

“Friedrich Hayek on Social Justice: Taking Hayek Seriously”

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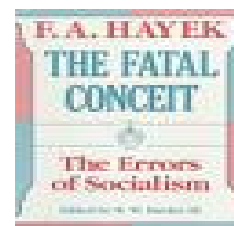
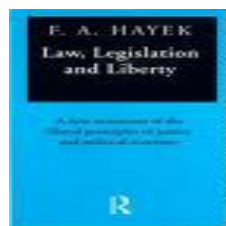
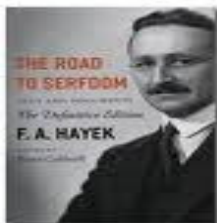


FRIEDRICH HAYEK
1899-1992

Conference Paper By

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Introduction

Through this paper the author Yukihiro Ikeda, explores Friedrich Hayek's denial of the concept of social justice. Ikeda, a Japanese academic who is a Professor of History of Economic Thought at Keio University, effectively provides a critical analysis of some of Hayek's social political theories relating to this issue. He attempts to accomplish this by adapting the perspective of an economist with reference to and by scrutinising three of Hayek's well known texts, including *The Road to Serfdom* (1944); *Law, Legislation and Liberty* (1973-79) and the *Fatal Conceit Conceit* (1988).

The Road to Serfdom

The paper outlines how although *The Road to Serfdom* doesn't provide an indepth critique on the theory of "social justice", the text does embody some arguments on the concept that are incorporated in some of Hayek's later publications. According to Professor Ikeda, Hayek proposed that it wasn't possible to develop detailed definitions for social utility functions. This was due to Hayek's view that in modern societies individuals have varying preferences with regard to their likes and dislikes. Such conditions are therefore not conducive for the formulation of a well defined social utility function. This is thus provided as an explanation as to why Hayek believed a well defined social utility function couldn't exist in advanced societies but may be more prevalent in less developed societies. The underlying notion premising this being that more members of a "primitive" society were more likely to have a similar ordering of their like and dislike preferences as a direct result of conformity with implicit taboos or strong coercion.

It is also highlighted that Hayek's reluctance to support the concept of there being a need for "social justice" derived from his insistence that the knowledge possessed by individuals within modern, open societies is fundamentally local, meaning that they have limited, if any understanding of the preferences of others. This point seems to be based on the central notion that the diverse and varied preferences of a large number of members belonging to a specific communal group or society are unlikely to be known by any single mind, thereby making it rather impossible to develop a social utility function.

The paper continues with its analysis of Hayek's critique of "social justice" by discussing his perspectives on the ideas of a "fair wage" and "just price". This is said to be covered in Chapter Eight of *The Road to Serfdom*. According to Hayek, what most people refer to as "fair wage" or "just price" is generally either the wage that would exist in the absence of monopolistic exploitation, the return which people in the past had come to expect to receive or was the customary price or wage. He expanded further by saying that the development of customary wages often brought about by the state of the economy being rather stationary was largely incompatible with the dynamic nature of most capitalist societies. Hayek believed that it wasn't necessary for wages to derive from "monopolistic exploitation". He also emphasised that fluctuating wages can help in facilitating social improvements within capitalist economies, despite the fact that they aren't always equitable.

In this respect, Professor Ikeda points out that Hayek made reference to the reality that workers are often vulnerable to the dynamic conditions of their relevant labour market. He establishes that according to Hayek, the wages workers earn doesn't always correspond to their individual efforts, despite this being the predominant trend. This is exemplified by how swift fluctuations in demand can displace specialised workers who have made significant investments in the development of specific skills sets.

Law, Legislation and Liberty

Within the second volume of *Law, Legislation and Liberty*, subtitled *The Mirage of Social Justice* Hayek discusses the issue of "social justice" further. In this, Hayek asserts that the conceptual framework associated with "social justice" is largely based on primitive perspectives of viewing social and natural phenomena. More explicitly he attacks what he denotes as the "primitive" notion that people deliberately act behind the scenes to attain certain results according to specific intentions they may have. He contends that the propagation of such false ideas leads to the wrong belief that unintentional and spontaneous outcomes within the market derive from deliberate actions taken. Hayek therefore dismisses the possibility that there could be any intentional 'treatment of groups and individuals by society' and argues that the responsibility for the organisation of the society falls on no-one. This denial of the concept that the "personification" of society was feasible, was a repeated theme in much of Hayek's work.

Hayek also proposed that the inclusion of "social" as an adjective introduced ambiguity in relation to the terms that it was applied to. He clearly stated that the use of the adjective "social" such as when referring to the "social state of law", the "social market economy" and "social justice" served no useful purpose and often induced confusion into arguments of political discourse. Professor Ikeda outlines how this stance, put Hayek at odds with the many post World War Two West German scholars such as those from the Freiburg School, with whom Hayek shared similar perspectives on various economic policies and capitalism.

The Fatal Conceit

Through *The Fatal Conceit* Hayek critiques the "social justice" perspective of those belonging to the middle left and left schools of political thought. Hayek achieves this by discussing some problematic interpretations of the concepts of "social justice" and "society", as well as by critically analysing the use of "social" as an adjective in various phrases and terms. Specifically he presented 167 examples of how the inclusion of the adjective "social" changed the meaning of nouns that were associated with it.

