files/authors/akling.jpg>

„One might also think of the three axes as axes of demonization. For example, when a progressive labels someone a racist, the progressive is putting that person on the oppressor end of the oppressor-oppressed axis. When a conservative labels someone a nihilist, the conservative is putting that person on the barbarism end of the civilization-barbarism axis. When a libertarian labels someone a statist, the libertarian is putting that person on the coercion end of the liberty-coercion axis.“ (p. 7 f.)

„The three axes allow each tribe to assert moral superiority. The progressive asserts moral superiority by denouncing oppression and accusing others of failing to do so. The conservative asserts moral superiority by denouncing barbarism and accusing others of failing to do so. The libertarian asserts moral superiority by denouncing coercion and accusing others of failing to do so.“ (p. 8)





## The Three Languages of U.S. Politics (VII)

*Kling draws attention to the fact that the three axes make it possible to place each political issue in its own world view. For example: police violence against black people.*

Arnold Kling



<https://www.cato.org/sites/cato.org/files/authors/akling.jpg>

„The progressive framing of the issue emphasizes racism, among police and in society as a whole. Progressives put white police, or white society at large, in the role of oppressors, with African Americans in the role of the oppressed.

The conservative framing of the issue emphasizes the need for order. Conservatives put criminal suspects and unruly demonstrators in the role of barbarian threats and put police in the role of defenders of civilization.

The libertarian framing of the issue emphasizes the need for citizens to be free of police harassment. Libertarians put in the role of coercive agents those lawmakers who criminalize harmless activities, such as recreational drug use, as well as police who employ excessive force, while putting those who are accosted and physically harmed by police in the role of citizens who are denied their rights.“ (p. 9)



## The Three Languages of U.S. Politics (VIII)

*Kling points out that each perspective of the three-axis model contains at least one core of truth:*

Arnold Kling



<https://www.cato.org/sites/cato.org/files/authors/akling.jpg>

„With careful consideration, one can see at least some merit in all three ways of framing the issue. Police have shot African American suspects who were unarmed and not apparently dangerous, and that legitimizes concerns about racism and the oppressor versus oppressed framing. However, some of the highly publicized cases of police shootings were more justified than protestors claimed, and some of the so-called protests have been associated with disorder, such as looting, rioting, and incitement to violence against police. These aspects seem to fit more with civilization versus barbarism. The libertarian view also has merit, as certain laws, such as those against recreational drug use and vagrancy, are responsible for unnecessary confrontations with police, and one can make a case that U.S. police are too highly militarized in their equipment and training. There seems to be too much coercion and not enough respect for liberty.“ (p. 9 f.)



## The Three Languages of U.S. Politics (IX)

*Kling points out that his contemporary fellow citizens in the USA can use his three-axis model for positive forecasting, but also normatively, to discipline their own thinking, instead of constantly fueling political polarization: "thinking fast versus thinking slow" in the sense of Daniel Kahneman (2011).*

Arnold Kling



<https://www.cato.org/sites/cato.org/files/authors/akling.jpg>

„You can use the three-axes model in two ways. First, you can predict how commentators of the three different political persuasions will seek to frame new events. Second, you can slow your own political thinking. You can catch yourself when you start to frame an issue in your preferred language, without considering other nuances. You can become more cautious about your own beliefs and less inclined to dismiss people with whom you disagree as malevolent. You can avoid contributing to polarization and unproductive debates where people simply talk past one another.“ (p. 10 f.)

„I believe that the three languages of politics are used as part of fast political thinking. The main prescriptive theme of this book is that you should hesitate when you find yourself inclined to frame an issue in terms of your preferred political language. Instead, try to switch over to slow political thinking.“ (p. 21 f.)





# The Three Languages of U.S. Politics (X)

*Kling emphasizes that it can be possible to understand the other languages – and that this can have an effect that pacifies the discourse.*

Arnold Kling



<https://www.cato.org/sites/cato.org/files/authors/akling.jpg>

„I believe that linguistic differences and negative stereotypes are dangerous. Politically aware Americans use those frames to assert moral superiority. They take it for granted that once an issue has been framed in their preferred way, it is settled. I believe that each of us can reason more constructively and deliberate more effectively across political tribes if we recognize that we tend to be overly attuned to our preferred language. We can reduce our level of political anger by better understanding the other languages. While listening to another language, you can still carry the belief that you are right, and you do not need to split differences or compromise. However, you should be less inclined to demonize people who speak different political languages.“ (p. 22 f.)



# The Logic of Political Tribalization

*Kling makes the following argument: If one does not want to continue the tribalization, then one would do well to see through the logic of tribalization first.*

Arnold Kling



<https://www.cato.org/sites/cato.org/files/authors/akling.jpg>

„In a tribe, political language is used to assert the moral superiority of one's tribe. Communicating using the preferred axis of the tribe is good for reassuring others of one's loyalty to the tribe, for lifting a person's status in the tribe by pleasing those who agree with him or her, and for whipping up hostility against other tribes. What political language is not good for is persuading people outside one's tribe or improving relations with them.“ (p. 23)



# Thinking Fast and Slow

*Kling calls for slow thinking, so that one becomes aware that the other side(s) in political discourse also refer to moral aspects.*

Arnold Kling



<https://www.cato.org/sites/cato.org/files/authors/akling.jpg>

„What I call fast political thinking is driven by simplified moral frames. These moral frames give us the sense that those who agree with us have the right answer, while those who disagree are unreasonable, or worse.“ (p. 25)

„What learning the other languages can do is enable you to understand how others think about political issues. Instead of resorting to the theory that people with other views are crazy or stupid or evil, you may concede that they have a coherent point of view. In fact, their point of view could be just as coherent as yours.“ (p. 26)



# Politics als Moral Navel-Gazing

*Kling points out that political communication tends to simplification and invites "virtue signalling": to display one's own virtues for status gain in one's own camp.*

Arnold Kling



<https://www.cato.org/sites/cato.org/files/authors/akling.jpg>

„[M]any issues are more complex than the simple heuristics would suggest. Left to ourselves as individuals, we would arrive at subtle, nuanced views on these issues. However, politics has a very important social dimension. The language we use to convey our positions to others typically does not reveal the nuances and doubts we hold as individuals.“ (p. 29)

„As a social phenomenon, political discussions invite us to position ourselves relative to others. We want to raise our individual status in our own tribe, and we want to reduce the status of other tribes. By framing issues in terms of our preferred axis, we appear to accomplish both of these goals. We impress the people who agree with us, and we delegitimize those who disagree.“ (p. 29)



# Morality Can Block Discourses

*Kling points out that one's own moral axis is linked to the tendency to narrow the discourse one-dimensionally to identify friends and enemies.*

Arnold Kling



<https://www.cato.org/sites/cato.org/files/authors/akling.jpg>

„[W]e have a tendency to demonize those with whom we cannot communicate. Rather than consider that they may have a reasonable point of view, we come to believe that they are our opponents along our preferred axis. Thus, if you are a progressive focused on the oppressor-oppressed axis, you may come to view conservatives and libertarians as being on the side of the oppressors. If you are a conservative focused on the civilization-barbarism axis, you may come to view progressives and libertarians as enemies of civilized values. And if you are a libertarian focused on the liberty-coercion axis, you may come to view progressives and conservatives as champions of coercive government.“ (p. 30)





# Media Pushes Ahead with Discourse Blockades

*Kling points out that the logic of "social media" in particular favors tribalization.*

Arnold Kling



<https://www.cato.org/sites/cato.org/files/authors/akling.jpg>

„Taking a charitable view of those with whom we disagree is rare in the political media. Many of the most popular newspaper columnists, radio talk show hosts, bloggers, and pundits using cable TV or social media do exactly the opposite. They take the most uncharitable view possible of those with whom they disagree, and they encourage their followers to do likewise. They achieve high ratings, but they lower the quality of political discussion. If you have a dominant political language, then chances are that both your favorite public intellectuals and your most hated demagogues are guilty of doing this.“ (p. 31 f.)



# How to Close Oneself to Mutual Understanding? (I)

*According to Kling, one contributes to the blockage of discourse by ascribing bad motives to political opponents.*

Arnold Kling



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„As a progressive, you have achieved closure when you have become convinced that those with whom you disagree are at best indifferent to the suffering of the oppressed. As a conservative, you have achieved closure when you have become convinced that those with whom you disagree are at best indifferent to the phenomenon of people losing their respect for civilized values and institutions and reverting to barbarism. As a libertarian, you have achieved closure when you have become convinced that those with whom you disagree are at best indifferent to the expansion of government’s scope and power.“ (p. 60 f.)



## How to Close Oneself to Mutual Understanding? (II)

*According to Kling, one contributes to the blockage of discourse by ascribing bad motives to the political opponents.*

Arnold Kling



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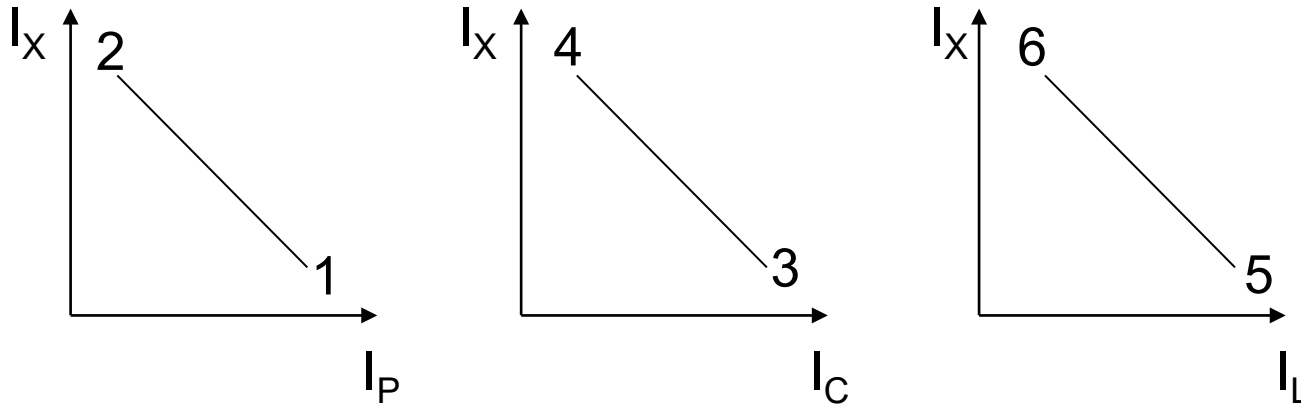
„If you are a progressive, you may find yourself saying that what conservatives and libertarians really want is a hierarchical society where the rich can exploit the poor at will. As a conservative, you may find yourself saying that what progressives and libertarians really want is to tear down all of society’s civilizing institutions. As a libertarian, you may find yourself saying that all progressives and conservatives want is a freedom-smothering nanny state. Attributing bad motives to other tribes is part of this drive for closure.“ (p. 61)





# The Ordonomic Translation of Kling's model

*Each axis is dual and thus invites trade-off thinking. At the abscissa, one's own interests are represented, at the ordinate the interests of the respective other side(s) ( $I_X$ ).*



- Progressives (P) identify point 1 as "pro exploitation victim" and point 2 as "contra exploitation victims".
- Conservatives (C) identify point 3 as "pro civilization" and point 4 as "contra civilization".
- Libertarians (L) identify point 5 as "pro freedom" and point 6 as "contra freedom".

 Task: orthogonal positioning!



# On the Appropriate Mindset

*Kling points out that political discourse cannot really be about winning the argument. It is better to see politics as a common learning process, knowing that each camp has its justification.*

Arnold Kling



<https://www.cato.org/sites/cato.org/files/authors/akling.jpg>

„In fact, I do not think one’s goal should be to win everyone over to the same ideology. I think one’s goal for others should be that they have open minds. And if that is my goal for others, then it should also be the goal that I set for myself.“ (p. 38)



# The Political Turing Test: Definition

*Kling encourages to put yourself in the shoes of the other side. He is concerned with "steelmanning" instead of "strawmanning".*

Arnold Kling



<https://www.cato.org/sites/cato.org/files/authors/akling.jpg>

„Economist Bryan Caplan coined the term “ideological Turing test” to denote a thought experiment in which you are placed in a room with a group of people holding a different ideology and your task is to pretend to share their ideology. If they are convinced that you are one of them, then you have passed the test.

To pass the ideological Turing test, you would have to genuinely understand an ideology with which you do not agree. Instead, ... we tend to presume that we understand people with differing ideologies better than they understand themselves. Person A thinks about person B, “I know what you really believe.” However, from B’s perspective, A holds a straw-man view.“ (p. 63)

The original Turing test refers to the question whether a human would identify a machine (based on artificial intelligence) as a machine – or as a human.



# The Political Turing Test: Application I

*Kling gives a guide to "steelmanning" instead of "strawmanning" by describing the three camps in a benevolent way.*

Arnold Kling



<https://www.cato.org/sites/cato.org/files/authors/akling.jpg>

„Progressives believe in human **betterment**. They see nearly unlimited potential for humans to improve materially and, more important, morally.

Conservatives believe in human **weakness**. In biblical terms, man is “fallen.” The dark side of human nature will never be eradicated. It can be tamed only by social institutions, including the family, religion, and government. ...

Libertarians believe in human **rationality**. People pursue ends, and they act as they do for good reasons.“ (p. 66 f., emphasis in original)



# The Political Turing Test: Application II

*Kling gives a guide to "steelmanning" instead of "strawmanning" by describing the three camps in a benevolent way.*

Arnold Kling



<https://www.cato.org/sites/cato.org/files/authors/akling.jpg>

„Progressives are inclined to revere **science**. They believe that science can help in the project of human betterment. They put social science on par with physical science, and they embrace social science as a guide to public policy. They believe that they must protect science from conservatives who disdain it.

Conservatives are inclined to revere the **past**, including religious tradition. Conservatives tend to be less optimistic than progressives and libertarians about the future. Conservatives fear that civilization is or will soon be in decline, because of a loss of traditional values.

Libertarians are inclined to revere **technology**. Whether it is Ayn Rand writing of industrialists or modern libertarians extolling Bitcoin, libertarians see technology as a liberating force. Libertarians are less likely than progressives or conservatives to be concerned with the adverse effects of technology.“ (p. 66 f., emphasis in original)



# The Political Turing Test: Application III

*Kling gives a guide to "steelmanning" instead of "strawmanning" by describing the three camps in a benevolent way.*

Arnold Kling



<https://www.cato.org/sites/cato.org/files/authors/akling.jpg>

„Progressives view markets as **unfair**. Progressive economists focus on what are termed “market failures,” which they believe can and must be addressed by using government policy. Even more troubling in their view is that success in the market often reflects luck, and it may be an unjust reward for exploitation.

Conservatives view markets as promoting **virtue**. Success in the market must be earned and is usually well deserved.

Libertarians view markets as promoting **peaceful cooperation**. Everyone succeeds in the market, because each voluntary exchange benefits both parties, and the entire network of voluntary exchange creates prosperity.“ (p. 67 f., emphasis in original)





# The Political Turing Test: Application IV

*Kling gives a guide to "steelmanning" instead of "strawmanning" by describing the three camps in a benevolent way.*

Arnold Kling



„For a progressive, the highest virtue is to be on the side of the oppressed, and the worst sin is to be aligned with the oppressor.“

„For a conservative, the highest virtue is to be on the side of civilizing institutions, and the worst sin is to be aligned with those who would tear down those institutions and thereby promote barbarism.“

„For a libertarian, the highest virtue is to be on the side of individual choice, and the worst sin is to be aligned with expanding the scope of government.“ (p. 93 f.)

<https://www.cato.org/sites/cato.org/files/authors/akling.jpg>



# Recommendation for Thinking Slow

*Kling formulates as a rule that one must not deny reason to others, but at most to oneself.*

Arnold Kling



„One of my prescriptions for slow political thinking is to try to avoid telling yourself, “*I’m* reasonable, *they’re* not.” Instead, I would suggest the following rule of thumb.

**The only person you are qualified to pronounce unreasonable is yourself.**“ (p. 70, emphasis in original)

<https://www.cato.org/sites/cato.org/files/authors/akling.jpg>





## A Digression on Trump

*Kling interprets that Donald Trump has brought a fourth axis into play: a populist vision of a conflict between the people and an elite that betrays them, between local interests and cosmopolitan interests.*

Arnold Kling



<https://www.cato.org/sites/cato.org/files/authors/akling.jpg>

„I would suggest that Trump defines his supporters less as conservatives than as allies in his personal battles with major media outlets and with the probe by the special counsel into his campaign. These supporters see him as besieged by “fake news” and the “deep state.”

...

The issue of cosmopolitanism vs. nationalism has given us a new axis. Trump has found a new enemy to rally against. Where progressives rally against oppressors, conservatives rally against the forces of barbarism, and libertarians rally against state coercion, Trump’s supporters rally against cosmopolitanism. The tribal psychology is that of the three-axes model, but there is a different axis.“ (p. 88 f.)



# Structure of Today's Lecture

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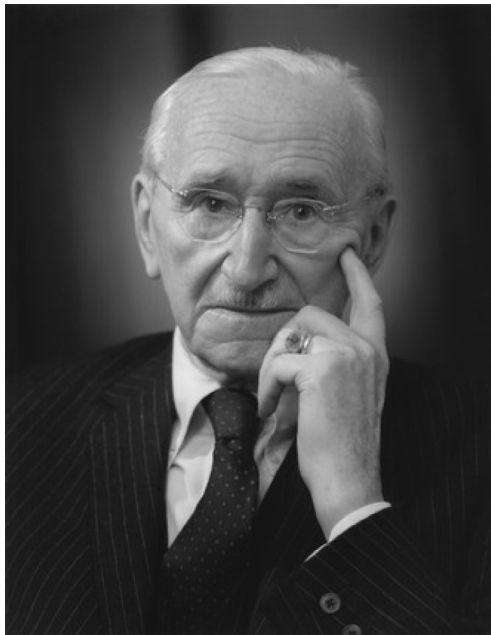
1. Why is semantics important?
2. Rational Irrationality
3. A thought experiment on the functionality of semantics
4. Political semantics
5. Material for reading Hayek



# Justice Semantics

*One of the most detailed analyses of justice semantics is by Friedrich August von Hayek. He dedicates the second volume of his trilogy on "Law, Legislation and Liberty" to the critique of a very specific category of thought, under the title: "The Mirage of Social Justice". The argument is developed in five chapters.*

F.A. von Hayek



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- Chapter 7: General Welfare and Particular Purposes
- Chapter 8: The Quest vor Justice
- Chapter 9: ‚Social‘ or Distributive Justice
- Chapter 10: The Market Order or Catallaxy
- Chapter 11: The Discipline of Abstract Rules and the Emotions of the Tribal Society



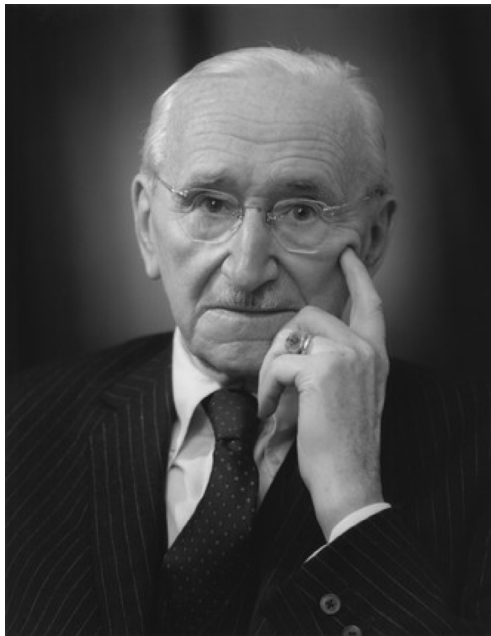
Optional: please read the entire volume (including endnotes) and then look at the slides.



