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**Responding to Hayek from the Left: Beyond Market Socialism on the Path
to a Radical Economic Democracy**

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Capitalism leads to dole queues, the scramble for markets, and war. Collectivism leads to concentration camps, leader worship, and war. There is no way out of this unless a planned economy can somehow be combined with the freedom of the intellect, which can only happen if the concept of right and wrong is restored to politics. (Orwell 1944 in a review of Hayek's *The Road to Serfdom*)

Hayek's big idea [is] that each of us sees the world a little differently and thus each of us has a comparative advantage in the use and application of our knowledge. It is an insight economists might reach if they were to apply postmodern notions of indeterminacy, open-endedness, incompleteness, and social constitution to the study of ordinary life and the knowledge of ordinary people. (Burczak 2006: 389–90)

Introduction

The left and the cause of radical economic democracy have never properly recovered from Hayek's critique of the relationship between planning, collective ownership and economic decision-making. His withering attack at the end of the Second World War was a rear guard action against what he saw as the creeping inevitability of socialism and central planning which had become the common sense of the time (Hayek 1944). Subsequently, his ideas have become the bedrock for neoliberalism and its dominance of the global economic policy

agenda.¹ Whatever the inconsistencies in the arguments of Hayek and others from the Mont Pelerin Society, or as Mirowski aptly names them, the 'Neoclassical Thought Collective' (Mirowski 2013), they have become the common sense of our times.

Hayek's central thesis of the links between markets and private ownership on the one hand, and liberty and democracy on the other, has been absorbed faithfully by the mainstream political classes in North America and Europe in the period since 1980. It is predicated upon a set of arguments between knowledge and economic decision-making that are an important challenge to traditional versions of socialism. Despite the overwhelming evidence of the deepening inequities between economic elites and the broader mass of the population, neoliberal ideas have survived the recent economic crisis remarkably intact (Crouch 2011, Mirowski 2013), largely because they continue to serve the interests of political and economic elites. There is a growing disconnect between economic realities and mainstream discourses bringing home Gramsci's important point about the deepening relationship between civil society and the state in the exercise of hegemonic power as capitalism becomes more advanced and complex (Gramsci 1971). Elites are often able to strengthen their position during economic crises, rather than there being an opening up to challenges from below, because of their continuing grip on the institutions of civil society and their ability to combine new coercive measures through the state (e.g. increased welfare retrenchment) with dominant meta-narratives.

For those on the left seeking to tackle the grip of Hayekian ideas, it is not enough to continue to highlight the nefarious impact of unfettered and deregulated markets, as indeed Orwell did long ago in his review of Hayek's work. We must also engage more critically with Hayekian critiques of older versions of socialism, which still hold massive sway over critical policy discourses. In particular, I argue in this chapter that if we are to move along a path to a more radical and egalitarian political economy, we need to address these criticisms as part of a project to re-embed economic decision-making in collectivist institutions that can pursue more progressive ends through democratic means.

Recent work by Burczak and others on market socialism has been an important starting point in engaging with Hayek from the left but does not exhaust the possibilities for reconnecting democracy, freedom and pluralism in a socialist economic project. Engaging critically but sympathetically here with Burczak's work, I also draw upon further critiques of Hayek by O'Neill and Neurath to prepare the ground for rethinking the relations between economic democracy, markets and planning. As part of this project I close with some suggestions about some basic principles for forms of public ownership² that would stimulate participation, pluralism and deliberation in economic decision-making.

Hayekian inspired critiques of socialism and public ownership as state centralised planning

Hayek's argument against socialism, associated in his eyes with planning and collective or public ownership as evidenced in his most influential book, *The Road to Serfdom* (1944), is that it leads to the centralisation of economic power

and decision-making, and the crushing of individual freedoms and democracy. Hayek believed that once attempts were made to consciously plan and strategically design the economy, however progressive the intention, the unintended consequences would be a pathway to tyranny and authoritarianism. The increasing concentration of power associated with socialist planning leads to an immense and uneven build up of power with one centre at the expense of all else.