Professor Ikeda states that *The Fatal Conceit* reiterates the differences between Hayek's perspectives and more Ordoliberal ideologies. The text also contains a more indepth discussion on the "personification" of society. In addition, it serves to outline

Hayek's belief that the key to ensuring more productivity within a society is to secure more people with varying skills and abilities rather than simply promoting a larger population per se, although the former can still be attained through achieving population growth.

Conclusion

Professor Ikeda concludes the paper by summarising some major points associated with Hayek's work. He states that when Hayek focuses on the consistency and similarities between social and individual preferences, his arguments principally centre on issues associated with the plausibility of a social welfare function. It is also reiterated that the economic concept that volatile demand factors determine the market price of final goods, forms the basis of Hayek's economic argument which denies any correlation between the efforts exerted by workers and the wages they earn.

Some potential inconsistencies in Hayek's arguments relating to the concept of "social justice" are also highlighted. One of the criticisms put forward is that Hayek's assertion relating to there being no evident link between the effort exerted and the reward attained isn't always correct and maybe too simplistic to be applied to contemporary markets. To establish these points the paper's author provides examples where efforts are taken to acquire information in order to maximise returns, such as in the case of large firms who often carry out very thorough marketing activities and research to find out details about consumer preferences so that they can best cater to meet this demand.

Another problematic issue that is brought into focus is the invalidity of Hayek's contention that within capitalist economies, outcomes eventuate due to the various decisions of numerous independent entities, all of whom act without having deliberate intentions in mind. Professor Ikeda's counter argument against this compromises of the exemplification of the fact that in reality there are countless situations within markets where there are monopolists who have a dominant position and therefore can set wages or the price of a product, however they like.

The other inconsistency that was highlighted in the paper was the reluctance demonstrated by Hayek in his earlier works to make normative statements relating to what constitutes a good society. This was largely premised on his belief that it is unrealistic to assume that unanimous consensus could be reached as to what defines a society as being socially just. However as analysis of some of Hayek's later works (e.g. *The Fatal Conceit*) shows, it appears Hayek contradicts his earlier stance by including normative assertions about social welfare. Examples provided include the higher importance Hayek affords to fertile women as opposed to women without children, along with the superior status allocated to Physicians compared to their patients.

The Mannkal Education Scholarship

The Mannkal Education Scholarship, I believe is a fantastic initiative which provides students with the invaluable opportunity to attend educational conferences and seminars (as well as access educational materials and resources), that they may not otherwise be able to. The scholarship enabled me to attend the 2010 HETSA conference held at the University of Sydney and thereby enhance my knowledge and background understanding of some of the prominent contributions made by several influential economists from various schools of economic thought. I was consequently fortunate enough to be preview to a high calibre of academic presentations and discussions of a variety of related topics.

Through My attendance at the 2010 HETSA conference, I was able to meet and liaise with a diverse range of people including some highly esteemed academics, researchers and fellow students from both across Australia and also from other countries. This included the opportunity to converse and network with numerous acclaimed scholars such as Dr Jeremy Shearmur, as well as several Japanese academics including Professor Yukihiro Ikeda (from Keio University) whose paper entitled '*Friedrich Hayek on Social Justice: Taking Hayek Seriously*' forms the basis of my Mannkal report.

I also thoroughly enjoyed the opportunity to meet, network and interact more closely with the other Mannkal Scholars who were also selected to attend the 2010 HETSA conference. This was a very pleasurable experience and I look forward to continuing my association with many of the contacts I made during this time. The attendance and participation of myself and the other three female Mannkal Student Scholars I feel was also of benefit to the HETSA 2010 Conference, which otherwise would have had an even lower turnout of students and no female representation in terms of participants.

The entire experience including my attendance at the special Mannkal Scholars Lunch at Hayek House has also allowed me to gain further invaluable knowledge about the Mannkal Economic Education Foundation including more information about the organisation's background, its aims and objectives, facilities and resources (such as the Library) and its numerous networks & affiliations. Through the process I also became more aware of some of the Mannkal Group's many initiatives (including the various Scholarships and networking opportunities that are available to students) and the various events the organisation sponsors (such as the *Freedom to Choose* and *Freedom Factory* Functions). In particular, I really appreciated being able to meet the Executive Director Ron Manners, his wife Jenny and several other members of the Mannkal Team, including Jess Pental and Luke McGrath. The Mannkal Scholars Dinner at the Weld Club was also another highlight and I feel privileged to have been able to listen first hand to the fascinating and inspiring insights of Johan Norberg who was the guest speaker at the function.

I am thus deeply grateful to the Mannkal Economic Education Foundation for providing me with the opportunity to attend and participate in the 2010 HETSA Conference and the other Mannkal functions, all of which I have found to be very enjoyable and thoroughly enriching experiences. I would therefore strongly encourage other suitable candidates to consider applying for a Mannkal Education Scholarship.

One way however that the Mannkal Education Scholarship could potentially be improved is by maybe expanding the scope of conferences that recipients of the scholarship can attend to possibly include other conferences within Australia such as the Australian Conference of Economists and even other relevant international conferences such as the Economic Freedom Network Conference.