## Hayek (1976): Chapter 7 (I)

*Hayek determines the relationship between the individual private interests of citizens and the common good of their society. He does not think of this problem as an aggregation problem, but in the scheme of ends and means: the coercive apparatus of the state should provide the conditions that citizens need in order to be free. This does not require a value consensus, but a rule consensus.*

F.A. von Hayek



„In a free society the general good consists principally in the facilitation of the pursuit of unknown individual purposes.“  
(p. 1, highlighted in the original)

„The most important of the public goods for which government is required is ... not the direct satisfaction of any particular needs, but the securing of conditions in which the individuals and smaller groups will have favourable opportunities of mutually providing for their respective needs.“ (p. 2)

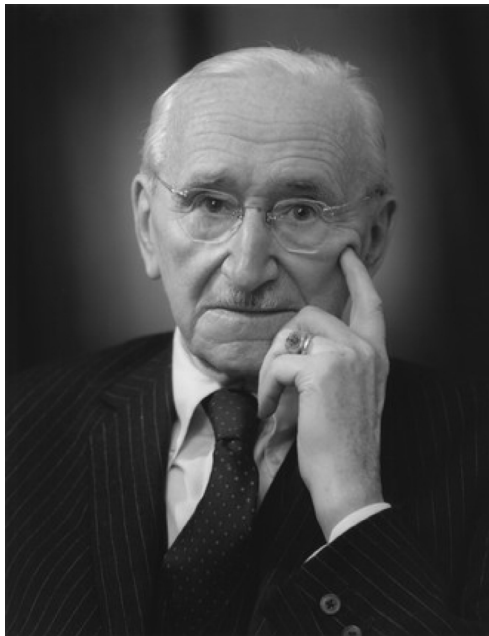
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## Hayek (1976): Chapter 7 (II)

*In a large society, most people don't know each other personally. It is therefore impossible to agree on a common hierarchy and weighting of goals. (The problem of aggregation of interests is insoluble. There is no value consensus.) Nevertheless, consensus is possible: as a rule consensus.*

F.A. von Hayek



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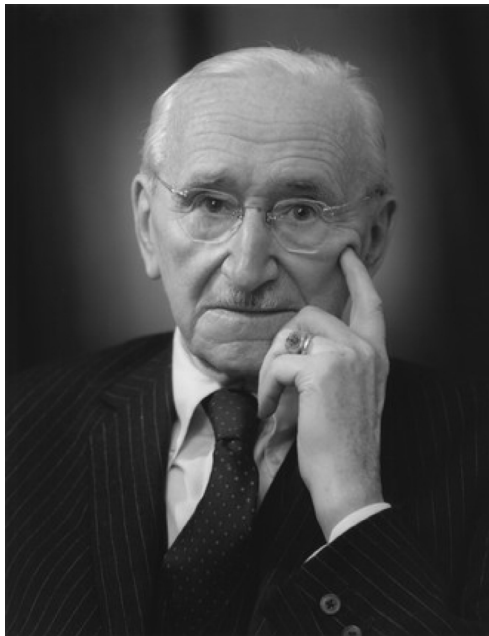
„Among the members of a Great Society who mostly do not know each other, there will exist no agreement on the relative importance of their respective ends. There would exist not harmony but open conflict of interests if agreement were necessary as to which particular interests should be given preference over others. What makes agreement and peace in such a society possible is that the individuals are not required to agree on ends but only on means which are capable of serving a great variety of purposes and which each hopes will assist him in the pursuit of his own purposes. Indeed, the possibility of extending an order of peace, beyond the small group which could agree on particular ends, to the members of the Great Society who could not agree on them, is due to the discovery of a method of collaboration which requires agreement only on means and not on ends.“ (p. 3)



## Hayek (1976): Chapter 7 (III)

*Hayek focuses on the problem of knowledge generation and knowledge processing. He asks: what rules are needed to enable us as citizens to make the best use of our knowledge so that we can meet our needs (through coordinated actions)?*

F.A. von Hayek



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„Rules are a device for coping with our constitutional ignorance. There would be no need for rules among omniscient people who were in agreement on the relative importance of all the different ends. Any examination of the moral or legal order which leaves this fact out of account misses the central problem.“ (p. 8)

„It is because the circumstances in which the different individuals find themselves at a given moment are different, and because many of these particular circumstances are known only to them, that there arises the opportunity for the utilization of so much diverse knowledge—a function which the spontaneous order of the market performs. The idea that government can determine the opportunities for all, and especially that it can ensure that they are the same for all, is therefore in conflict with the whole **rationale** of a free society.“

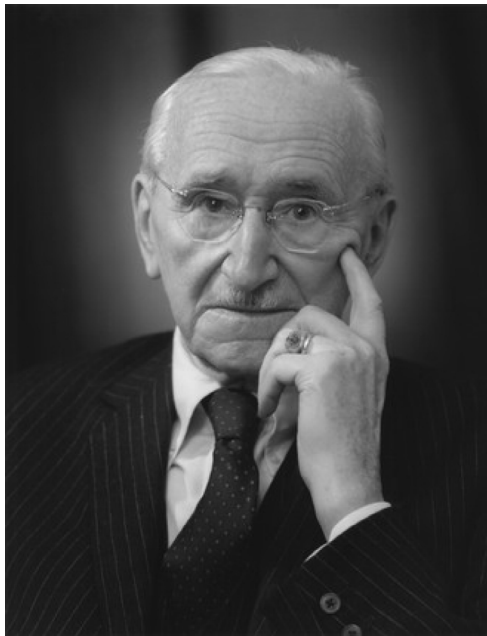
(p. 9, emphasis in original)



## Hayek (1976): Chapter 7 (IV)

*Hayek points to the close connection between uncertainty and rules: rules help us to deal with situations in which we cannot fully assess the consequences of our actions in individual cases.*

F.A. von Hayek



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„Abstract rules operate as ultimate values because they serve unknown particular ends“ (p. 15, highlighted in the original)

Hayek kritisiert den Utilitarismus:

„It would seem that they never grasped the significance of rules as an adaptation to this inescapable ignorance of most of the particular circumstances which determine the effects of our actions, and thus disregarded the whole rationale of the phenomenon of rule-guided action. ... Indeed there would be no need for rules if men knew everything-and strict act-utilitarianism of course must lead to the rejection of all rules.“ (p. 20 f.)

„Like most tools, rules are not part of a plan of action but rather equipment for certain unknown contingencies.“ (p. 23)

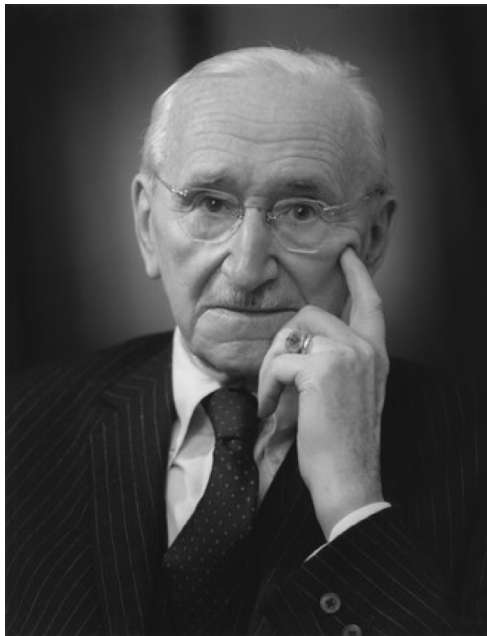




## Hayek (1976): Chapter 7 (V)

*Hayek points out that moral duties are closely related to the respective rules of society and that we can improve these rules through immanent criticism.*

F.A. von Hayek



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„There can ... be no absolute system of morals independent of the kind of social order in which a person lives, and the obligation incumbent upon us, to follow certain rules derives from the benefits we owe to the order in which we live.“ (p. 27)

Hayek kennzeichnet die moderne Gesellschaft als „open or 'humanistic' society ... where each individual counts as an individual and not only as a member of a particular group, and where therefore universal rules of conduct can exist which are equally applicable to all responsible human beings“ (p. 27)

„It is only if we accept such a universal order as an aim ... that we can defend this moral system as superior to others — and at the same time endeavour to improve it further by continued immanent criticism.“ (p. 27)

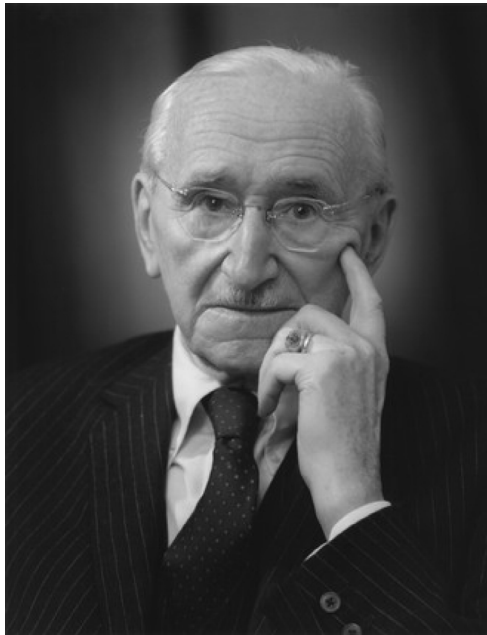




## Hayek (1976): Chapter 7 (VI)

*Hayek points out that individual freedom is only possible if you adhere to rules in the long term.*

F.A. von Hayek



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„To perform their functions rules must be applied through the long run“ (p. 29, highlighted in the original)

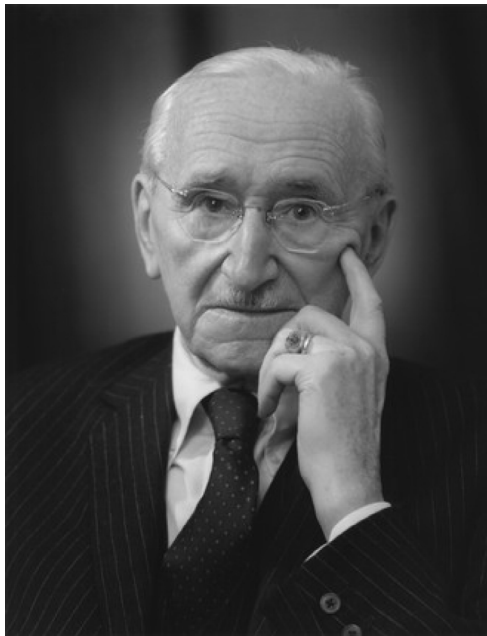
„A concentration on particular results necessarily leads to a short run view, since only in the short run will the particular results be foreseeable, and raises in consequence conflicts between particular interests that can be decided only by an authoritative decision in favour of one or the other. Predominant concern with the visible short run effects thus progressively leads to a dirigist organization of the whole society. Indeed, what will certainly be dead in the long run if we concentrate on immediate results is freedom. A nomocratic society must confine coercion wholly to the enforcement of rules serving a long run order.“ (p. 29)



## Hayek (1976): Chapter 8 (I)

For Hayek, justice is a property of human behavior. However, we are subject to a tendency towards animism and anthropomorphism: to attribute responsibility even where no actor has acted.

F.A. von Hayek



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„Justice is an attribute of human conduct“  
(p. 31, highlighted in the original)

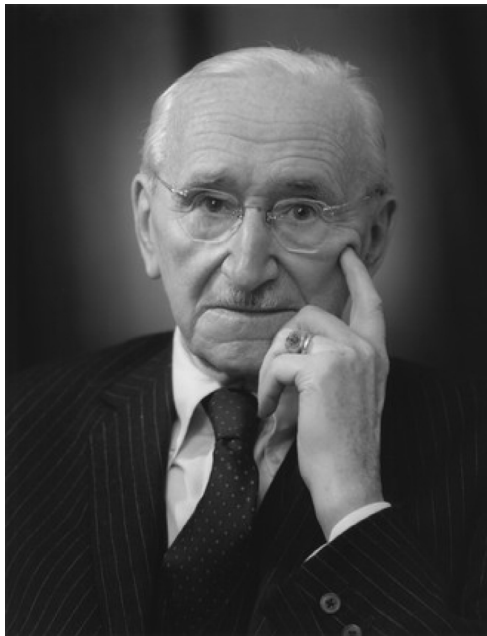
„Strictly speaking, only human conduct can be called just or unjust. If we apply the terms to a state of affairs, they have meaning only in so far as we hold someone responsible for bringing it about or allowing it to come about. A bare fact, or a state of affairs which nobody can change, may be good or bad, but not just or unjust. To apply the term 'just' to circumstances other than human actions or the rules governing them is a category mistake. Only if we mean to blame a personal creator does it make sense to describe it as unjust that somebody has been born with a physical defect, or been stricken with a disease, or has suffered the loss of a loved one. Nature can be neither just nor unjust. ... [I]t is meaningless to describe a factual situation as just or unjust.“ (p. 31 f.)



## Hayek (1976): Chapter 8 (II)

Hayek concludes that the category of justice is not applicable if one wants to evaluate societal outcomes. And he points out that we typically use negative tests because we can identify injustice more easily than justice.

F.A. von Hayek



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„Since only situations which have been created by human will can be called just or unjust, the particulars of a spontaneous order cannot be just or unjust: if it is not the intended or foreseen result of somebody's action that A should have much and B little, this cannot be called just or unjust. We shall see that what is called 'social' or 'distributive' justice is indeed meaningless within a spontaneous order and has meaning only within an organization.“  
(p. 33)

„Rules of just conduct are generally prohibitions of unjust conduct“  
(p. 35, highlighted in the original)

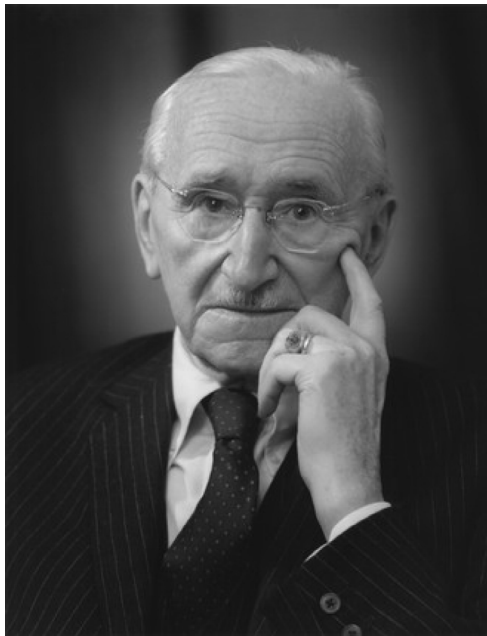
„Not only the rules of just conduct, but also the test of their justice, are negative“ (p. 38)



## Hayek (1976): Chapter 8 (III)

Hayek sees the point of rules as increasing the certainty of expectation for individual behavioral decisions.

F.A. von Hayek



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„Justice is not concerned with those unintended consequences of a spontaneous order which have not been deliberately brought about by anybody.“ (p. 38)

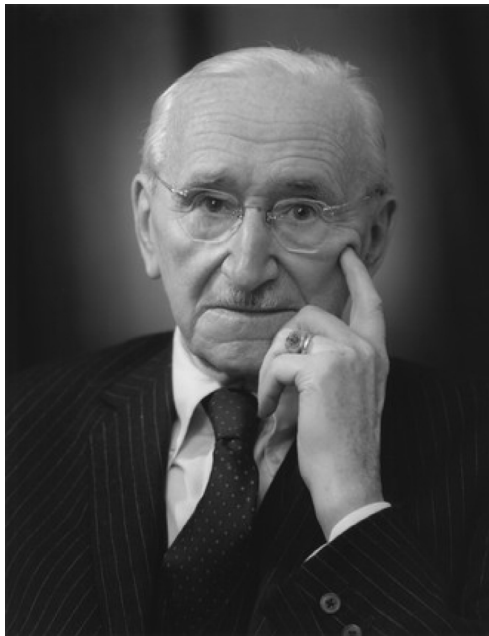
„The rules of just conduct thus merely serve to prevent conflict and to facilitate co-operation by eliminating some sources of uncertainty. But since they aim at enabling each individual to act according to his own plans and decisions, they cannot wholly eliminate uncertainty. They can create certainty only to the extent that they protect means against the interference by others, and thus enable the individual to treat those means as being at his disposal.“ (p. 38)



## Hayek (1976): Chapter 8 (IV)

Hayek outlines the development of Western civilization. In doing so, he emphasizes the dialectic of goals and means: modern society is not linked by common goals, but by common means. Justice means that the same rules apply to everyone.

F.A. von Hayek



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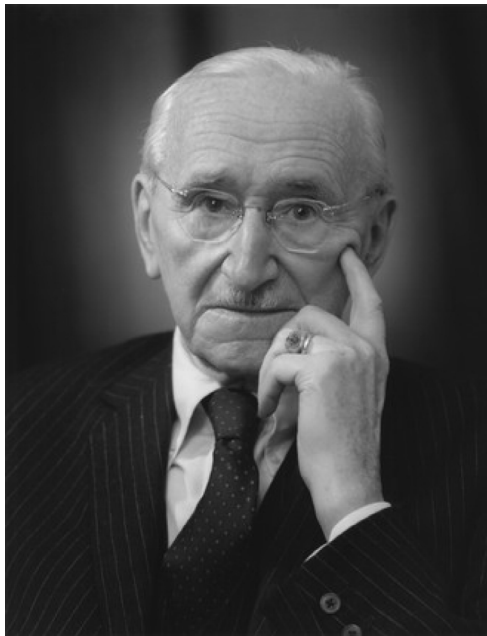
„As in the extension of rules from the end-connected tribal society (or teleocracy) to the rule-connected open society (or nomocracy) these rules must progressively shed their dependence on concrete ends, and by passing this test become gradually abstract and negative, so the legislator who undertakes to lay down rules for a Great Society must subject to the test of universalization what he wants to apply to such a society. The conception of justice as we understand it, that is, the principle of treating all under the same rules, did only gradually emerge in the course of this process; it then became the guide in the progressive approach to an Open Society of free individuals equal before the law. To judge actions by rules, not by particular results, is the step which has made the Open Society possible. It is the device man has tumbled upon to overcome the ignorance of every individual of most of the particular facts which must determine the concrete order of a Great Society.“ (p. 38 f.)



## Hayek (1976): Chapter 8 (V)

Hayek points out that our sense of justice can deceive us. He gives evolutionary reasons for this.

F.A. von Hayek



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„Though our sense of justice will generally provide the starting point, what it tells us about the particular case is not an infallible or ultimate test. It may be and can be proved to be wrong.“  
(p. 41)

„[O]ften effects which seem unjust to us may still be just in the sense that they are necessary consequences of the just actions of all concerned. In the abstract order in which we live and to which we owe most of the advantages of civilization, it must thus in the last resort be our intellect and not intuitive perception of what is good which must guide us. Our present moral views undoubtedly still contain layers or strata deriving from earlier phases of the evolution of human societies—the small horde to the organized tribe, the still larger groups of clans and the other successive steps towards the Great Society. And though some of the rules or opinions emerging in later stages may actually presuppose the continued acceptance of earlier ones, other new elements may be in conflict with some of those of earlier origins which still persist.“ (p. 41)

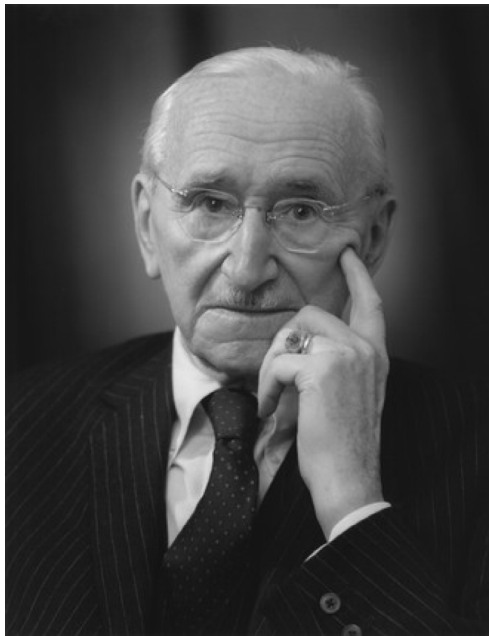




## Hayek (1976): Chapter 9 (I)

*Hayek is now making the transition from defending justice to criticizing the category of “social justice”.*

F.A. von Hayek



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„While in the preceding chapter I had to defend the conception of justice as the indispensable foundation and limitation of all law, I must now turn against an abuse of the word which threatens to destroy the conception of law which made it the safeguard of individual freedom.“ (p. 62)

„'Social' justice ... came to be regarded as an attribute which the 'actions' of society, or the 'treatment' of individuals and groups by society, ought to possess. As primitive thinking usually does when first noticing some regular processes, the results of the spontaneous ordering of the market were interpreted as if some thinking being deliberately directed them, or as if the particular benefits or harm different persons derived from them were determined by deliberate acts of will, and could therefore be guided by moral rules. This conception of 'social' justice is thus a direct consequence of that anthropomorphism or personification by which naive thinking tries to account for all self-ordering processes.“ (p. 62 f.)