By concentrating power so that it can be used in the service of a single plan, it is not merely transferred but infinitely heightened; that by uniting in the hands of some single body power formerly exercised independently by many, an amount of power is created infinitely greater than any that existed before..... There is in a competitive society nobody who can exercise even a fraction of the power which a socialist planning board would possess. (1944, 149)

The implications for Hayek are that private ownership and competitive individualism (even if that takes a large corporate organisational form), voluntary exchange and free markets are therefore essential to the achievement of economic democracy. A competitive market of private interests, driven by self-interest is the “only system designed to minimise by decentralisation the power exercised by man over man.” (ibid).

The historical record of actually existing state socialisms in the twentieth century, from China to Cuba, to the former Soviet Union, does much to bear out

Hayek's warnings with regard to the relations between central planning, state ownership and democracy. The growth of the state in market economies under more social democratic auspices in Britain, France and elsewhere in the post 1945 era also tended towards more centralised forms of public ownership with little progress made in devolving economic decision-making power away from elites towards workers and citizens.³ Furthermore, Hayek argued that planning and public ownership would also stifle innovation and the evolutionary dynamics essential to any well-functioning economy.

While his arguments about the relations between markets and democracy may be wearing a little thin in the global capitalist economy of the twenty first century, his critique of the "knowledge problems" (Hodgson 1999) of collective centrally planned economy remain pertinent. Summarising his argument, Hayek disputed the ability of socialist planners to plan an economy effectively because of their limited knowledge about conditions on the ground.

If we can agree that the economic problem of society is mainly one of rapid adaptation to changes in the particular circumstances of time and place it would seem to follow that the ultimate decisions must be left to the people who are familiar with these circumstances, who know directly of the relevant changes and of the resources immediately available to meet them. (Hayek 1948: 26)

While Hayek did not dispute that planning was important to some areas of economic life, notably the "public utilities" (Hayek 1944, 51), the complexities of the modern economy in most other areas meant that planning would be hopelessly ineffective compared to the market:

It is the very complexity of the division of labour under modern conditions which makes competition the only method by which such co-ordination can be adequately brought about. There would be no difficulty about efficient control or planning were conditions so simple that a single person or board could survey all the relevant facts. It is only as the factors which have to be taken into account become so numerous that it is impossible to gain a synoptic view of them, that decentralisation becomes imperative (ibid).

In other words, the diverse array of tacit knowledge required to understand the everyday workings of the economy could not possibly be codified adequately for a centralised plan. For Hayek, once it is clear that uncertainty and knowledge problems required decentralised decision making in constantly changing conditions of supply and demand, the price mechanism becomes the only instrument that can deliver effective solutions. It is precisely the anarchy of the market order that gives it its strength in these terms in promoting both democratic decision-making and innovation. Dispersed decision-making, independent of the control of central authorities, allows experimentation and creativity that can deal with uncertainty.

Hayek viewed markets under capitalism as voluntarist forms of exchange, which, so long as they are regulated through legal contracts serve the interests of society as whole through organizing resources efficiently. In this schema, private ownership and the wage relation are also viewed positively because all economic actors are nominally free to make rational choices about the extent to which they engage in market relations. For Hayek, the market is preferable to socially

planned models because it is seen as arbitrary and not underpinned by moral or ethical presumptions (see O'Neill 1998: chapter two on this point).

The limits to Hayekian market utopias have been exposed after three decades of neoliberal market deregulation processes carried out in his name. Unrestrained market forces have resulted in a growing concentration of decision-making power, rather than its decentralization, and the alienation of most people on the planet (arguably consumers as much as producers) from the key decisions that affect their lives. Globally, economic policies inspired by Hayek's vision are leading to an accumulation of wealth in fewer hands in which the private appropriation of public assets has played an important role. The heightened financialisation and commodification of everyday economic life can also hardly be described as contributing to the more open-ended and decentralized forms of knowledge production that Hayek argued would flow from market relations. Indeed, as Mirowski has wonderfully captured in his recent tome, neoliberal capitalism seems to thrive on promoting ignorance and muddle among the general populace about how the economy actually functions (Mirowski 2013). Certainly, today's corporate and financialised global economy is a long way from the decentralised market utopia of innovation, discovery, diversity and experimentation suggested by Hayek.