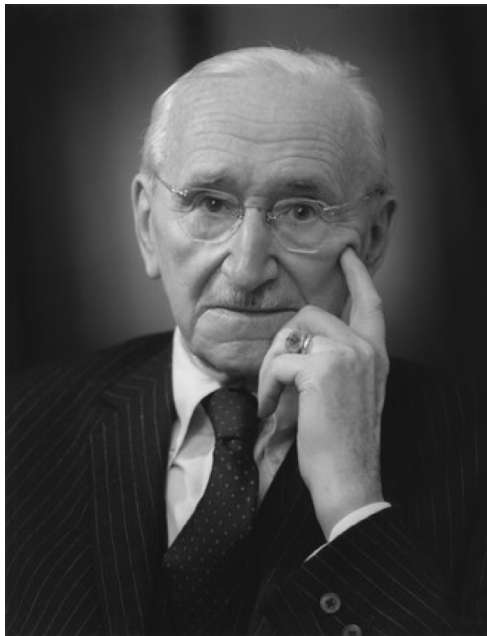




## Hayek (1976): Chapter 9 (II)

*Hayek attributes the use of the "social" justice category to a misconception. The term is, by the way, more recent (and related to the "social question" of the 19th century).*

F.A. von Hayek



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„It is a sign of the immaturity of our minds that we have not yet outgrown these primitive concepts and still demand from an impersonal process which brings about a greater satisfaction of human desires than any deliberate human organization could achieve, that it conform to the moral precepts men have evolved for the guidance of their individual actions.“ (p. 63)

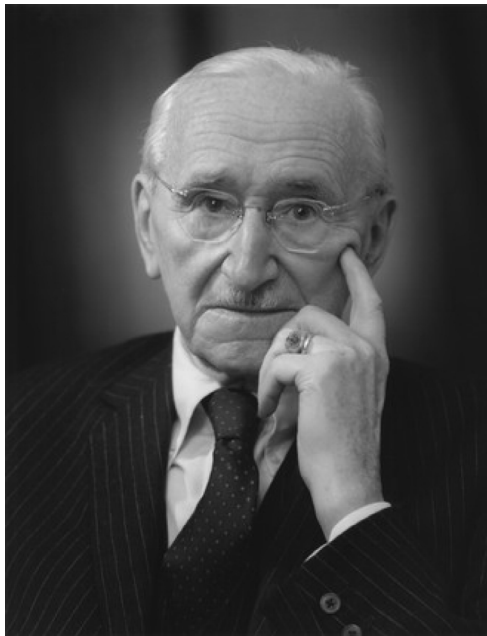
„The use of the term 'social justice' in this sense is of comparatively recent date, apparently not much older than a hundred years. The expression was occasionally used earlier to describe the organized efforts to enforce the rules of just individual conduct, and it is to the present day sometimes employed in learned discussion to evaluate the effects of the existing institutions of society.“ (p. 63)



## Hayek (1976): Chapter 9 (III)

*Hayek points out that the application of the category of "social" justice to the results of the order of a market economy leads to injustice(s).*

F.A. von Hayek



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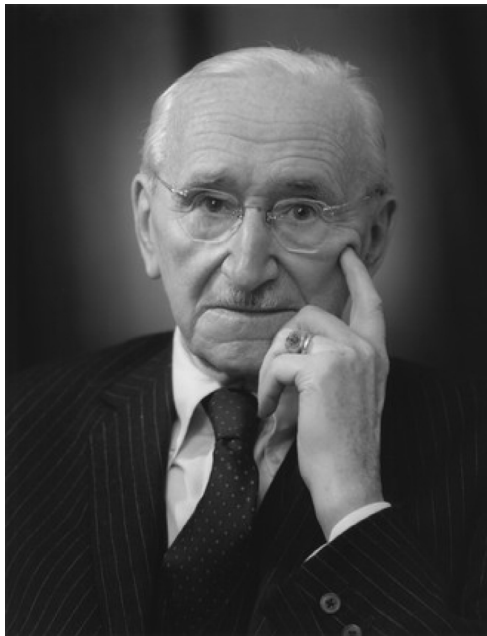
„It has of course to be admitted that the manner in which the benefits and burdens are apportioned by the market mechanism would in many instances have to be regarded as very unjust if it were the result of a deliberate allocation to particular people. But this is not the case. Those shares are the outcome of a process the effect of which on particular people was neither intended nor foreseen by anyone when the institutions first appeared-institutions which were then permitted to continue because it was found that they improve for all or most the prospects of having their needs satisfied. To demand justice from such a process is clearly absurd, and to single out some people in such a society as entitled to a particular share evidently unjust.“ (p. 64 f.)



## Hayek (1976): Chapter 9 (IV)

*Hayek equates the use of "social" justice with superstition – a harmful superstition to fight, even if it is well-intentioned.*

F.A. von Hayek



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„[T]he near-universal acceptance of a belief does not prove that it is valid or even meaningful any more than the general belief in witches or ghosts proved the validity of these concepts. What we have to deal with in the case of 'social justice' is simply a quasireligious superstition of the kind which we should respectfully leave in peace so long as it merely makes those happy who hold it, but which we must fight when it becomes the pretext of coercing other men.“ (p. 66)

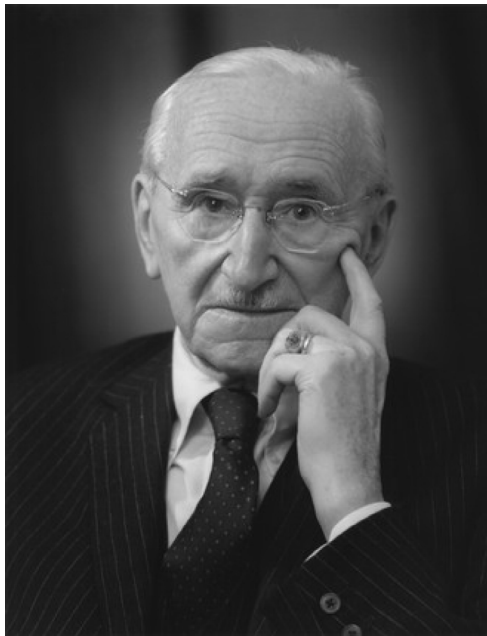
„Unfortunately, this vague desire which has become one of the strongest bonds spurring people of good will to action, not only is bound to be disappointed. This would be sad enough. But, like most attempts to pursue an unattainable goal, the striving for it will also produce highly undesirable consequences, and in particular lead to the destruction of the indispensable environment in which the traditional moral values alone can flourish, namely personal freedom.“ (p. 67)



## Hayek (1976): Chapter 9 (V)

*Hayek makes it clear that in the market merit and pay have to diverge, because market success is ultimately measured by how one contributes to the social management of scarcity in situations of ignorance..*

F.A. von Hayek



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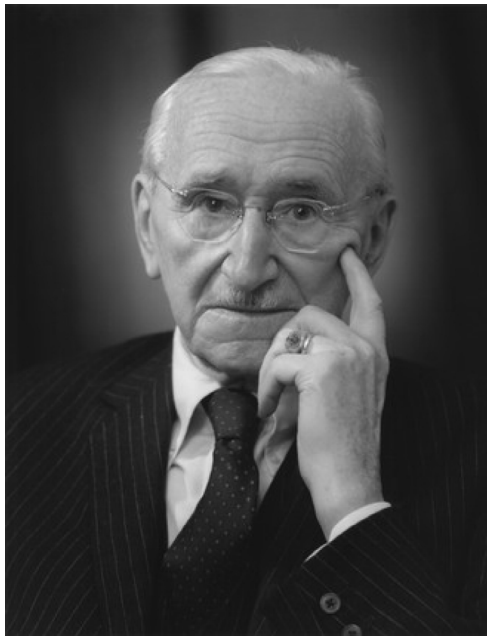
„The long and the short of it all is that men can be allowed to decide what work to do only if the remuneration they can expect to get for it corresponds to the value their services have to those of their fellows who receive them; and that **these values which their services will have to their fellows will often have no relations to their individual merits or needs**. Reward for merit earned and indication of what a person should do, both in his own and in his fellows' interest, are different things. It is not good intentions or needs but doing what in fact most benefits others, irrespective of motive, which will secure the best reward. Among those who try to climb Mount Everest or to reach the Moon, we also honour not those who made the greatest efforts, but those who got there first.“  
(p. 72, emphasis in original)



## Hayek (1976): Chapter 9 (VI)

*Hayek makes statements that can be read like an opinion on the current discussion about (too high) manager salaries.*

F.A. von Hayek



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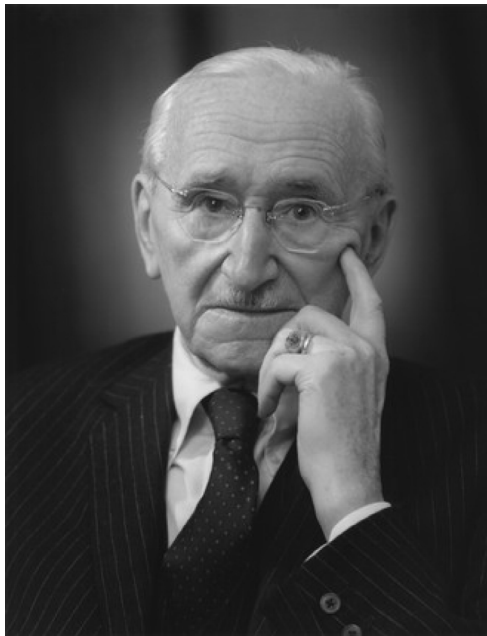
„I have never known ordinary people grudge the very high earnings of the boxer or torero, the football idol or the cinema star or the jazz king — they seem often even to revel vicariously in the display of extreme luxury and waste of such figures compared with which those of industrial magnates or financial tycoons pale. It is where most people do not comprehend the usefulness of an activity, and frequently because they erroneously regard it as harmful (the 'speculator' — often combined with the belief that only dishonest activities can bring so much money), and especially where the large earnings are used to accumulate a fortune (again out of the erroneous belief that it would be desirable that it should be spent rather than invested) that the outcry about the injustice of it arises. Yet the complex structure of the modern Great Society would clearly not work if the remunerations of all the different activities were determined by the opinion which the majority holds of their value — or indeed if they were dependent on anyone person's understanding or knowledge of the importance of all the different activities required for the functioning of the system.“ (p. 77)



## Hayek (1976): Chapter 9 (VII)

*Hayek makes the following statement on social policy: he advocates a universal social safety net. But he rejects interventions in the price mechanism (keyword: conformity of order).*

F.A. von Hayek



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„There is no reason why in a free society government should not assure to all protection against severe deprivation in the form of an assured minimum income, or a floor below which nobody need to descend. To enter into such an insurance against extreme misfortune may well be in the interest of all; or it may be felt to be a clear moral duty of all to assist, within the organized community, those who cannot help themselves. So long as such a uniform minimum income is provided outside the market to all those who, for any reason, are unable to earn in the market an adequate maintenance, this need not lead to a restriction of freedom, or conflict with the Rule of Law. The problems with which we are here concerned arise only when the remuneration for services rendered is determined by authority, and the impersonal mechanism of the market which guides the direction of individual efforts is thus suspended.“ (p. 87)

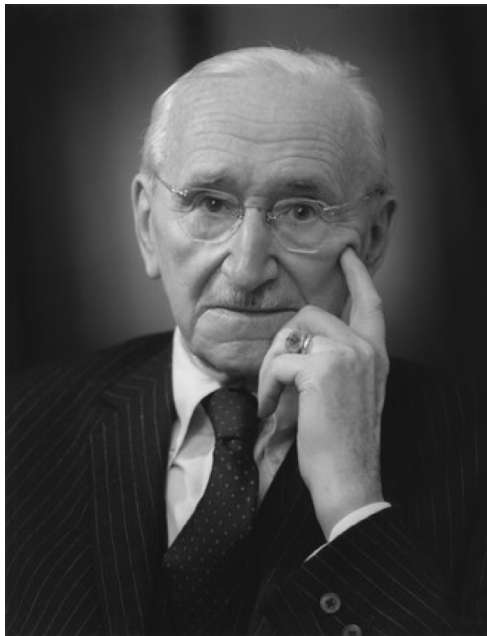




## Hayek (1976): Chapter 9 (VIII)

*Hayek makes the following statement about the relationship between microcosm and macrocosm:*

F.A. von Hayek



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„This application of the same rules of just conduct to the relations to all other men is rightly regarded as one of the great achievements of a liberal society. What is usually not understood is that this extension of the same rules to the relations to all other men (beyond the most intimate group such as the family and personal friends) requires an attenuation at least of some of the rules which are enforced in the relations to other members of the smaller group. If the legal duties towards strangers or foreigners are to be the same as those towards the neighbours or inhabitants of the same village or town, the latter duties will have to be reduced to such as can also be applied to the stranger. No doubt men will always wish to belong also to smaller groups and be willing voluntarily to assume greater obligations towards self-chosen friends or companions. But such moral obligations towards some can never become enforced duties in a system of freedom under the law, because in such a system the selection of those towards whom a man wishes to assume special moral obligations must be left to him and cannot be determined by law. A system of rules intended for an Open Society and, at least in principle, meant to be applicable to all others, must have a somewhat smaller content than one to be applied in a small group.“ (p. 87)

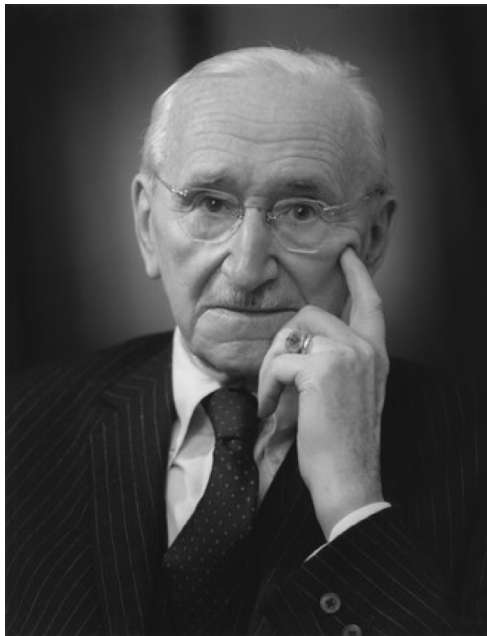




## Hayek (1976): Chapter 9 (IX)

*Hayek goes on to say that modern society can only function – and we can only enjoy the moral achievements of modern society – if we learn to rely on reasonable insight rather than inherited instincts.*

F.A. von Hayek



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„Indeed the transition from the small group to the Great or Open Society – and the treatment of every other person as a human being rather than as either a known friend or an enemy – requires a reduction of the range of duties we owe to all others.“ (p. 90)

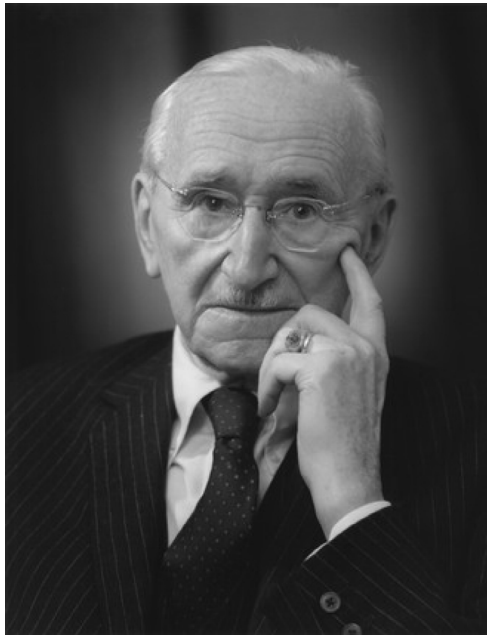
„It may at first seem paradoxical that the advance of morals should lead to a reduction of specific obligations towards others: yet whoever believes that the principle of equal treatment of all men, which is probably the only chance for peace, is more important than special help to visible suffering, must wish it. It admittedly means that we make our rational insight dominate over our inherited instincts. But the great moral adventure on which modern man has embarked when he launched into the Open Society is threatened when he is required to apply to all his fellowmen rules which are appropriate only to the fellow members of a tribal group.“ (p. 91)



## Hayek (1976): Chapter 9 (X)

*Hayek points out that "social" justice does not apply in the international context and can be misused in the national context for rent-seeking.*

F.A. von Hayek



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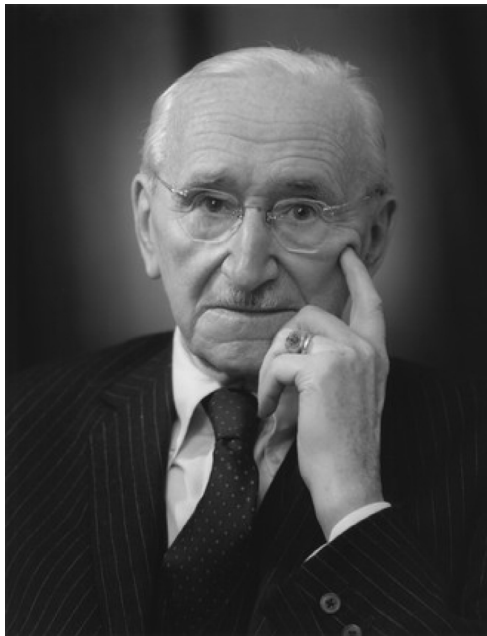
„[I]f we look beyond the limits of our national states, and certainly if we go beyond the limits of what we regard as our civilization, we no longer even deceive ourselves that we know what would be 'socially just', and that those very groups within the existing states which are loudest in their demands for 'social justice', such as the trade unions, are regularly the first to reject such claims raised on behalf of foreigners. Applied to the international sphere, the complete lack of a recognized standard of 'social justice', or of any known principles on which such a standard could be based, becomes at once obvious; while on a national scale most people still think that what on the level of the face-to-face society is to them a familiar idea must also have some validity for national politics or the use of the powers of government. In fact, it becomes on this level a humbug-the effectiveness of which with well-meaning people the agents of organized interests have learnt successfully to exploit.“ (p. 89 f.)



## Hayek (1976): Chapter 9 (XI)

*Hayek is critical of the argument that economic pay should be based on moral merit (or need). He considers such ideas to be inappropriate when they relate to the market.*

F.A. von Hayek



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„[T]here are no practicable standards of merit, deserts, or needs, on which in a market order the distribution of material benefits could be based) and still less any principle by which these different claims could be reconciled.“ (p. 91)

Argument zugunsten sozialer Gerechtigkeit:

„The circumstance which is usually pointed out to demonstrate the injustice of the existing market order is that the most unpleasant jobs are commonly also the worst paid.“ (p. 91 f.)

Hayeks Gegenargument:

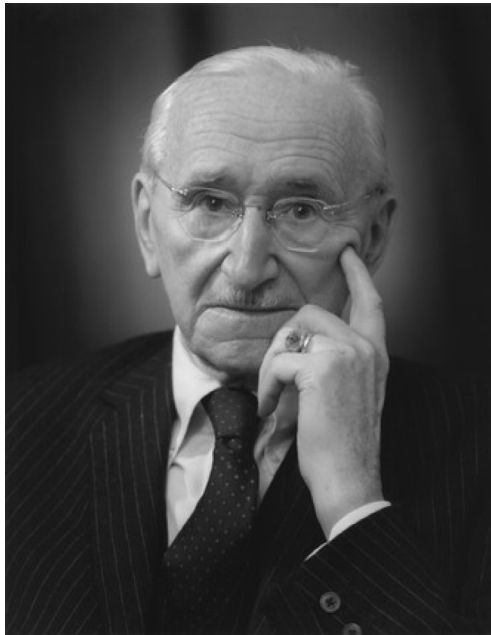
„The very fact that the more unpleasant occupations will be avoided by those who can render services that are valued more highly by the buyers, will open to those whose skills are little valued opportunities to earn more than they otherwise could.“ (p. 92)



## Hayek (1976): Chapter 9 (XII)

*Hayek makes the following statement on justice in the market economy:*

F.A. von Hayek



„[W]hile in a market order it may be a misfortune to have been born and bred in a village where for most the only chance of making a living is fishing (or for the women the cleaning of fish), it does not make sense to describe this as unjust. Who is supposed to have been unjust? — especially when it is considered that, if these local opportunities had not existed, the people in question would probably never have been born at all, as most of the population of such a village will probably owe its existence to the opportunities which enabled their ancestors to produce and rear children.“ (p. 93)

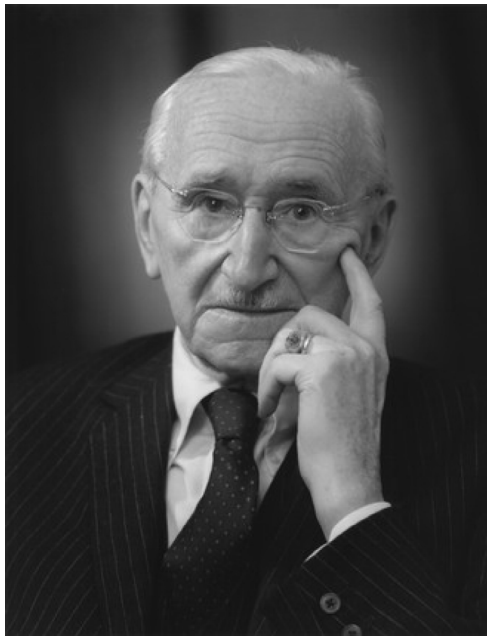
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# Hayek (1976): Chapter 9 (XIII)

*Hayek is still dealing with a second argument:*

F.A. von Hayek



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„The considerations of a supposed 'social injustice' which have led to the most far-reaching interference with the functioning of the market order are based on the idea that people are to be protected against an unmerited descent from the material position to which they have become accustomed.“ (p. 93)

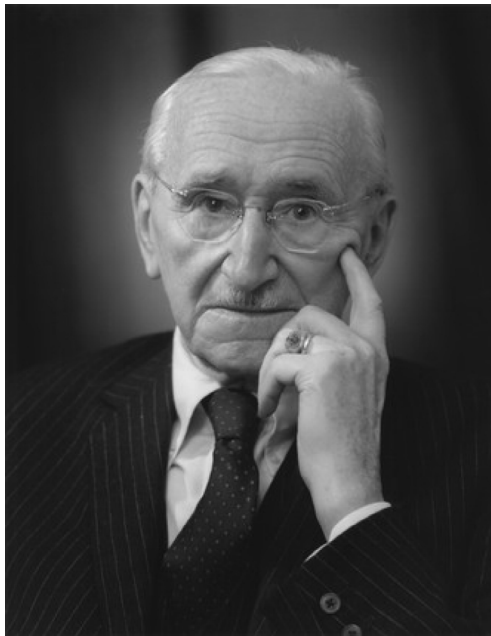
„The opinion that long established positions create a just expectation that they will continue serves often as a substitute for more substantial criteria of 'social justice'. Where expectations are disappointed, and in consequence the rewards of effort often disproportionate to the sacrifice incurred, this will be regarded as an injustice without any attempt to show that those affected had a claim in justice to the particular income which they expected.“ (p. 93)