In spite of the gap between neoliberal rhetoric and reality, Hayek's insistence on the importance of decentralized decision making and the potential inherent in markets as one means of achieving this remains prescient in any discussions

about institutional and organizational forms to create more democratic forms of economy. As Geoff Hodgson has put it:

No convincing scheme for durable economic decentralisation has been proposed, without the equivalent decentralisation of the powers to make contracts, set prices, and exchange products and property rights, through markets or other forms of property exchange. This does not mean that markets are regarded as optimal or ideal, nor that an entire economy is made subject to 'market forces'. It does mean, however, that markets and exchange are necessary to sustain genuine economic pluralism and diversity. (Hodgson 1999: 31)

The underlying point here is inescapable. A system of completely centralized planning contains serious flaws, in terms of economic efficiency, social need and democratic accountability. Economists who have been sympathetic to socialist ideals have long recognized the limits to central coordination and the need for 'decentred' and more spontaneous mechanisms for day-to-day decisions. This is because the forms of knowledge that lead to new innovations in products, services and processes do not arise in the main from formal planned research, administered by committees (whether of multinational companies or state bureaucracies), but take place through social interaction in the coming together of individuals in a free, open and democratic exchange of ideas. Taking seriously the dynamic and evolutionary nature of the economy and its implications, in terms of tacit institutions, rules, habits, customs and the deeply rooted practices

of economic life, is critical in devising new socialist ideas around economic democracy.

However, this does not mean that there is no place for planning or deliberative processes in addressing socio-economic problems. Indeed the argument here, and returned to later, is somewhat different (see also Cumbers 2012, Cumbers and McMaster 2012). The failure to treat knowledge production and economic action as socially embedded and interactive is a criticism that can be leveled today at most of mainstream economics with its analytical tools of methodological individualism and rational choice (see Fine and Milonakis 2009; Keen 2011) while the same knowledge problems that Hayek foresaw confronting state planners would today apply to the executive officers of global corporations operating in pyramidal systems of management and coordinating vast globally dispersed supply chains.

Buczak's creative response to Hayek

The most common response for those socialists and Marxists prepared to engage with Hayek's was to advocate various versions of market socialism (e.g. Lange and Taylor 1938; Hodgson 1984; Nove 1983) where market discovery mechanisms are combined with more collective forms of ownership. Perhaps the most sophisticated and compelling variant to date is Theodore Burczak's proposal of a competitive market economy consisting of employee-owned firms (Burczak 2006). Given the limited space available I will greatly simplify Burczak's arguments greatly here, but essentially he brings together a Marxist sensibility around issues of labour appropriation with a Hayekian perspective on

markets as discovery processes. Therein, he is able to recapture liberty and democracy from its appropriation by the right in a revised project for social justice and emancipation.

Following De Martino (2000, 2003), Burczak is concerned that a project for social justice concerns itself with “appropriative justice” in addition to “distributive justice”. Distributive justice can be dealt with through proposals such as minimum income guarantees and wealth taxes that provide individuals with the resources that allow them to make ‘choiceworthy’ decisions (Burczak 2006: 95). But what is compelling for our argument here is his response to Hayek in addressing appropriative justice. For him, the source of a Marxist concern with exploitation and alienation under capitalist social relations is the employment relations rather than private property. In this framing, exploitation occurs not because we have a market society per se but because we have forms of ownership that can be privately appropriated by a few – the one per cent in today’s parlance – at the expense of the majority – the 99 per cent. A minority therefore appropriates undemocratically the labour of the vast majority of direct producers. Drawing upon Sen, Nussbaum and others, and in a direct attack on negative conceptions of liberty advanced by Hayek, Rawls and others before them, most notably Locke, Burczak rightly recognizes this exploitation as an assault on human dignity. As he puts it: ‘a prerequisite for universal human dignity is that people cannot treat others as tools to achieve their ends’ (ibid.: 117).

Burczak's solution to these problems is a form of socialism consisting of worker-managed firms operating in competitive markets. Markets are still able to perform the Hayekian functions regarding discovery, knowledge production, innovation and the stimulation of entrepreneurship, and even competition, but worker-managed firms would eliminate what Burczak sees as the fundamental basis of exploitation of capitalism: the private appropriation of collective labour. For Burczak, the source of capitalist exploitation is not private ownership but rather the 'ability of the owner of the means of production to appropriate the entire output of an enterprise that employs wage labour' (ibid.: 110). His solution therefore is the abolition of the wage relationship in the capitalist labour process, rather than abolishing private ownership.