## Hayek (1976): Chapter 9 (XIV)

*Hayek formulates the following clarification:*

F.A. von Hayek



„The sense of injury which people feel when an accustomed income is reduced or altogether lost is largely the result of a belief that they have morally deserved that income and that, therefore, so long as they work as industriously and honestly as they did before, they are in justice entitled to the continuance of that income. But the idea that we have morally deserved what we have honestly earned in the past is largely an illusion. What is true is only that it would have been unjust if anybody had taken from us what we have in fact acquired while observing the rules of the game.“ (p. 94)

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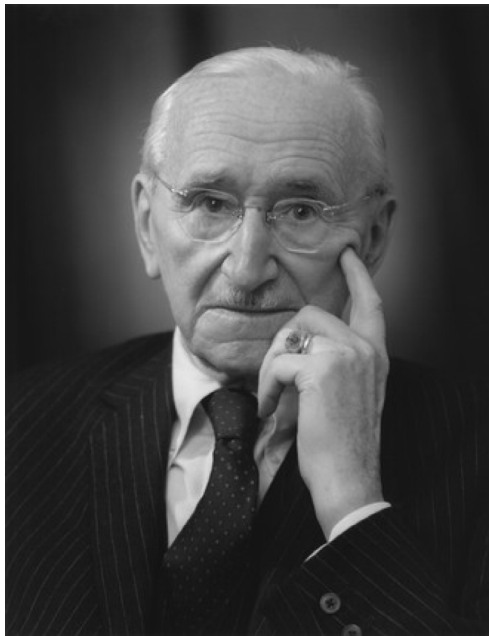




## Hayek (1976): Chapter 9 (XV)

*Hayek then formulates the following counter-argument:*

F.A. von Hayek



„It is precisely because in the cosmos of the market we all constantly receive benefits which we have not deserved in any moral sense that we are under an obligation also to accept equally undeserved diminutions of our incomes. Our only moral title to what the market gives us we have earned by submitting to those rules which makes the formation of the market order possible. These rules imply that nobody is under an obligation to supply us with a particular income unless he has specifically contracted to do so. If we were all to be consistently deprived, as the socialists propose to do, of all 'unearned benefits' which the market confers upon us, we would have to be deprived of most of the benefits of civilization.“ (p. 94)

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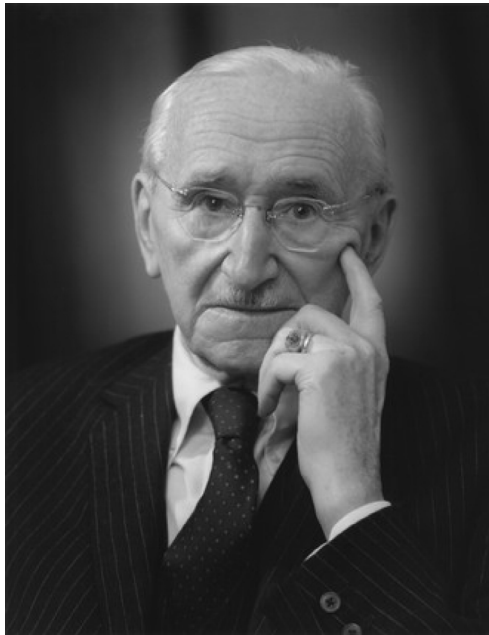




# Hayek (1976): Chapter 9 (XVI)

*Hayek explains his counter-argument as follows:*

F.A. von Hayek



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„We all owe the benefits we receive from the operation of this structure [of abstract rules] not to anyone's intention to confer them on us, but to the members of society generally obeying certain rules in the pursuit of their interests, rules which include the rule that nobody is to coerce others in order to secure for himself (or for third persons) a particular income. This imposes upon us the obligation to abide by the results of the market also when it turns against us.“ (p. 95)

„To ask for protection against being displaced from a position one has long enjoyed, by others who are now favoured by new circumstances, means to deny to them the chances to which one's own present position is due.“ (p. 95)

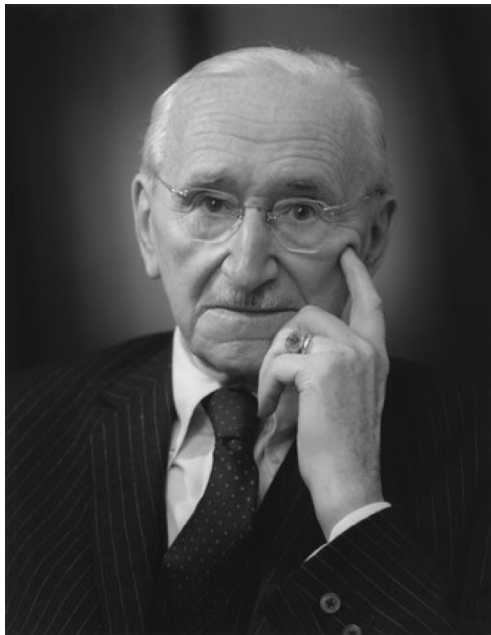
„Any protection of an accustomed position is thus necessarily a privilege which cannot be granted to all and which, if it had always been recognized, would have prevented those who now claim it from ever reaching the position for which they now demand protection.“ (p. 95)



## Hayek (1976): Chapter 9 (XVII)

*Interim conclusion: Hayek represents two theses. Firstly, the category of “social” justice invites interventions which, in his view, are ultimately antisocial and unjust. Second, in his view, justice is essential to modern society, while the idea of “social” justice is dangerously dysfunctional.*

F.A. von Hayek



„Much of what is today done in the name of 'social justice' is ... not only unjust but also highly unsocial in the true sense of the word: it amounts simply to the protection of entrenched interests.“ (p. 96)

„While the appeal to 'social justice' is indeed merely an invitation to give moral approval to demands that have no moral justification, and which are in conflict with that basic rule of a free society that only such rules as can be applied equally to all should be enforced, justice in the sense of rules of just conduct is indispensable for the intercourse of free men.“ (p. 97)

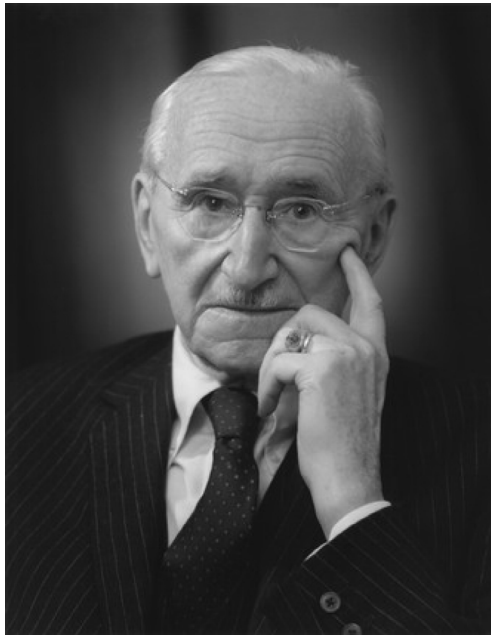
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## Hayek (1976): Chapter 9 (XVIII)

*Hayek also makes statements for the (dys)functionality of morality. He derives criteria of expediency to assess alternative moralities.*

F.A. von Hayek



„[W]e can't have any morals we like or dream of. Morals, to be viable, must satisfy certain requirements, requirements which we may not be able to specify but may only be able to find out by trial and error. What is required is not merely consistency, or compatibility of the rules as well as the acts demanded by them. A system of morals also must produce a functioning order, capable of maintaining the apparatus of civilization which it presupposes.“ (p. 96)

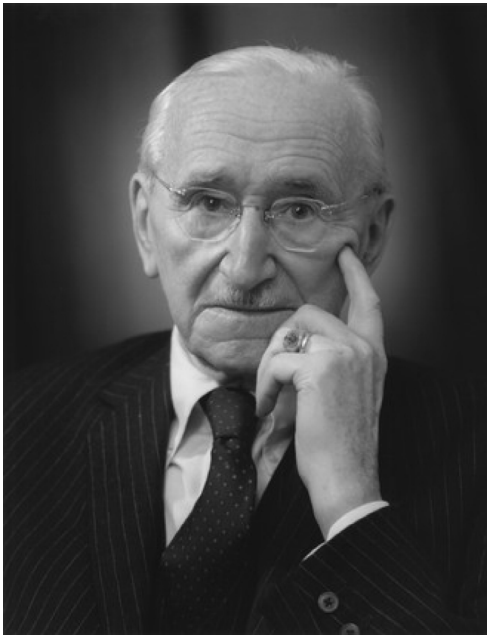
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# Hayek (1976): Chapter 9 (XVIII)

*Hayek makes the following clarification on the market economy: Argument 1*

F.A. von Hayek



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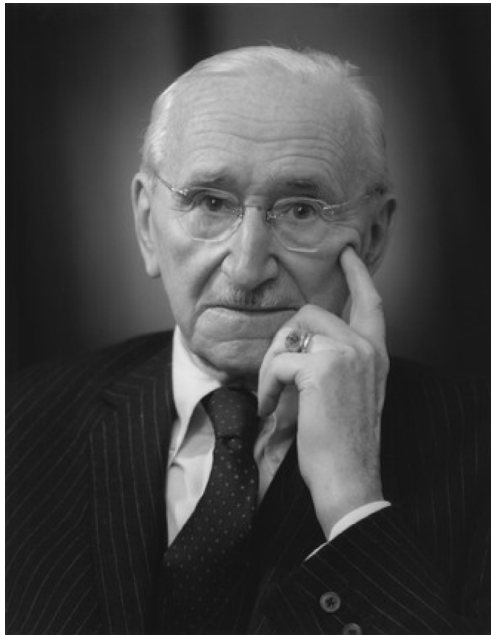
„There can be no moral claim to something that would not exist but for the decision of others to risk their resources on its creation. What those who attack great private wealth do not understand is that it is neither by physical effort nor by the mere act of saving and investing, but by directing resources to the most productive uses that wealth is chiefly created. And there can be no doubt that most of those who have built up great fortunes in the form of new industrial plants and the like have thereby benefited more people through creating opportunities for more rewarding employment than if they had given their superfluity away to the poor. The suggestion that in these cases those to whom in fact the workers are most indebted do wrong rather than greatly benefit them is an absurdity. Though there are undoubtedly also other and less meritorious ways of acquiring large fortunes (which we can hope to control by improving the rules of the game), the most effective and important is by directing investment to points where they most enhance the productivity of labour — a task in which governments notoriously fail, for reasons inherent in non-competitive bureaucratic organizations.“ (p. 98 f.)



# Hayek (1976): Chapter 9 (XIX)

*Hayek makes the following clarification on the market economy: Argument 2*

F.A. von Hayek



„It was the great merit of the market order as it has spread during the last two centuries that it deprived everyone of such power which can be used only in arbitrary fashion. It had indeed brought about the greatest reduction of arbitrary power ever achieved. This greatest triumph of personal freedom the seduction of 'social justice' threatens again to take from us.“  
(p. 98 f.)

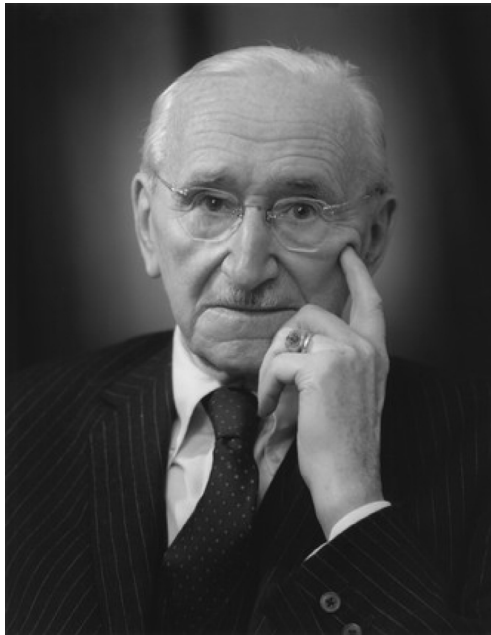
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## Hayek (1976): Chapter 10 (I)

*Hayek now turns from spontaneous orders in general to the market order, which he characterizes as catallaxy.*

F.A. von Hayek



Hayek writes about the market economy:

„[T]his manner of co-ordinating individual actions will secure a high degree of coincidence of expectations and an effective utilization of the knowledge and skills of the several members only at the price of a constant disappointment of some expectations.“  
(p. 107)

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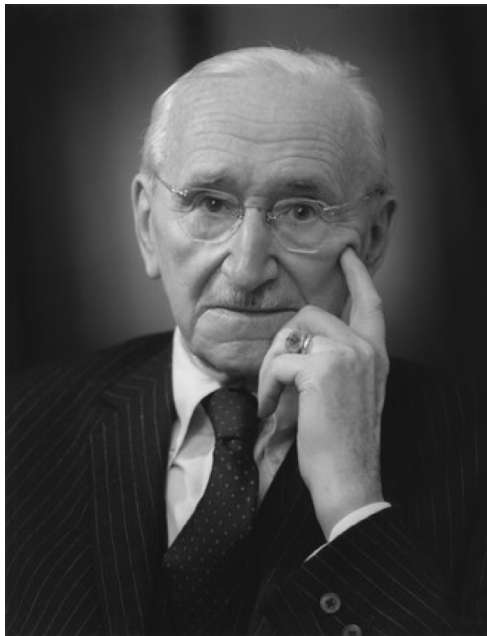




## Hayek (1976): Chapter 10 (II)

*Hayek's terminology: economy (in the sense of organization = ordination or sub-ordination) versus cosmos (in the sense of co-ordination). Catallaxy is characterized as the order of exchange and even the order of peace.*

F.A. von Hayek



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„While an economy proper is an organization in the technical sense in which we have defined that term, that is, a deliberate arrangement of the use of the means which are known to some single agency, the cosmos of the market neither is nor could be governed by such a single scale of ends; it serves the multiplicity of separate and incommensurable ends of all its separate members.“ (p. 108)

„Since the name 'catallactics' has long ago been suggested for the science which deals with the market order and has more recently been revived, it would seem appropriate to adopt a corresponding term for the market order itself. The term 'catallactics' was derived from the Greek verb katallattein (or katallassein) which meant, significantly, not only 'to exchange' but also 'to admit into the community' and 'to change from enemy into friend'. From it the adjective 'catallactic' has been derived to serve in the place of 'economic' to describe the kind of phenomena with which the science of catallactics deals.“ (p. 108)

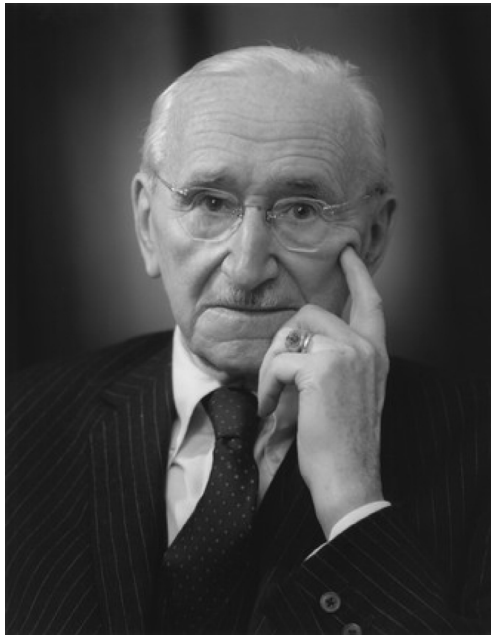




# Hayek (1976): Chapter 10 (III)

*Hayek sees the pluralism of individual goals as a sign of modern society.*

F.A. von Hayek



„A free society is a pluralistic society without a common hierarchy of particular ends.“

(p. 109, highlighted in the original)

Unlike in a pre-modern society, which depends on homogeneity, modern society can deal productively with heterogeneity:

„The Great Society arose through the discovery that men can live together in peace and mutually benefiting each other without agreeing on the particular aims which they severally pursue.“

(p. 109)

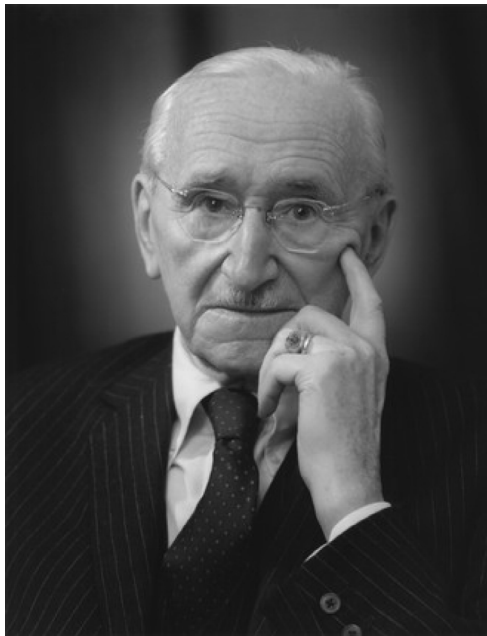
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## Hayek (1976): Chapter 10 (IV)

*Hayek writes about the evolutionary development of market transactions: heterogeneity increases exchange profits.*

F.A. von Hayek



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„It is often made a reproach to the Great Society and its market order that it lacks an agreed ranking of ends. This, however, is in fact its great merit which makes individual freedom and all its values possible. The Great Society arose through the discovery that men can live together in peace and mutually benefiting each other without agreeing on the particular aims which they severally pursue.“ (p. 109)

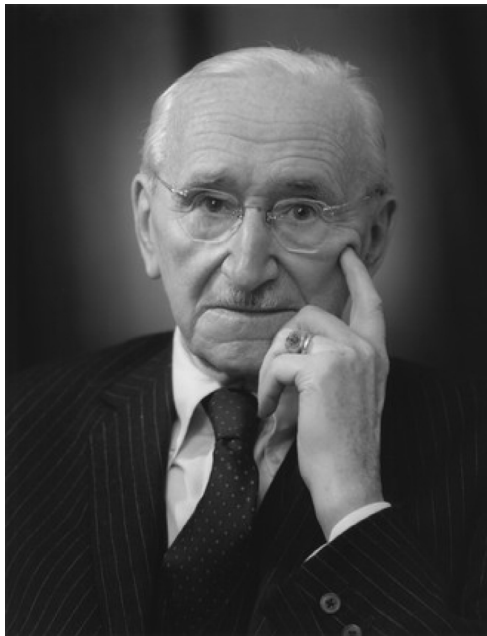
„All that was required to bring this about was that rules be recognized which determined what belonged to each, and how such property could be transferred by consent. There was no need for the parties to agree on the purposes which this transaction served. It is indeed characteristic of such acts of exchange that they serve different and independent purposes of each partner in the transaction, and that they thus assist the parties as means for different ends. The parties are in fact the more likely to benefit from exchange the more their needs differ.“ (p. 109)



## Hayek (1976): Chapter 10 (V)

*Hayek explains the peace-making effect of the transition from an ends-connected (pre-modern) to a means-connected (modern) society.*

F.A. von Hayek



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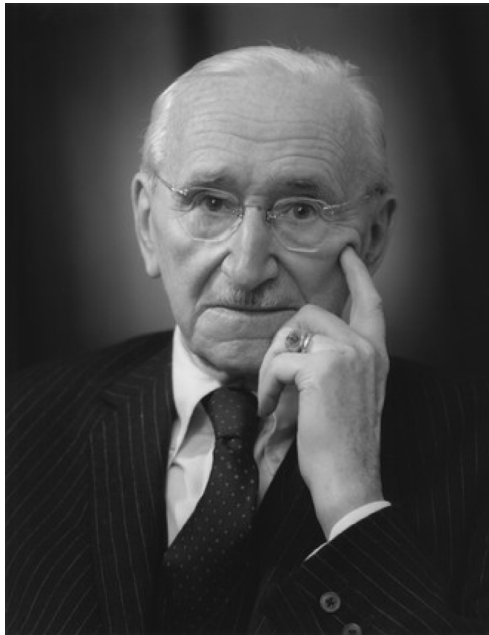
„In the Great Society we all in fact contribute not only to the satisfaction of needs of which we do not know, but sometimes even to the achievement of ends of which we would disapprove if we knew about them. We cannot help this because we do not know for what purposes the goods or services which we supply to others will be used by them. That we assist in the realization of other people's aims without sharing them or even knowing them, and solely in order to achieve our own aims, is the source of strength of the Great Society. So long as collaboration presupposes common purposes, people with different aims are necessarily enemies who may fight each other for the same means; only the introduction of barter made it possible for the different individuals to be of use to each other without agreeing on the ultimate ends.“ (p. 109 f.)



## Hayek (1976): Chapter 10 (VI)

*Hayek draws attention to an important mistake: a confusion of ends and means! The means-connected society is far more efficient than the ends-connected society, although the latter feels morally better.*

F.A. von Hayek



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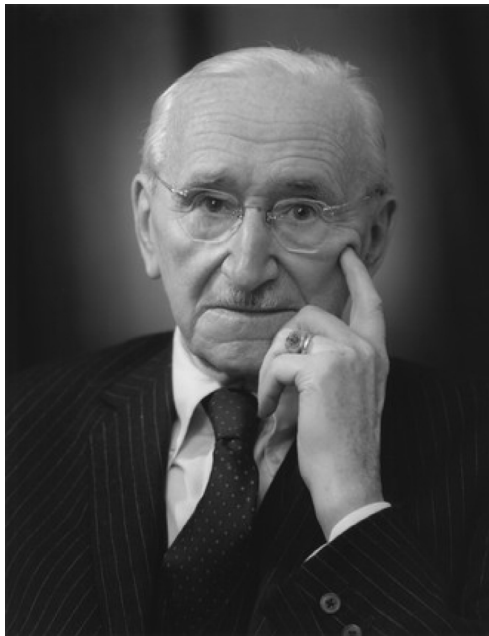
„Many people regard it as revolting that the Great Society has no common concrete purposes or, as we may say, that it is merely means-connected and not ends-connected. It is indeed true that the chief common purpose of all its members is the purely instrumental one of securing the formation of an abstract order which has no specific purposes but will enhance for all the prospects of achieving their respective purposes. The prevailing moral tradition, much of which still derives from the end-connected tribal society, makes people often regard this circumstance as a moral defect of the Great Society which ought to be remedied. Yet it was the very restriction of coercion to the observance of the negative rules of just conduct that made possible the integration into a peaceful order of individuals and groups which pursued different ends; and it is the absence of prescribed common ends which makes a society of free men all that it has come to mean to us.“ (p. 110 f.)



## Hayek (1976): Chapter 10 (VII)

*Hayek takes a cosmopolitan stance. And he makes it clear that the economy ultimately serves non-economic goals:*

F.A. von Hayek



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„The truth is that catallactics is the science which describes the only overall order that comprehends nearly all mankind, and that the economist is therefore entitled to insist that conduciveness to that order be accepted as a standard by which all particular institutions are judged.“ (p. 113)

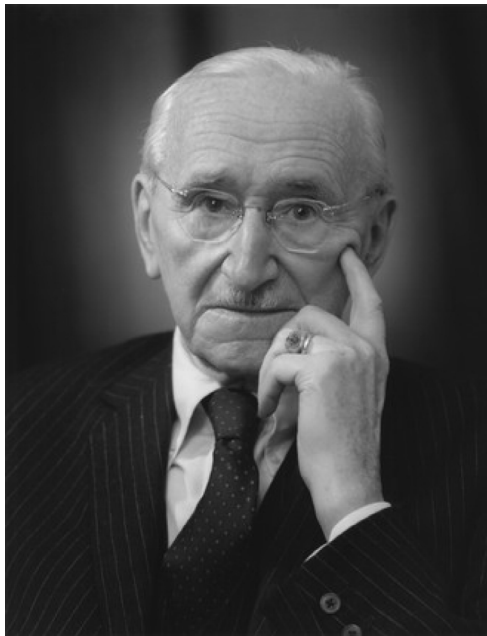
„There are, in the last resort, no economic ends. The economic efforts of the individuals as well as the services which the market order renders to them, consist in an allocation of means for the competing ultimate purposes which are always non-economic. The task of all economic activity is to reconcile the competing ends by deciding for which of them the limited means are to be used. The market order reconciles the claims of the different non-economic ends by the only known process that benefits all-without, however, assuring that the more important comes before the less important, for the simple reason that there can exist in such a system no single ordering of needs. What it tends to bring about is merely a state of affairs in which no need is served at the cost of with-drawing a greater amount of means from the use for other needs than is necessary to satisfy it.“ (p. 113)



## Hayek (1976): Chapter 10 (VIII)

*Hayek characterizes the task of politics in a modern market organization: from his point of view, it is a matter of enabling an average (anonymous) citizen to achieve his (generally unknown) individual goals with the greatest possible probability of success.*

F.A. von Hayek



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„The aim of policy in a society of free men cannot be a maximum of foreknown results but only an abstract order“  
(p. 114, highlighted in the original)

„The belief that there can be no rational policy without a common scale of concrete ends implies, however, an interpretation of the catallaxy as an economy proper and for this reason is misleading. Policy need not be guided by the striving for the achievement of particular results, but may be directed towards securing an abstract overall order of such character that it will secure for the members the best chance of achieving their different and largely unknown particular ends. The aim of policy in such a society would have to be to increase equally the chances for any unknown member of society of pursuing with success his equally unknown purposes, and to restrict the use of coercion (apart from the raising of taxes) to the enforcement of such rules as will, if universally applied, tend in this sense to improve everyone's opportunities.“ (p. 114)

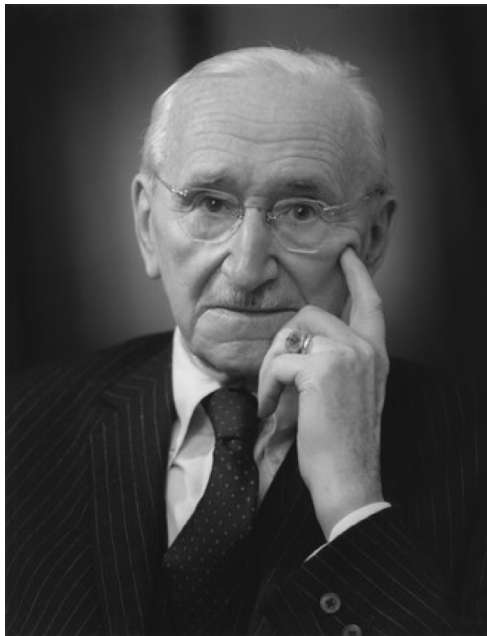




# Hayek (1976): Chapter 10 (IX)

*Hayek gives the following explanation:*

F.A. von Hayek



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„A policy making use of the spontaneously ordering forces therefore cannot aim at a known maximum of particular results, but must aim at increasing, for any person picked out at random, the prospects that the overall effect of all changes required by that order will be to increase his chances of attaining his ends. We have seen that the common good in this sense is not a particular state of things but consists in an abstract order which in a free society must leave undetermined the degree to which the several particular needs will be met. The aim will have to be an order which will increase everybody's chances as much as possible — not at every moment, but only 'on the whole' and in the long run.“  
(p. 114 f.)

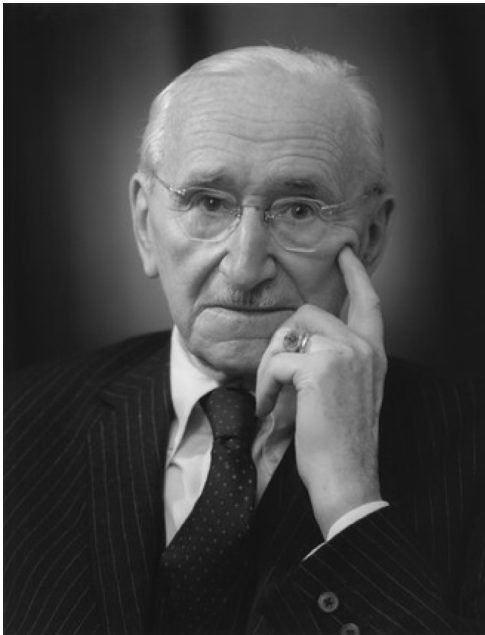




## Hayek (1976): Chapter 10 (X)

*Hayek characterizes the market organization (= catallaxy) as a "game": as a competitive game with win-win opportunities, in which luck and talent play an important role.*

F.A. von Hayek



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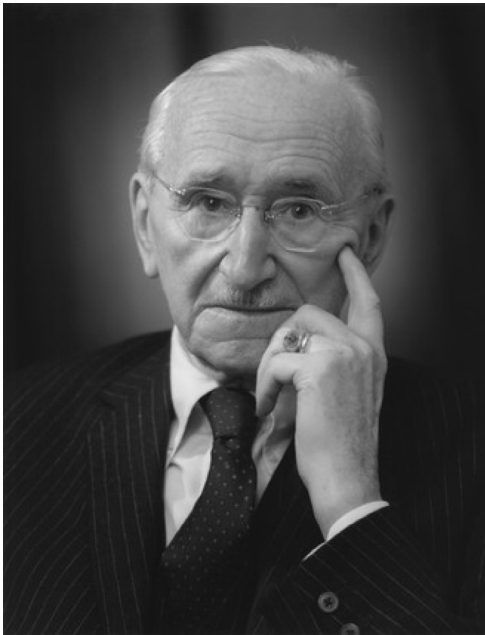
„The best way to understand how the operation of the market system leads not only to the creation of an order, but also to a great increase of the return which men receive from their efforts, is to think of it, as suggested in the last chapter, as a game which we may now call the game of catallaxy. It is a wealth-creating game (and not what game theory calls a zero-sum game), that is, one that leads to an increase of the stream of goods and of the prospects of all participants to satisfy their needs, but which retains the character of a game in the sense in which the term is defined by the Oxford English Dictionary: 'a contest played according to rules and decided by superior skill, strength or good fortune'. That the outcome of this game for each will, because of its very character, necessarily be determined by a mixture of skill and chance will be one of the main points we must now try to make clear.“ (p. 114 f.)



# Hayek (1976): Chapter 10 (XI)

*Hayek explains why markets are so productive:*

F.A. von Hayek



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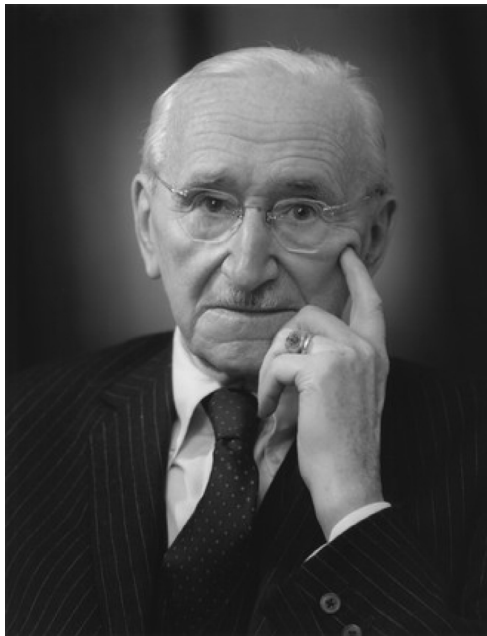
„The chief cause of the wealth-creating character of the game is that the returns of the efforts of each player act as the signs which enable him to contribute to the satisfaction of needs of which he does not know, and to do so by taking advantage of conditions of which he also learns only indirectly through their being reflected in the prices of the factors of production which they use. It is thus a wealth-producing game because it supplies to each player information which enables him to provide for needs of which he has no direct knowledge and by the use of means of the existence of which without it he would have no cognizance, thus bringing about the satisfaction of a greater range of needs than would otherwise be possible. The manufacturer does not produce shoes because he knows that Jones needs them. He produces because he knows that dozens of traders will buy certain numbers at various prices because they (or rather the retailer they serve) know that thousands of Joneses, whom the manufacturer does not know, want to buy them.“ (p. 115 f.)



## Hayek (1976): Chapter 10 (XII)

*Hayek points out that prices play an important role in programming markets for value creation. Prices are used for co-ordination, but not ex ante, but ex post: through partial disappointment of expectations.*

F.A. von Hayek



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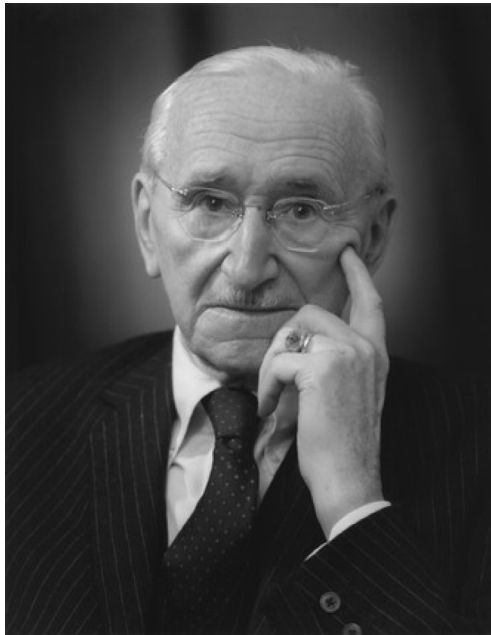
„The current prices ... serve ... as indicators of what ought to be done in the present circumstances and have no necessary relation to what has been done in the past in order to bring the current supply of any particular good on the market. For the same reason that the prices which guide the direction of the different efforts reflect events which the producer does not know, the return from his efforts will frequently be different from what he expected, and must be so if they are to guide production appropriately. The remunerations which the market determines are, as it were, not functionally related with what people **have** done, but only with what they **ought** to do. They are incentives which as a rule guide people to success, but will produce a viable order only because they often disappoint the expectations they have caused when relevant circumstances have unexpectedly changed.“  
(p. 116 f., emphasis in original)



## Hayek (1976): Chapter 10 (XIII)

*According to Hayek, an important function of competition is to uncover false expectations and to give an incentive to correct false expectations and to make appropriate behavioral changes:*

F.A. von Hayek



„It is one of the chief tasks of competition to show which plans are false. The facts that full utilization of the limited information which the prices convey is usually rewarded, and that this makes it worth-while to pay the greatest attention to them, are as important as that in the case of unforeseen changes the expectations are disappointed. The element of luck is as inseparable from the operation of the market as the element of skill.“ (p. 117)

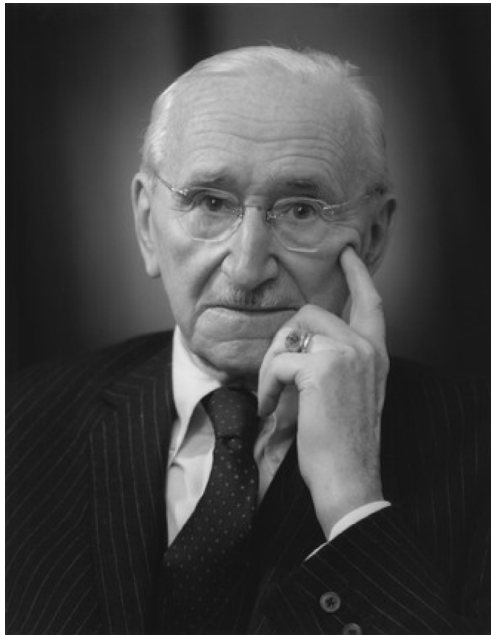
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## Hayek (1976): Chapter 10 (XIV)

*For Hayek, competition is a discovery procedure: a method for the best possible detection and processing of decentralized knowledge.*

F.A. von Hayek



„The sum of information reflected or precipitated in the prices is wholly the product of competition, or at least of the openness of the market to anyone who has relevant information about some source of demand or supply for the good in question. Competition operates as a discovery procedure not only by giving anyone who has the opportunity to exploit special circumstances the possibility to do so profitably, but also by conveying to the other parties the information that there is some such opportunity. It is by this conveying of information in coded form that the competitive efforts of the market game secure the utilization of widely dispersed knowledge.“ (p. 117)

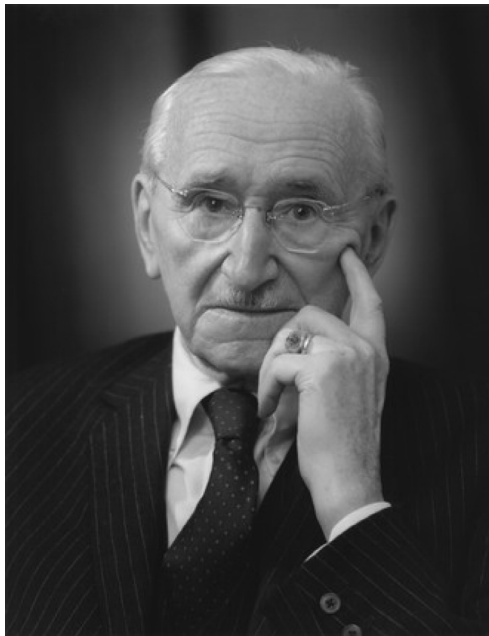
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# Hayek (1976): Chapter 10 (XV)

*Hayek points out how prizes and competition work together to achieve socially desirable allocation efficiency.*

F.A. von Hayek



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„Almost any product can be produced by a great many different quantitative combinations of the various factors of production, and which of them will be the least costly, i.e. will involve the least sacrifice of other goods that might be produced with them, is indicated by the relative prices of these factors.“ (p. 118)

Hayek schreibt über das Marktgleichgewicht:

„[I]t corresponds to the largest amount of the particular combination of goods which can be produced by the known techniques (a sense in which the largest quantity of one good only that could be produced if nothing else were produced would be one of the maxima included in the horizon of possibilities. The combination in fact produced will be determined by the relative strength of the demand for the different goods — which in turn depends on the distribution of incomes, that is the prices paid for the contributions of the different factors of production, and these again serve merely (or are necessary in order) to secure that the horizon of catallactic possibilities be approached.“ (p. 119)

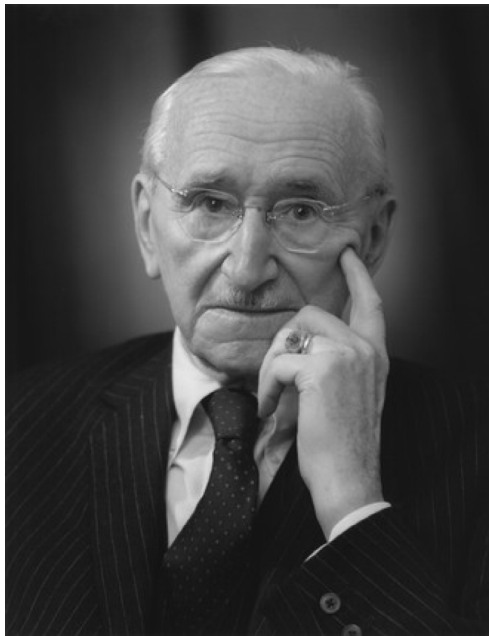




# Hayek (1976): Chapter 10 (XV)

*Hayek points out that the market benefits the average (anonymous) citizen:*

F.A. von Hayek



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„[W]hile the share of each player in the game of catallaxy will be determined partly by skill and partly by chance, the content of the share which is allocated to him by that mixed game of chance and skill will be a true maximum.“ (p. 119)

„It would, of course, be unreasonable to demand more from the operation of a system in which the several actors do not serve a common hierarchy of ends but co-operate with each other only because they can thereby mutually assist each other in their respective pursuit of their individual ends. Nothing else is indeed possible in an order in which the participants are free in the sense of being allowed to use their own knowledge for their own purposes. So long as the game is played by which alone all this knowledge can be utilized and all these ends taken into account, it would be inconsistent and unjust to divert some part of the stream of goods to some group of players whom some authority thinks deserves it.“ (p. 119 f.)