The focus upon work and labour appropriation is important also as a reminder of why exploitation and alienation do not go away through statist forms of socialism and public ownership where, despite the replacement of private ownership by nominally collective ownership under state control, the appropriation of the value of labour still takes place (Wolff 2012). A private elite is replaced by a state elite; hence the term 'state capitalism', preferred by many writers on the left when describing twentieth century models of state socialism (e.g. Resnick and Wolff 1994, Wright 2010). Indeed alienation and exploitation can greatly intensify, especially if there is an overarching centralization of economic decision-making power in the manner suggested by Hayek.

Burczak's proposals would meet Hayek's objections about the limits to planning and centralisation yet are revolutionary in providing workers with ownership

and decision-making power in the economy. Essentially, his project involves re-reading Hayek in 'postmodern' terms because of the latter's convincing arguments about the imperfectibility of knowledge, the limits to scientific rationality and the universalism of Enlightenment thought, which have informed both socialist and (though this has not been acknowledged by Hayek and his followers) market utopias.

Notably, Burczak's acceptance of the market as the premier organizing device is not an acknowledgement of the neoclassical view of markets as price mechanisms that provide optimum outcomes under equilibrium conditions. Far from it! Instead it is his recognition of the market as an important instrument for dealing with Hayekian knowledge problems and information deficits. But where Burczak departs from Hayek is around questions of ownership (or rather the collectivization versus the individualization of ownership), democracy and social justice. Where Hayek viewed private capitalist forms of ownership backed up by legal contracts as sufficient to promote a 'thin' version of the common good, Burczak retains the Marxist insight about the uneven nature of power under capitalist institutions. Furthermore, Burczak's emphasis upon the importance of collective organizational forms, as opposed to Hayek's selfish rational individual, to overcome the problems of labour appropriation and alienation, also chimes with Ostrom's work in highlighting the possibilities offered by regimes of "common" property rights in developing non-capitalist market institutional orders.⁴

Perhaps the most innovative and compelling aspect of Burczak's work in this regard is the way he turns Hayek's economic arguments back on themselves in political terms. To this end, he uses Hayek's well-made arguments about the context-laden nature of economic life to expose's Hayek's underplaying of institutional power in a capitalist system. Hayek's faith in the ability of legal institutions under capitalism to arbitrate neutrally between economic actors (e.g. worker and manager) is naïve in the extreme, forgetting that like all other institutions they are socially constructed and context dependent. In other words, they too will be infused with the dominant power relations in society. The elimination of the capitalist wage nexus is a much better guarantor for Burczak of the elimination of pernicious institutions that work against the common good than legal protection of private property rights.

With others (notably Prychitko 2002) Burczak demonstrates that on purely scientific, rather than ideological, grounds, there can be no Hayekian objection to a worker managed economy 'in the context of widely held private property and market exchange' (Burczak 2006: 120). Worker-managed firms would act no differently from capitalist-managed ones; indeed, they may even perform better in terms of their ability to take a longer-term perspective and their greater willingness to use their tacit knowledge to improve the productivity and performance of the firm. Indeed they may well be more efficient because workers will have more incentive to improve productivity, less of a tendency towards workshyness, while at the same time the need for expensive monitoring and disciplining procedures will be lessened (Bowles and Gintis 1993).

These are important arguments and help to dispel many of the assumed (but largely unsubstantiated) efficiencies under hierarchical forms of capitalist management in mainstream debates. Clearly, there is considerable scope for cooperative and worker-owned forms of organization alongside the continued use of markets in particular sectors of the economy, particularly those consumer sectors (such as clothing or consumer electronics) that require more devolved decision-making in the context of dynamic and complex forms of demand and individual preference. However, the primacy attached by Burczak to market forms and the rejection of other forms of public ownership beyond private labour-appropriating enterprises needs a little more consideration and appraisal.

Beyond market socialism in creating institutional diversity

Appealing and innovative as Burczak's approach is, the continuing emphasis upon markets and private (albeit collective) ownership as generalized solutions to all economic questions seems to run counter to his own statement preference for a more open and pluralistic perspective in keeping with a postmodern and radical institutional sensitivity. Leaving this aside, there are also some problems with the uncritical acceptance of the market form as the ultimate arbiter of human fate. The emphasis upon capitalist exploitation within the labour process leads to a neglect of the market's own role in processes of uneven development. From Marx onwards the process of 'primitive accumulation' or 'accumulation by dispossession' in a more recent conceptualisation (Harvey 2003; De Angelis 2007) refers to the ongoing dynamic within capitalism to bring non-capitalist spheres of economic and social relations – often held under more traditional and

sometimes communal systems of rights – under conditions of accumulation and profit maximization. Key for us here is the point that it is the opening up of hitherto collectively organized non-market orders to competition and the “free market” that can create exploitative sets of social relations and appropriative practices in the first place.

Unlike the more orthodox Marxist accounts, this does not necessarily mean that all market forms lead inevitably to conditions of gross exploitation and inequality. In this regard, Hodgson approvingly cites Diane Elson’s plan to refashion the labour market along more equitable grounds that “the market can take a wide variety of forms, and some of these are much more objectionable than others” (1999: 97). Moreover, as the varieties of capitalism approach has demonstrated (e.g. Hall and Soskice 2001) markets are ultimately socially constructed institutions that vary widely in time and space and are fashioned out of existing social and cultural norms and practices, rather than having some universal set of principles. Thus, Nordic and Germanic capitalisms are often compared favourably to Anglo-Saxon ones because markets are more embedded in social institutions that promote the common good over Hayekian negative individualistic freedoms. They provide graphic illustration of the way that different social configurations can produce more progressive institutional arrangements within capitalism (Albert 1993, Amable 2003).

More specifically though here, the point to make is that the unleashing of a neoliberal inspired deregulated market regime globally in the past three decades

has intensified the level of appropriation of common and public resources for private and elite ends at the expense of the multitude. A parallel argument to Burczak's position on private property relations might be to say that there is nothing wrong with the institution of the market per se as a solution to some problems of economic allocation – after all, markets pre-date capitalism – but there is a problem with particular forms of actively deregulated markets under capitalism which have become hegemonic under neoliberalism policy doctrine.

Even accepting a role for the market in a socialist economy, it is of a different order of magnitude to allow it to be the only form of resource allocation. Recognising Polanyi's warning about the destructive powers of a dominant market order over society means that we need to be mindful of totalizing projects that, at the same time, unleash a narrow selfish individualism as the dominant value in economic practice. It is precisely the incursion and spread of 'free market values' and norms – through heightened commodification processes – into all areas of economic life which needs to be resisted and rolled back if wider social goals, such as environmental sustainability, decent and 'choiceworthy' lives and social justice, are to be achieved. Accepting that the market form should be pre-eminent ignores the diverse ethical and value systems that are required if social need and environmental sustainability are to be given priority in a more democratic and egalitarian economy.

At root here, the issue is the dangers of monotheism and centralization of economic power and decision-making, whether this is under both monopoly or 'late' capitalist regimes or Soviet-style socialism. My argument here is that this

can be achieved without rejecting the continued role of planning and other non-market forms of organization in economic life. This point is well made by Antonio Callari in his otherwise sympathetic critique of Burczak's proposals.

Now, as I see it, the problem with *Socialism [After Hayek]* is not with the idea of worker ownership and surplus appropriation, nor is it with the introduction of markets into the idea of socialism. I find totally plausible a rejection of socialism as a centrally planned calculation ... The problem is, rather, with the presumption, central to the rhetorical force of *Socialism*, that these two elements (worker ownership and markets) exhaust the theoretical outline of a thickened socialism. There is no room, in this outline, for forms of ownership and appropriation other than those consonant with market processes ... and social accounting of values other than through the lever of profit. (Callari 2009: 368)

It is exactly this concern that a market socialist order results in the narrowing of our value system to the pursuit of self-interest that motivates my argument here. Surely, a more genuine collectively organized economy, organized into employee owned firms and other forms of cooperative would want to engage with and encourage other moralities and value systems (e.g. Gibson-Graham 2006). How much of a revolution would it be if private and selfish capitalist rationalities were to be replaced by the same private and selfish rationalities of the collective direct producers? In a world characterized by a growing proportion of people who are marginalized from the labour process completely, this would seem to me a major omission.