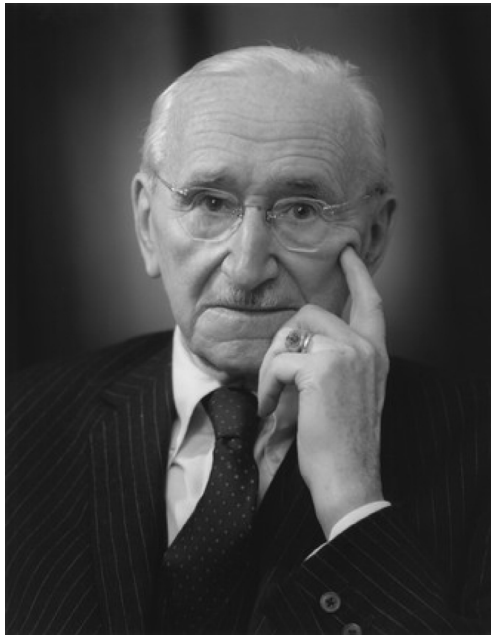




## Hayek (1976): Chapter 10 (XVI)

*Hayek draws far-reaching conclusions about the moral admissibility of interventions that seek to establish "social" justice:*

F.A. von Hayek



„Men can be allowed to act on their own knowledge and for their own purposes only if the reward they obtain is dependent in part on circumstances which they can neither control nor foresee. And if they are to be allowed to be guided in their actions by their own moral beliefs, it cannot also be morally required that the aggregate effects of their respective actions on the different people should correspond to some ideal of distributive justice. In this sense freedom is inseparable from rewards which often have no connection with merit and are therefore felt to be unjust.“  
(p. 120, highlighted in the original)

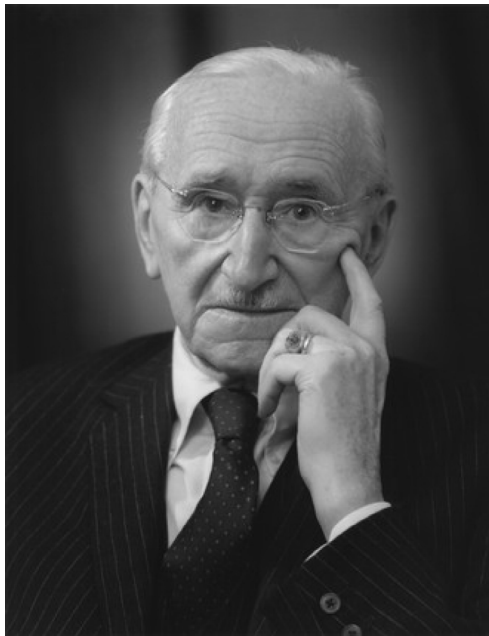
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## Hayek (1976): Chapter 10 (XVII)

*Hayek opposes rent-seeking – and reiterates the advantage of the market economy not to favour powerful minorities, but to provide the average (anonymous) citizen with as many opportunities as possible:*

F.A. von Hayek



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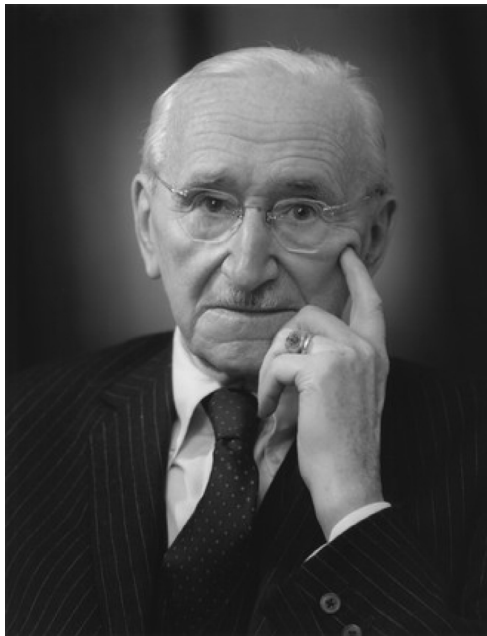
„[T]he universal tendency of politics is to give preferential consideration to few strong and therefore conspicuous effects over the numerous small and therefore neglected ones, and therefore to grant special privileges to groups threatened with the loss of positions they have achieved. But when we reflect that most of the benefits we currently owe to the market are the results of continuous adaptations which are unknown to us, and because of which only some but not all of the consequences of our deliberate decisions can be foreseen, it should be obvious that we will achieve the best results if we abide by a rule which, if consistently applied, is likely to increase everybody's chances. ... Of the resulting distribution it cannot be claimed that it is materially just, but only that it is the result of a process which is known to improve the chances of all and not the consequence of specific directed measures which favour some on principles that could not be generally acted upon.“ (p. 122)



## Hayek (1976): Chapter 10 (XVII)

*Hayek makes it clear that the rules of fair conduct protect property, but not the value of property. This is because the market coordinates the various individual expectations ex post.*

F.A. von Hayek



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„Rules of just conduct protect only material domains and not market values“

(p. 123, highlighted in the original)

„Rules of just conduct which are end-independent cannot determine what anyone must do (apart from the discharge of obligations voluntarily entered into), but only what he must not do. They merely lay down the principles determining the protected domain of each on which nobody must encroach.“

(p. 123)

„The correspondence of expectations is brought about by a disappointment of some expectations“

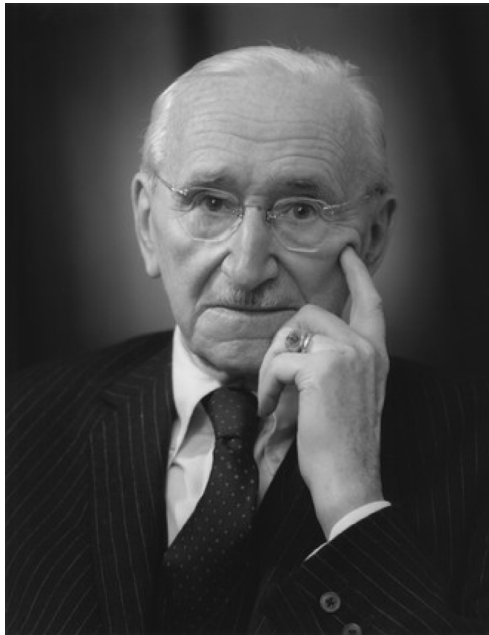
(p. 124, highlighted in the original)



# Hayek (1976): Chapter 10 (XVIII)

*Hayek explains the feedback process of market ex-post coordination via prices:*

F.A. von Hayek



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„The reason why the law can protect only some but not all expectations, or remove only some but not all sources of uncertainty, is that rules of just conduct can only limit the range of permitted actions in such a manner that the intentions of different persons will not clash, but cannot positively determine what actions those individuals must perform.“ (p. 124)

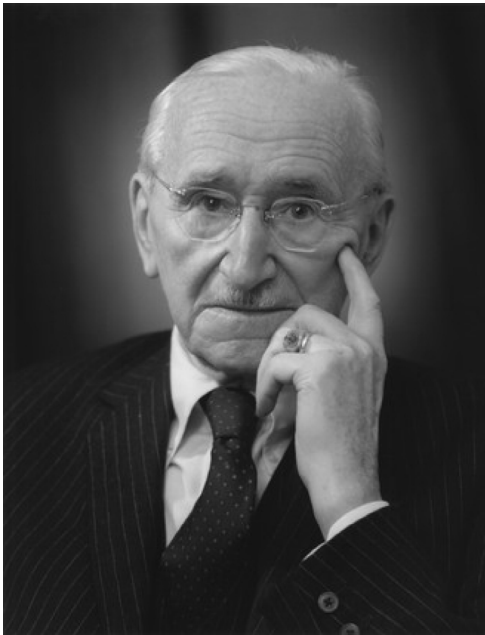
„The correspondence of expectations that makes it possible for all parties to achieve what they are striving for is in fact brought about by a process of learning by trial and error which must involve a constant disappointment of some expectations. The process of adaptation operates, as do the adjustments of any selforganizing system, by what cybernetics has taught us to call negative feedback: responses to the differences between the expected and the actual results of actions so that these differences will be reduced.“ (p. 124 f.)



## Hayek (1976): Chapter 10 (XIX)

*Hayek explains how to deal with uncertainty in the best way. He points to a (seeming) paradox – and dissolves it:*

F.A. von Hayek



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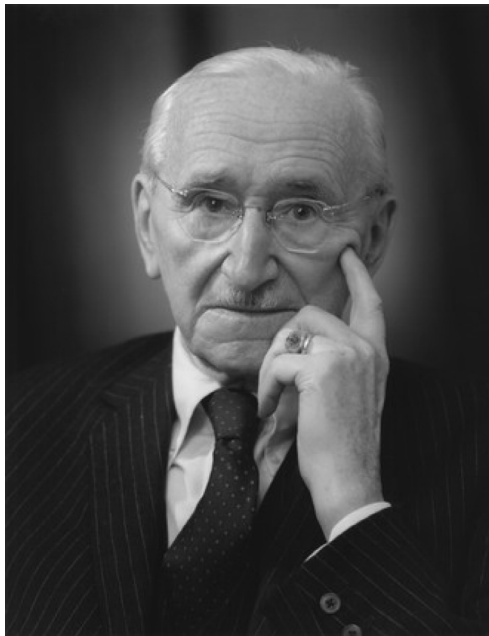
„It may at first appear paradoxical that in order to achieve the greatest attainable certainty it should be necessary to leave uncertain so important an object of expectations as the terms at which things can be bought and sold. The paradox disappears, however, when we remember that we can aim only at providing the best basis for judging what of necessity is uncertain and for securing continual adaptation to what has not been known before: we can strive only for the best utilization of partial knowledge that constantly changes, and that is communicated mainly through changes in prices, and not for the best utilization of a given and constant stock of knowledge. The best we can attain in such a situation is not certainty but the elimination of avoidable uncertainty — which cannot be attained by preventing unforeseen changes from spreading their effects, but only by facilitating the adaptation to such changes.“ (p. 125)



# Hayek (1976): Chapter 10 (XIX)

*Hayek writes about equal opportunities: everyone has a right to equality before the law, but not to equality of success (= equal results) in the market.*

F.A. von Hayek



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„Abstract rules of just conduct can determine only chances and not particular results“

(p. 126, highlighted in the original)

„[E]ach individual will have a claim in justice, not to an equal chance in general, but only that the principles guiding all coercive measures of government should be equally likely to benefit anybody's chances; and that these rules be applied in all particular instances irrespective of whether the effect on particular individuals seems desirable or not. So long as the positions of the different individuals are to be left at all dependent on their skill and on the particular circumstances they encounter, nobody can assure that they will all have the same chances.“

(p. 126)

„It is our ignorance of the effects of the application of the rules on particular people which makes justice possible in a spontaneous order of free men.“ (p. 127)

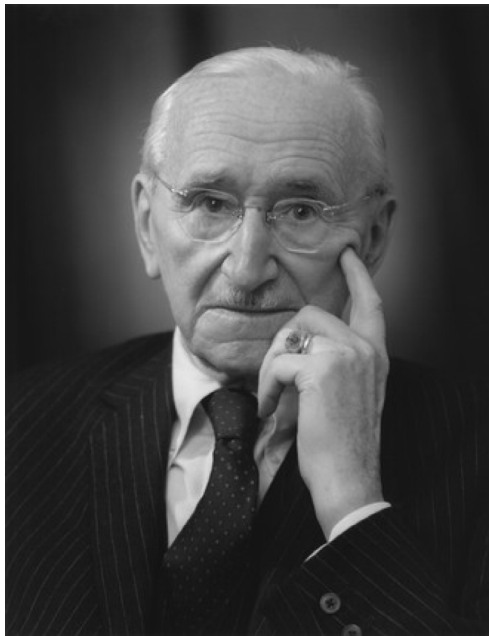




# Hayek (1976): Chapter 10 (XIX)

*Hayek writes about the inevitable disappointment of expectations in the market:*

F.A. von Hayek



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„In a spontaneous order undeserved disappointments cannot be avoided. They are bound to cause grievances and a sense of having been treated unjustly, although nobody has acted unjustly. Those affected will usually, in perfectly good faith and as a matter of justice, put forward claims for remedial measures. But if coercion is to be restricted to the enforcement of uniform rules of just conduct, it is essential that government should not possess the power to accede to such demands. The reduction of the relative position of some about which they complain is the consequence of their having submitted to the same chances to which not only some others now owe the rise in their position, but to which they themselves owed their past position. It is only because countless others constantly submit to disappointments of their reasonable expectations that everyone has as high an income as he has; and it is therefore only fair that he accept the unfavourable turn of events when they go against him. This is no less true when not a single individual but members of a large group share — and mutually support — that sense of grievance, and the change in consequence comes to be regarded as constituting a 'social problem'.“ (p. 127 f.)

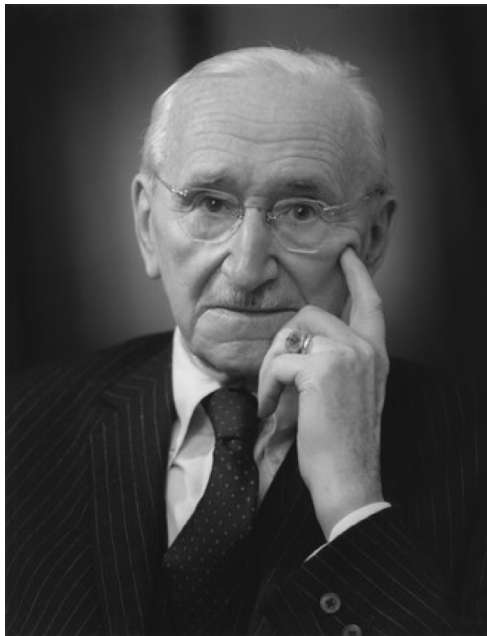




# Hayek (1976): Chapter 10 (XX)

*Hayek stresses several points:*

F.A. von Hayek



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„Specific commands ('interference') in a catallaxy create disorder and can never be just“

(p. 128, highlighted in the original)

„The aim of law should be to improve equally the chances of all“  
(p. 129, highlighted in the original)

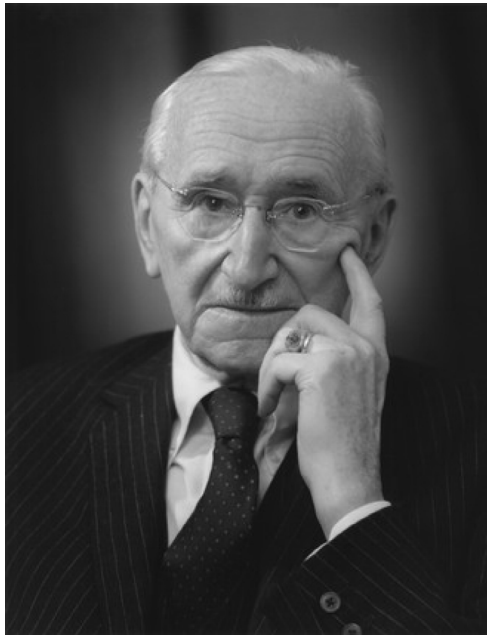
„[O]n the whole it would seem that the fact which, contrary to a widely held belief, has contributed most during the last two hundred years to increase not only the absolute but also the relative position of those in the lowest income groups has been the general growth of wealth which has tended to raise the income of the lowest groups more than the relatively higher ones. This, of course, is a consequence of the circumstance that, once the Malthusian devil has been exorcized, the growth of aggregate wealth tends to make labour more scarce than capital. But nothing we can do, short of establishing absolute equality of all incomes, can alter the fact that a certain percentage of the population must find itself in the bottom of the scale; and as a matter of logic the chance of any person picked out at random being among the lowest 10 per cent must be one tenth!“ (p. 131)



## Hayek (1976): Chapter 10 (XX)

*Hayek draws on Rawls's thought experiment, which played a very important role in his own biography, because during The Second World War he had to consider in which country he should exile his children:*

F.A. von Hayek



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„The Good Society is one in which the chances of anyone selected at random are likely to be as great as possible“ (p. 132, highlighted in the original)

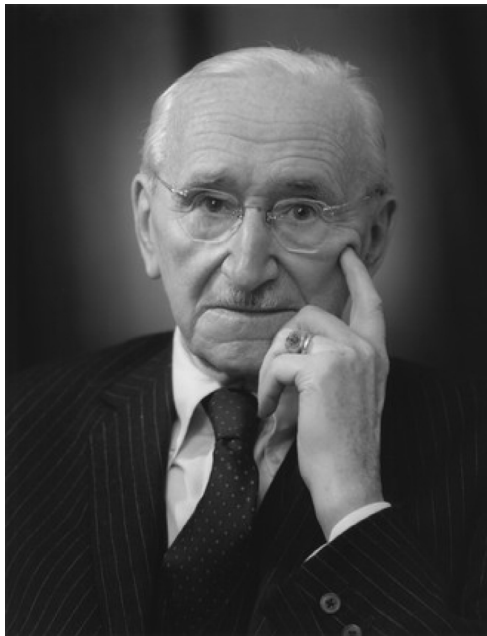
„The conclusion to which our considerations lead is thus that we should regard as the most desirable order of society one which we would choose if we knew that our initial position in it would be decided purely by chance (such as the fact of our being born into a particular family). Since the attraction such chance would possess for any particular adult individual would probably be dependent on the particular skills, capacities and tastes he has already acquired, a better way of putting this would be to say that the best society would be that in which we would prefer to place our children if we knew that their position in it would be determined by lot.“ (p. 132)



# Hayek (1976): Chapter 11 (I)

*Hayek criticizes utopianism for its harmful practical consequences:*

F.A. von Hayek



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„The pursuit of unattainable goals may prevent the achievement of the possible“

(p. 133, highlighted in the original)

Hayek erklärt und kritisiert Sozialismus und Nationalsozialismus:

„Socialism is simply a re-assertion of that tribal ethics whose gradual weakening had made an approach to the Great Society possible. The submergence of classical liberalism under the inseparable forces of socialism and nationalism is the consequence of a revival of those tribal sentiments.“ (p. 132 f.)

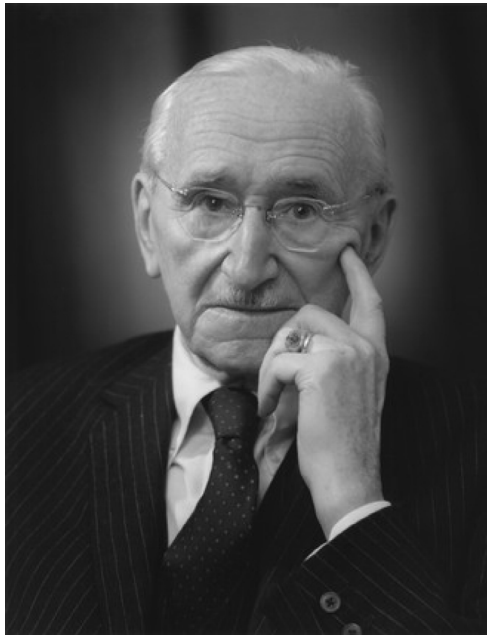
„Most people are still unwilling to face the most alarming lesson of modern history: that the greatest crimes of our time have been committed by governments that had the enthusiastic support of millions of people who were guided by moral impulses.“ (p. 134)



## Hayek (1976): Chapter 11 (II)

*Hayek cites two reasons why tribal thinking is re-establishing in modern times: (a) More and more people are no longer working independently, but in organizations. (b) Most people only know the inner workings of organisations and do no longer understand their societal environment.*

F.A. von Hayek



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„One reason why in recent times we have seen a strong revival of organizational thinking and a decline in the understanding of the operation of the market order is that an ever growing proportion of the members of society work as members of large organizations and find their horizon of comprehension limited to what is required by the internal structure of such organizations.“ (p. 134)

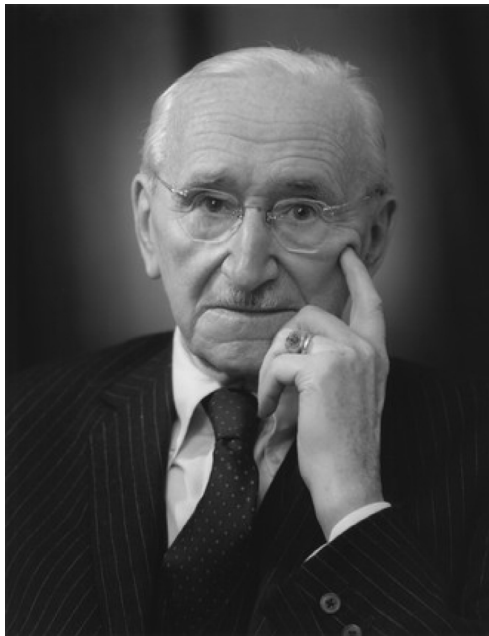
„The other main reason for the growing dominance of organizational thinking is that the success of the deliberate creation of new rules for purposive organizations has in many respects been so great, that men no longer recognize that the more comprehensive order within which the organizations operate rests on a different type of rules which have not been invented with a definite foreseen purpose in mind, but are the product of a process of trial and error in the course of which more experience has been accumulated than any living person is aware of.“ (p. 135)



# Hayek (1976): Chapter 11 (III)

*Hayek advocates the model of Western civilization:*

F.A. von Hayek



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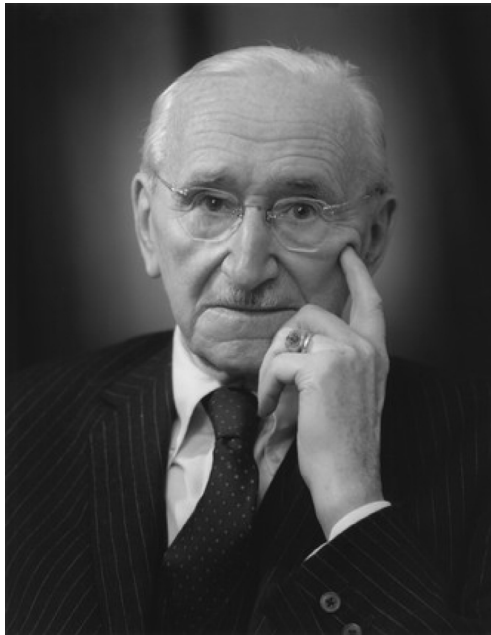
„The possibility of men living together in peace and to their mutual advantage without having to agree on common concrete aims, and bound only by abstract rules of conduct, was perhaps the greatest discovery mankind ever made. The 'capitalist' system which grew out of this discovery no doubt did not fully satisfy the ideals of liberalism, because it grew up while legislators and governments did not really understand the **modus operandi** of the market, and largely in spite of the policies actually pursued. Capitalism as it exists today in consequence undeniably has many remediable defects that an intelligent policy of freedom ought to correct. A system which relies on the spontaneous ordering forces of the market, once it has reached a certain level of wealth, is also by no means incompatible with government providing, outside the market, some security against severe deprivation. But the attempt to secure to each what he is thought to deserve, by imposing upon all a system of common concrete ends towards which their efforts are directed by authority, as socialism aims to do, would be a retrograde step that would deprive us of the utilization of the knowledge and aspirations of millions, and thereby of the advantages of a free civilization.“ (p. 136, emphasis in original)



# Hayek (1976): Chapter 11 (IV)

*Hayek criticizes socialism – not because of its specific values, but because of an intellectual error:*

F.A. von Hayek



„Socialism is not based merely on a different system of ultimate values from that of liberalism, which one would have to respect even if one disagreed; it is based on an intellectual error which makes its adherents blind to its consequences. This must be plainly said because the emphasis on the alleged difference of the ultimate values has become the common excuse of the socialists for shirking the real intellectual issue. The pretended difference of the underlying value judgments has become a protective cloak used to conceal the faulty reasoning underlying the socialist schemes.“ (p. 136)

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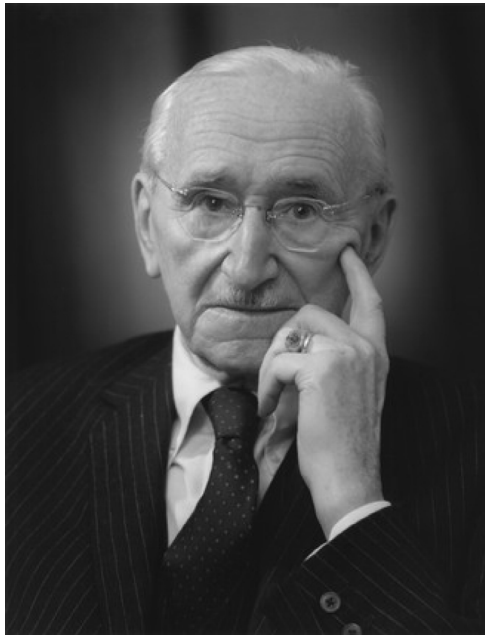




# Hayek (1976): Chapter 11 (V)

*Hayek points to the destructive effects of the "social" justice category within modern society - especially rent-seeking.*

F.A. von Hayek



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„In the Great Society 'social justice' becomes a disruptive force“ (p. 137, highlighted in the original)

„Not only is it impossible for the Great Society to maintain itself while enforcing rules of 'social' or distributive justice; for its preservation it is also necessary that no particular groups holding common views about what they are entitled to should be allowed to enforce these views by preventing others to offer their services at more favourable terms. ... [A]ny such group action to secure a particular income or position for its members creates an obstacle to the integration of the Great Society and is therefore anti-social in the true sense of this word. It must become a divisive force because it produces not a reconciliation of, but a conflict between, the interests of the different groups. As the active participants in the struggle for 'social justice' well know, it becomes in practice a struggle for power of organized interests in which arguments of justice serve merely as pretexts.“ (p. 137)

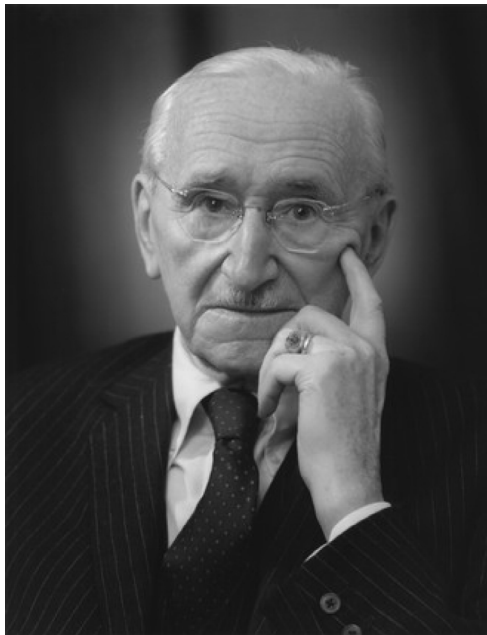




# Hayek (1976): Chapter 11 (VI)

*Hayek uses an example to illustrate:*

F.A. von Hayek



„It is certainly in itself not unjust if a barber in one city receives \$3 for a haircut while in another city only \$2 is paid for the same work. But it would clearly be unjust if the barbers in the first prevented any from the second city from improving their position by offering their services in the first for, say, \$2.50 and thus, while improving their position, lowering the income of the first group. Yet it is precisely against such efforts that established groups are today permitted to combine in defence of their established position.“ (p. 137 f.)

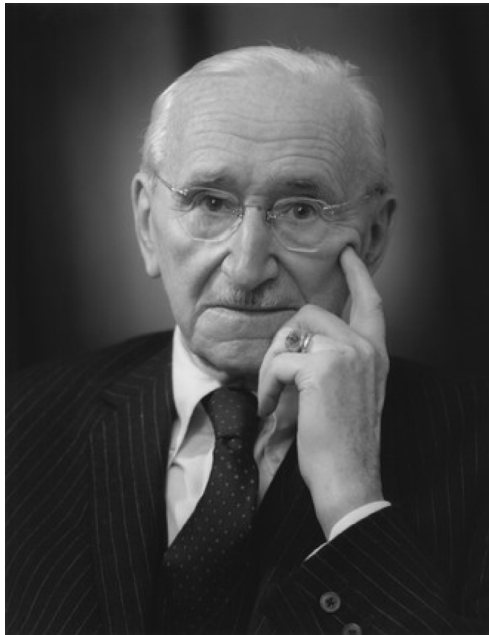
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# Hayek (1976): Chapter 11 (VII)

*Hayek distinguishes the fight against absolute and relative poverty:*

F.A. von Hayek



„We must not lose sight ... of the fact that at the beginning of the striving for 'social justice' stood the laudable desire to abolish destitution, and that the Great Society has brilliantly succeeded in abolishing poverty in the absolute sense. Nobody capable of useful work need today lack food and shelter in the advanced countries, and for those incapable of themselves earning enough these necessities are generally provided outside the market. Poverty in the relative sense must of course continue to exist outside of any completely egalitarian society: so long as there exists inequality, somebody must be the bottom of the scale.“ (p. 139)

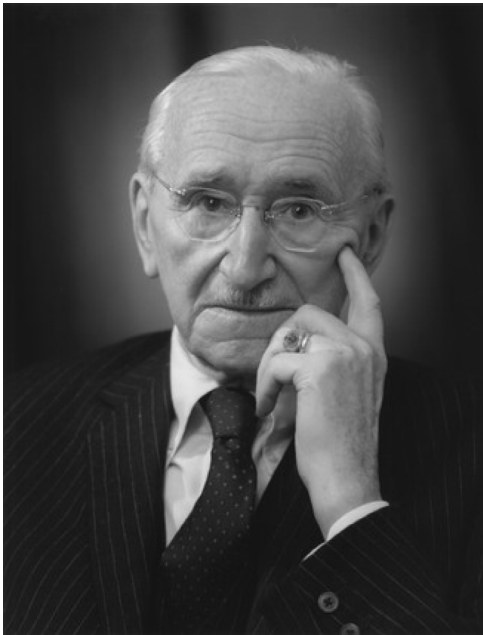
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# Hayek (1976): Chapter 11 (VIII)

*Hayek warns that combating relative poverty can undermine the fight against absolute poverty:*

F.A. von Hayek



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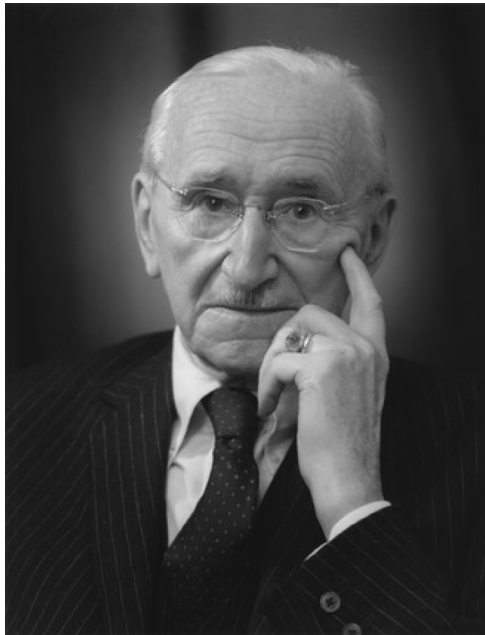
„But the abolition of absolute poverty is not helped by the endeavour to achieve 'social justice'; in fact, in many of the countries in which absolute poverty is still an acute problem, the concern with 'social justice' has become one of the greatest obstacles to the elimination of poverty. In the West the rise of the great masses to tolerable comfort has been the effect of the general growth of wealth and has been merely slowed down by measures interfering with the market mechanism. It has been this market mechanism which has created the increase of aggregate income, which also has made it possible to provide outside the market for the support of those unable to earn enough. But the attempts to 'correct' the results of the market in the direction of 'social justice' have probably produced more injustice in the form of new privileges, obstacles to mobility and frustration of efforts than they have contributed to the alleviation of the lot of the poor.“ (p. 139 f.)



# Hayek (1976): Chapter 11 (VIII)

*Hayek criticizes semantics of "social" justice as an invitation to rent-seeking.*

F.A. von Hayek



„Misfortune ... cannot create a claim for protection against risks which all have had to run in order to attain the position they occupy.“ (p. 140)

„The very language in current use which at once labels as a 'social problem' anything which causes dissatisfaction of any group, and suggests that it is the duty of the legislature to do something about such 'social injustice', has turned the conception of 'social justice' into a mere pretext for claims for privileges by special interests.“ (p. 140)

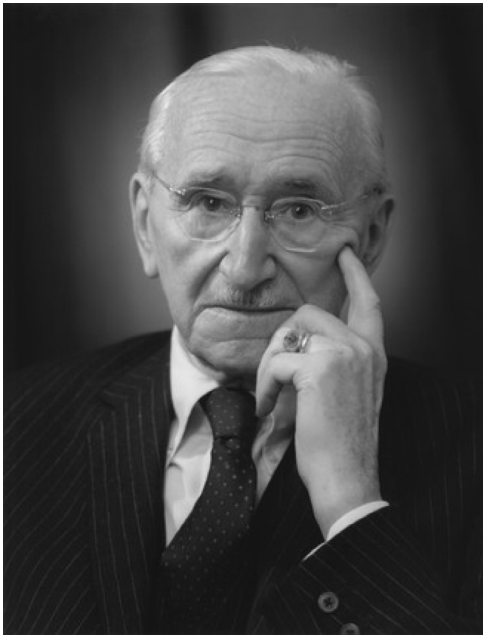
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## Hayek (1976): Chapter 11 (IX)

*Hayek formulates a moral argument: those who have (undeservedly) gained through the process of decentralized knowledge processing and general improvement must also be content with any accidental losses that they (undeservedly) suffer in this process.*

F.A. von Hayek



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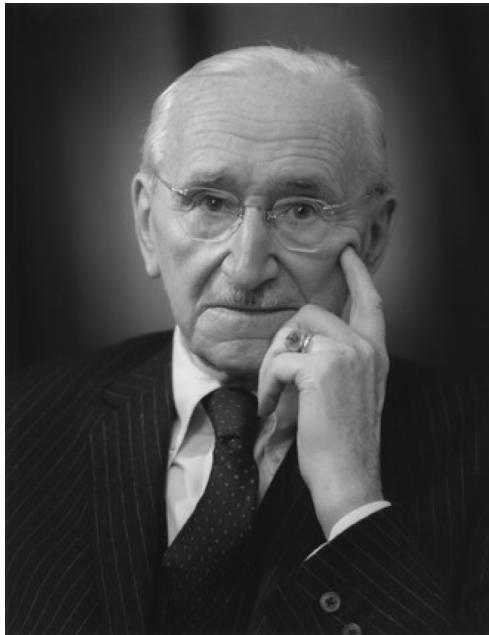
„Since today we can probably even feed the numbers to which mankind has grown only thanks to the intensive utilization of dispersed knowledge which is made possible by the market — not to speak of maintaining that level of comfort which the great majority has reached in some parts of the world—it certainly would not be just to exempt some from the necessity of accepting a less favourable position than they had already attained if an unforeseen turn of events diminishes the value of their services to the rest. However sorry we may be for those who, through no fault of their own but as a result of unforeseeable developments, find themselves in a reduced position, this does not mean that we can have both the progressive increase in the level of general wealth on which the future improvement of the conditions of the great masses depends and no such recurrent declines of the position of some groups.“ (p. 140 f.)



## Hayek (1976): Chapter 11 (X)

*Hayek argues that individual rent-seeking has a collective pull effect ("social dilemma") – and that, therefore, rent-seeking can only be countered by not generally prioritising a group, so that the same rules apply to everyone.*

F.A. von Hayek



„Yet the more organizations of interests are used for this purpose, the more necessary does it become for each group to organize for pressure on government, since those who fail to do so will be left out in the cold. Thus the conception of 'social justice' has resulted in the assurance by government of an appropriate income to particular groups, which has made the progressive organization of all such 'interests' inevitable. But the protection of expectations which such assurance involves cannot possibly be granted to all in any but a stationary society. The only just principle is therefore to concede this privilege to none.“ (p. 141)

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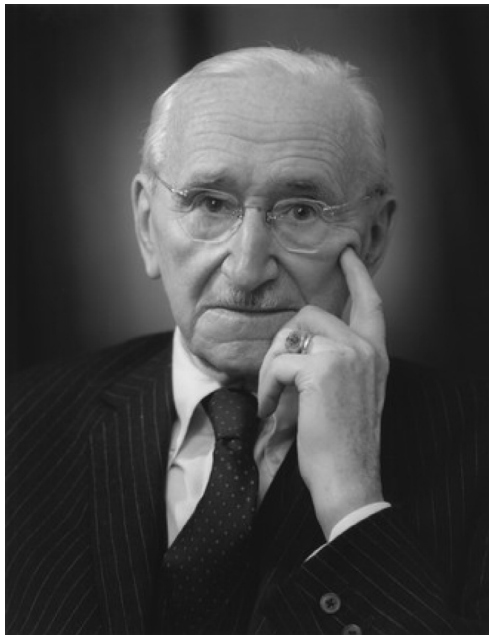




# Hayek (1976): Chapter 11 (XI)

*Hayek explains this as follows::*

F.A. von Hayek



„The current endeavour to rely on a spontaneous order corrected according to principles of justice amounts to an attempt to have the best of two worlds which are mutually incompatible. ... It is possible to 'correct' an order only by assuring that the principles on which it rests are consistently applied, but not by applying to some part of the whole principles which do not apply to the rest. As it is the essence of justice that the same principles are universally applied, it requires that government assist particular groups only in conditions in which it is prepared to act on the same principle in all similar instances.“ (p. 142 f.)

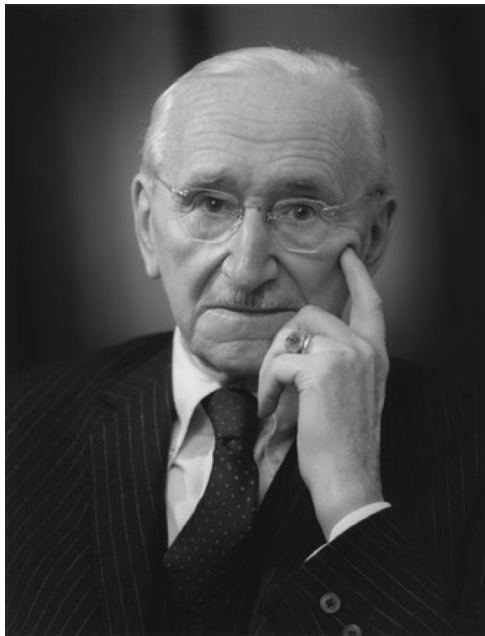
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# Hayek (1976): Chapter 11 (XII)

*Hayek gives the following (evolutionary) explanation for the fundamental problem:*

F.A. von Hayek



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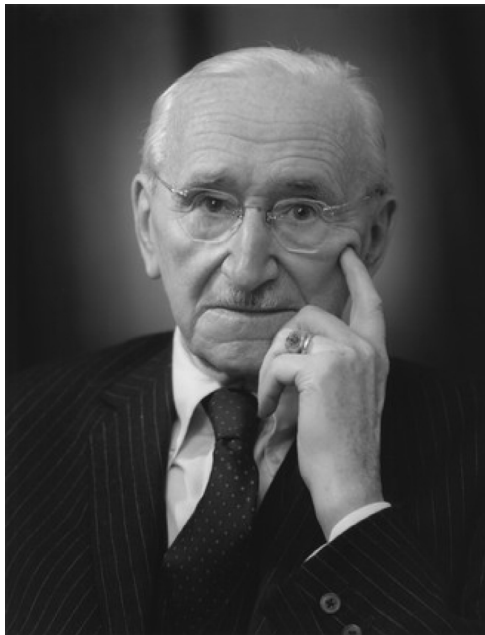
„The rise of the ideal of impersonal justice based on formal rules has been achieved in a continuous struggle against those feelings of personal loyalty which provide the basis of the tribal society but which in the Great Society must not be allowed to influence the use of the coercive powers of government. The gradual extension of a common order of peace from the small group to ever larger communities has involved constant clashes between the demands of sectional justice based on common visible purposes and the requirements of a universal justice equally applicable to the stranger and to the member of the group. This has caused a constant conflict between emotions deeply ingrained in human nature through millennia of tribal existence and the demands of abstract principles whose significance nobody fully grasped. Human emotions are attached to concrete objects, and the emotions of justice in particular are still very much connected with the visible needs of the group to which each person belongs — the needs of the trade or profession, of the clan or the village, the town or the country to which each belongs. Only a mental reconstruction of the overall order of the Great Society enables us to comprehend that the deliberate aim at concrete common purposes, which to most people still appears as more meritorious and superior to blind obedience to abstract rules, would destroy that larger order in which all human beings count alike.“ (p. 143)



# Hayek (1976): Chapter 11 (XIII)

*Hayek explains this as follows::*

F.A. von Hayek



„[M]uch that will be truly social in the small end-connected group because it is conducive to the coherence of the working order of that society, will be anti-social from the point of view of the Great Society. The demand for 'social justice' is indeed an expression of revolt of the tribal spirit against the abstract requirements of the coherence of the Great Society with no such visible common purpose. It is only by extending the rules of just conduct to the relations with all other men, and at the same time depriving of their obligatory character those rules which cannot be universally applied, that we can approach a universal order of peace which might integrate all mankind into a single society.“ (p. 143 f.)

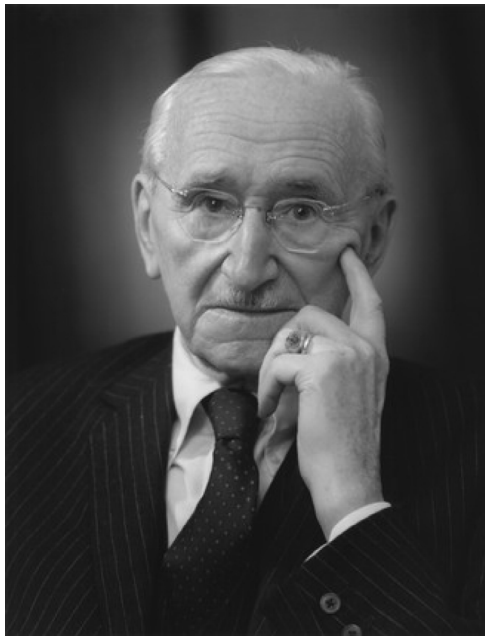
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## Hayek (1976): Chapter 11 (XIV)

*Hayek points out that peace comes about differently, depending on whether you live in a pre-modern or modern society:*

F.A. von Hayek



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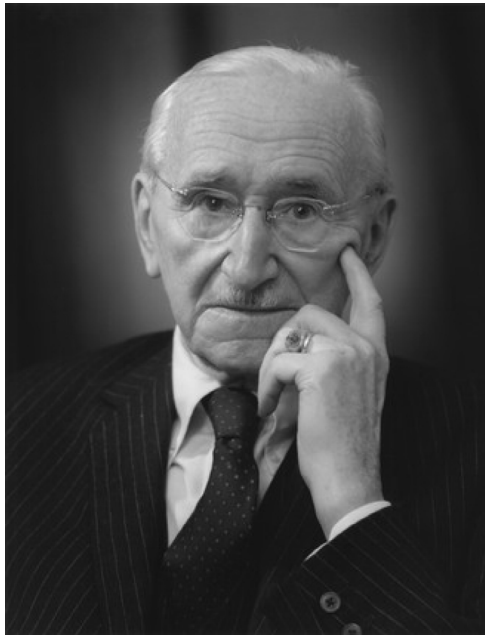
„While in the tribal society the condition of internal peace is the devotion of all members to some common visible purposes, and therefore to the will of somebody who can decide what at any moment these purposes are to be and how they are to be achieved, the Open Society of free men becomes possible only when the individuals are constrained only to obey the abstract rules that demarcate the domain of the means that each is allowed to use for his purposes. So long as any particular ends, which in a society of any size must always be the ends of some particular persons or group, are regarded as a justification of coercion, there must always arise conflicts between groups with different interests. Indeed, so long as particular purposes are the foundation of political organization, those whose purposes are different are inevitably enemies; and it is true that in such a society politics necessarily is dominated by the friend-enemy relation. Rules of just conduct can become the same for all only when particular ends are not regarded as justification for coercion (apart from such special passing circumstances as war, rebellion or natural catastrophes).“  
(p. 144)



# Hayek (1976): Chapter 11 (XV)

*Hayek points out that pre-modern and modern society depend on different types of morality:*

F.A. von Hayek



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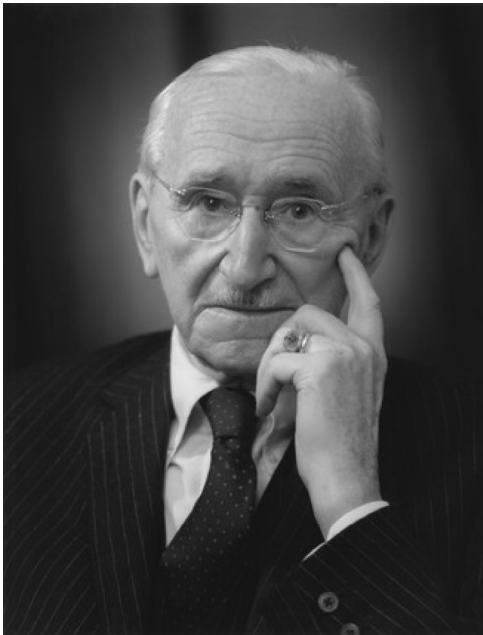
„The process we are describing is closely associated with, and indeed a necessary consequence of, the circumstance that in an extensive market order the producers are led to serve people without knowing of their individual needs. Such an order which relies on people working with the effect of satisfying the wants of people of whom they do not know presupposes and requires somewhat different moral views, from one in which people serve visible needs. The indirect guidance by an expected monetary return, operating as an indicator of the requirements of others, demanded new moral conceptions which do not prescribe particular aims but rather general rules limiting the range of permitted actions.“ (p. 144)



# Hayek (1976): Chapter 11 (XVI)

*Hayek characterizes the ethos of modern society as follows:*

F.A. von Hayek



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„It did become part of the ethos of the Open Society that it was better to invest one's fortune in instruments making it possible to produce more at smaller costs than to distribute it among the poor, or to cater for the needs of thousands of unknown people rather than to provide for the needs of a few known neighbours. These views, of course, did not develop because those who first acted upon them understood that they thus conferred greater benefits on their fellows, but because the groups and societies which acted in this way prospered more than others; it became in consequence gradually the recognized moral duty of the 'calling' to do so. In its purest form this ethos regards it as the prime duty to pursue a self-chosen end as effectively as possible without paying attention to the role it plays in the complex network of human activities.“

(p. 144 f.)

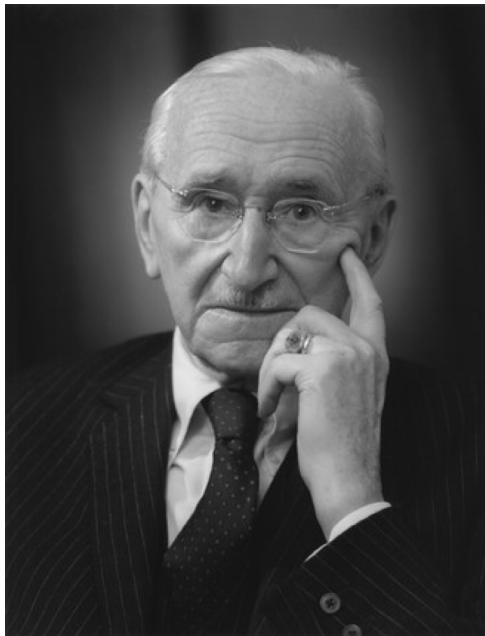




## Hayek (1976): Chapter 11 (XVI)

*Hayek points out that our moral intuitions mislead us and that it is not only the use of profit, but above all the making of profit, that has a moral status:*

F.A. von Hayek



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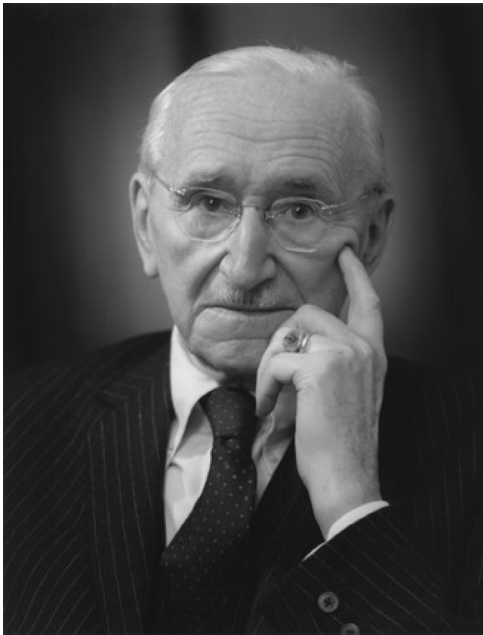
„We still esteem doing good only if it is done to benefit specific known needs of known people, and regard it as really better to help one starving man we know than to relieve the acute need of a hundred men we do not know; but in fact we generally are doing most good by pursuing gain. It was somewhat misleading, and did his cause harm, when Adam Smith gave the impression as if the significant difference were that between the egoistic striving for gain and the altruistic endeavour to meet known needs. The aim for which the successful entrepreneur wants to use his profits may well be to provide a hospital or an art gallery for his home town. But quite apart from the question of what he wants to do with his profits after he has earned them, he is led to benefit more people by aiming at the largest gain than he could if he concentrated on the satisfaction of the needs of known persons. He is led by the invisible hand of the market to bring the succour of modern conveniences to the poorest homes he does not even know.“  
(p. 145)



# Hayek (1976): Chapter 11 (XVII)

*Hayek reiterates the importance of evolutionary time horizons:*

F.A. von Hayek



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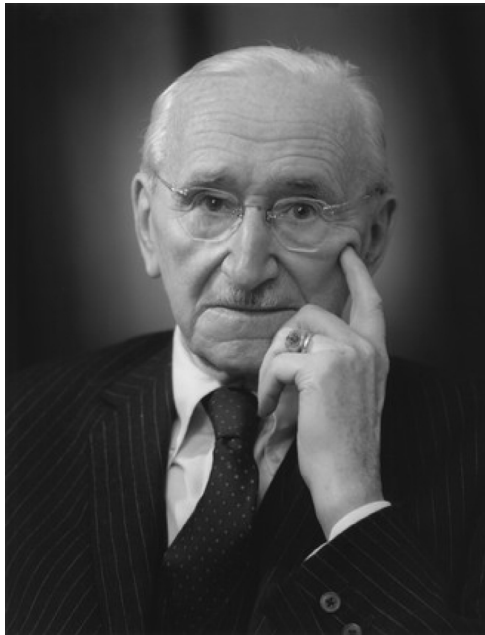
„It is true ... that the moral views underlying the Open Society were long confined to small groups in a few urban localities, and have come generally to govern law and opinion in the Western world so comparatively recently that they are often still felt to be artificial and unnatural in contrast to the intuitive, and in part perhaps even instinctive, sentiments inherited from the older tribal society. The moral sentiments which made the Open Society possible grew up in the towns, the commercial and trading centres, while the feelings of the large numbers were still governed by the parochial sentiments and the xenophobic and fighting attitudes governing the tribal group. The rise of the Great Society is far too recent an event to have given man time to shed the results of a development of hundreds of thousands of years, and not to regard as artificial and inhuman those abstract rules of conduct which often conflict with the deeply ingrained instincts to let himself be guided in action by perceived needs.“ (p. 145 f.)



## Hayek (1976): Chapter 11 (XVIII)

*Hayek reiterates that moral progress in treating all people equally necessarily goes with a limitation of moral obligations – and that this can lead to feelings of alienation that motivate resistance to modernity:*

F.A. von Hayek



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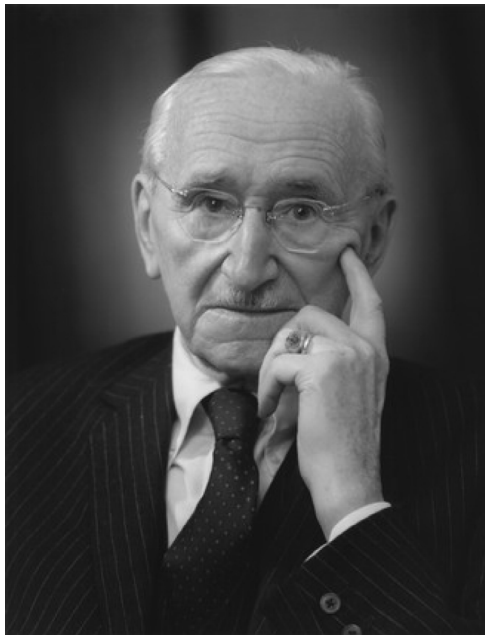
„The resistance against the new morals of the Open Society was strengthened ... by the realization that it not only indefinitely enlarged the circle of other people in relation to whom one had to obey moral rules, but that this extension of the scope of the moral code necessarily brought with itself a reduction of its content. ... The moral progress by which we have moved towards the Open Society, that is, the extension of the obligation to treat alike, not only the members of our tribe but persons of ever wider circles and ultimately all men, had to be bought at the price of an attenuation of the enforceable duty to aim deliberately at the wellbeing of the other members of the same group. When we can no longer know the others or the circumstances under which they live, such a duty becomes a psychological and intellectual impossibility. Yet the disappearance of these specific duties leaves an emotional void by depriving men both of satisfying tasks and the assurance of support in case of need.“ (p. 146)



# Hayek (1976): Chapter 11 (XIX)

*Hayek draws the following conclusions: (a) modernity can fail; (b) the ideal of "social" justice is an atavism.*

F.A. von Hayek



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„It would therefore not be really surprising if the first attempt of man to emerge from the tribal into an open society should fail because man is not yet ready to shed moral views developed for the tribal society ... At a time when the great majority are employed in organizations and have little opportunity to learn the morals of the market, their intuitive craving for a more humane and personal morals corresponding to their inherited instincts is quite likely to destroy the Open Society.“ (p. 146)

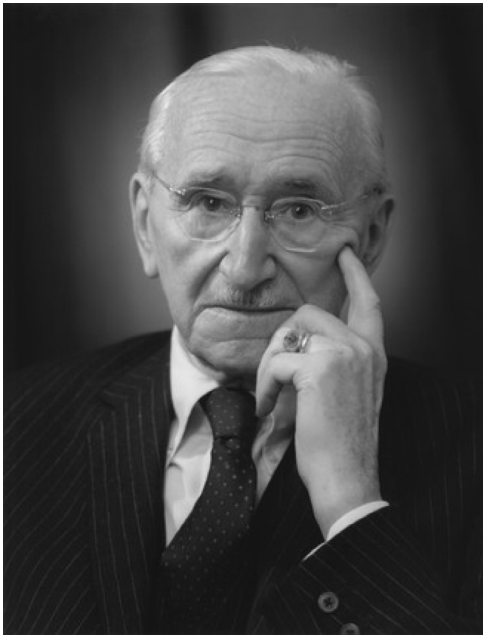
„It should be realized ... that the ideals of socialism (or of 'social justice') which in such a position prove so attractive, do not really offer a new moral but merely appeal to instincts inherited from an earlier type of society. They are an atavism, a vain attempt to impose upon the Open Society the morals of the tribal society which, if it prevails, must not only destroy the Great Society but would also greatly threaten the survival of the large numbers to which some three hundred years of a market order have enabled mankind to grow.“ (p. 147).



## Hayek (1976): Chapter 11 (XX)

*Hayek reiterates his atavism diagnosis that the ideal of "social" justice is not forward-looking, but – in a utopian way – past-oriented, with ultimately totalitarian consequences.*

F.A. von Hayek



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„Similarly the people who are described as alienated or estranged from a society based on the market order are not the bearers of a new moral but the non-domesticated or un-civilized who have never learnt the rules of conduct on which the Open Society is based, but want to impose upon it their instinctive, 'natural' conceptions derived from the tribal society. ... The Rousseauesque nostalgia for a society guided, not by learnt moral rules which can be justified only by a rational insight into the principles on which this order is based, but by the unreflected 'natural' emotions deeply grounded on millennia of life in the small horde, leads thus directly to the demand for a socialist society in which authority ensures that visible 'social justice' is done in a manner which gratifies natural emotions. In this sense, however, of course all culture is unnatural and, though undesigned, still artificial because relying on obedience to learnt rules rather than on natural instincts. This conflict between what men still feel to be natural emotions and the discipline of rules required for the preservation of the Open Society is indeed one of the chief causes of what has been called the 'fragility of liberty': all attempts to model the Great Society on the image of the familiar small group, or to turn it into a community by directing the individuals towards common visible purposes, must produce a totalitarian society.“ (p. 147)

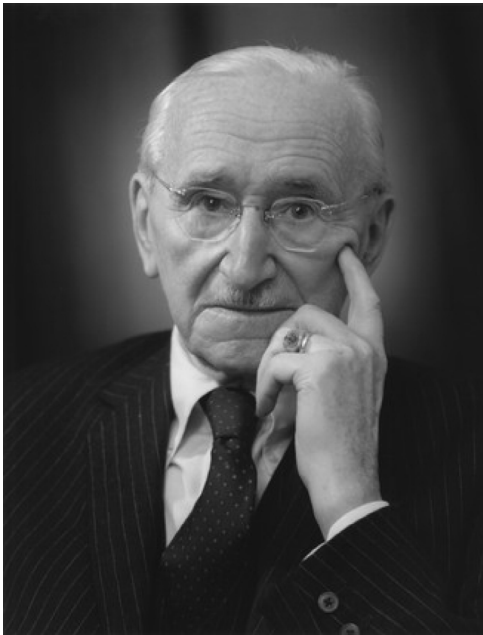




## Hayek (1976): Chapter 11 (XXI)

*Hayek emphasizes the gradual process of accustoming to the new morality of abstract rules, which is often perceived as a conflict between specific loyalty and abstract justice:*

F.A. von Hayek



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„The persistent conflict between tribal morals and universal justice has manifested itself throughout history in a recurrent clash between the sense of loyalty and that of justice. It is still loyalty to such particular groups as those of occupation or class as well as those of clan, nation, race or religion which is the greatest obstacle to a universal application of rules of just conduct. Only slowly and gradually do those general rules of conduct towards all fellow men come to prevail over the special rules which allowed the individual to harm the stranger if it served the interest of his group. Yet while only this process has made possible the rise of the Open Society, and offers the distant hope of a universal order of peace, current morals do not yet wholeheartedly approve this development“.  
(p. 147 f.)

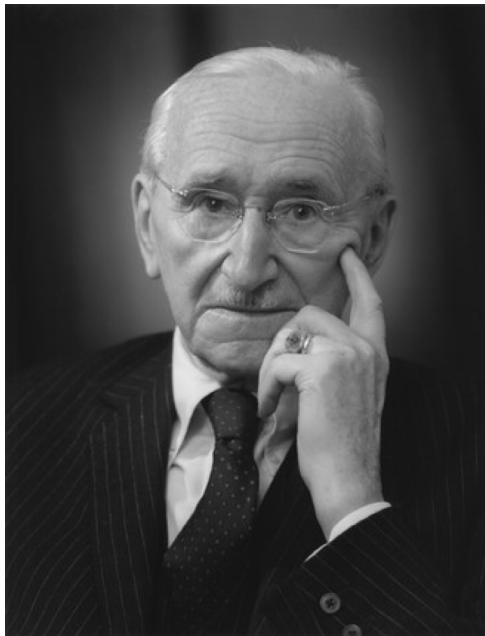




# Hayek (1976): Chapter 11 (XXII)

*Hayek points out that we have yet to learn to live in a modern society:*

F.A. von Hayek



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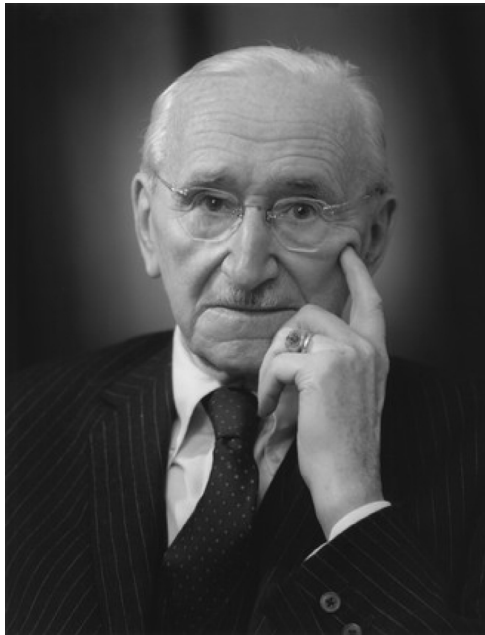
„The revolt against the abstractness of the rules we are required to obey in the Great Society, and the predilection for the concrete which we feel to be human, are thus merely a sign that intellectually and morally we have not yet fully matured to the needs of the impersonal comprehensive order of mankind. To submit comprehendingly to those rules which have made the approach to the Open Society possible and which we have obeyed so long as we attributed them to the command of a higher personal authority, and not to blame some imagined personal agent for any misfortune that we encounter, evidently requires a degree of insight into the working of a spontaneous order which few persons have yet attained.“ (p. 149)



## Hayek (1976): Chapter 11 (XXIII)

*Hayek points out that in a modern society we must learn to think solidarity differently: we need to change our coordination from value consensus to rule consensus. Otherwise we will be vulnerable to friend-enemy thinking (tradeoff!) and dictatorship.*

F.A. von Hayek



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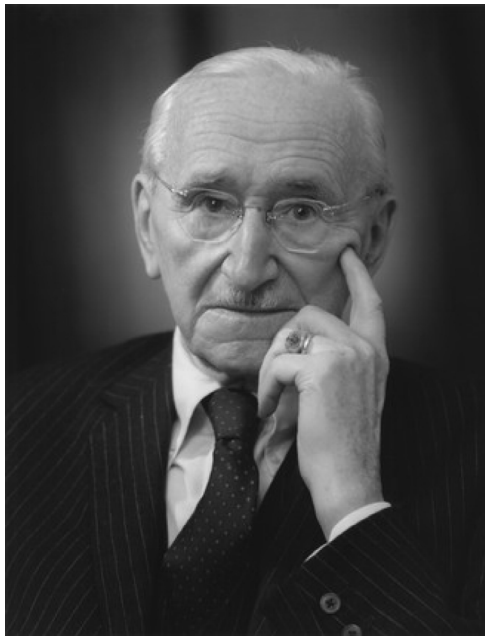
„The savage in us still regards as good what was good in the small group but what the Great Society must not only refrain from enforcing but cannot even allow particular groups to enforce. A peaceful Open Society is possible only if it renounces the method of creating solidarity that is most effective in the small group, namely acting on the principle that 'if people are to be in harmony, then let them strive for some common end'. This is the conception of creating coherence which leads straight to the interpretation of all politics as a matter of friend-enemy relations. It is also the device which has been effectively employed by all dictators.“  
(p. 149)



# Hayek (1976): Chapter 11 (XXIV)

*Hayek explains this as follows::*

F.A. von Hayek



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„Except when the very existence of a free society is threatened by an enemy, it must deny itself what in many respects is still the strongest force making for cohesion, the common visible purpose. It must bid farewell, so far as the use of coercion is concerned, to the use of some of the strong moral emotions which still stand us in good stead in the small group and which, though still needed within the small groups from which the Great Society is built up, must result in tension and conflict if enforced in the Great Society.“ (p. 150)

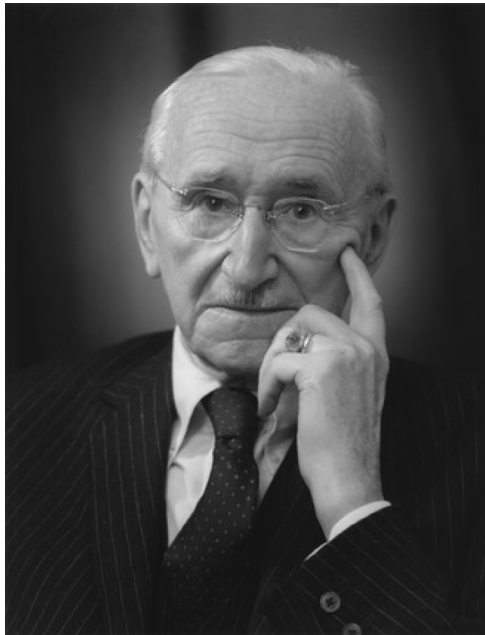
„The kind of abstract order on which man has learnt to rely and which has enabled him peacefully to co-ordinate the efforts of millions, unfortunately cannot be based on such feelings as love which constituted the highest virtue in the small group. Love is a sentiment which only the concrete evokes, and the Great Society has become possible through the individual's efforts being guided not by the aim of helping particular other persons, but the confinement of the pursuit of their purposes by abstract rules.“ (p. 150)



# Hayek (1976): Chapter 11 (XXIV)

*Hayek calls for a strong civil society:*

F.A. von Hayek



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„It would be a sad misunderstanding of the basic principles of a free society if it were concluded that, because they must deprive the small group of all coercive powers, they do not attach great value to voluntary action in the small groups.“ (p. 150)

„Liberalism is not individualistic in the 'everybody for himself' sense, though necessarily suspicious of the tendency of organizations to arrogate exclusive rights for their members.“ (p. 151)

„That government should have the monopoly of coercion is necessary in order to limit coercion; but this must not mean that government should have the exclusive right to pursue public purposes. In a truly free society, public affairs are not confined to the affairs of government (least of all of central government) and public spirit should not exhaust itself in an interest in government.“  
(p. 151)

„It is the great merit of the spontaneous order concerned only with means that it makes possible the existence of a large number of distinct and voluntary value communities serving such values as science, the arts, sports and the like.“ (p. 151)