Socialist diversity, democracy and tolerance

Developing an economy that is genuinely open, diverse and libertarian (in the genuinely radical egalitarian sense) means that we need to transcend the monotheism of the market and the private, not just the capitalist wage relation. This means a rethinking of what public ownership and planning might offer. Yet, market socialists such as Burczak seem to set their face against such possibilities. Public ownership of the state ownership variety is implicitly rejected here on the grounds that it is fundamentally undemocratic; regimes that replace private ownership with state ownership replace one type of elite appropriating the product of labour with another.

Arguing in a similar vein, Hodgson criticizes traditional left thinking of the socialist rather than anarchist variety – by both revolutionary communists and the reformist wing of social democracy from Marx onwards – for its insistence on an economy where private ownership and markets have been completely abolished to be replaced by a form of common ownership of the means of production. For Hodgson, Marx and Engels's failure to take markets seriously was equated with a monolithic vision of state ownership:

... in their sparse words on the economic organization of socialism, they betrayed an overwhelming adherence to the national ownership and organization of the means of production without any space or favour for economic pluralism and a mixed economy (Hodgson 1999: 22).

Accordingly, this failure was perceived as an albatross around the socialist neck right up until the 1950s when the British Labour Party and the German Social Democrats, along with some eastern European regimes, began to accept the role of markets alongside planning. In other words, Hodgson reads into the Marxist rejection of markets and the commitment to common or public ownership – a lack of pluralism, diversity and by implication democracy in economic institutions and forms. This is something of a conceptual leap; while the state socialist regimes of the twentieth century could be criticized on these grounds, it is something else entirely to suggest that a commitment to public ownership per se need always be associated with a lack of pluralism, diversity and democracy. In this way, Hodgson seems to fall into the mistake of equating pluralism and diversity solely with some form of mixed economy in which market mechanisms, because of their price-setting and knowledge discovery advantages, must have the pivotal role.

An important counter-argument in defence of socialist diversity with non-market forms comes from John O'Neill (O'Neill 1998, 2003, 2007). Drawing upon the work of the associational socialist Otto Neurath, who was involved with socialist experiments in decentralized planning in Munich and Vienna in the 1920s and 1930s, O'Neill rejects the scientific rationality of both mainstream economics and orthodox Marxism in favour of a pluralistic perspective that accepts the limitations and provisional nature of knowledge claims. This is important because it rejects both market and socialist solutions to economic problems which seek to universalize decision-making on the basis of making so-called rational choices: "The unpredictability in science in general entails that the

technocratic ideal of the discovery of an optimal solution to social decisions is untenable” (O’Neill 2003: 191).

Despite agreeing with Hodgson and Hayek about the imperfectability of knowledge and the role of uncertainty in economic life, O’Neill draws very different conclusions, suggesting that markets are not the only organizational form that can handle the complexities of local and distributed tacit knowledge. He uses the scientific and academic communities as exemplars par excellence of decentralized non-market orders that very effectively allow the development and exchange of knowledge in what we might term a global commons. The internet too, through innovations like Wikipedia (Wright 2010), is very good at creating non-market, non-hierarchical knowledge exchange. O’Neill points out that it is exactly the threat of growing marketization and commercialization of that is likely to reduce processes of innovation and discovery exchange in these spheres. “The danger in the current introduction of market mechanisms into public science is that it will slow rather than increase the rate of innovation. Conflicts around the development of new intellectual property regimes center on the control of knowledge crucial to innovation” (O’Neill 2002: 147). It is the private corporate enclosure of the global commons that is the real threat to free exchange in the twenty first century:

Neurath himself was critical of the idea that an economy could be subsumed to a totalizing logic, whether from market or centrally planned solutions because of the problems inherent in imposing universal systems of value. He condemned attempts to impose a universal theoretical solution to social or intellectual

problems through rational enquiry as ‘pseudo-rationalist’. Solutions are always provisional. Thus, to offer up the market as means of resolving knowledge is a mistake, as he pointed out in an exchange with Hayek in the 1940s. The problem of low predictability and imperfect knowledge faces all human actors tasked with making decisions so that Hayek’s advocacy of the market resulted in the same flawed logic that in his eyes afflicts socialist planners. Neurath neatly turns the tables on Hayek by invoking the “intolerance of the market economy’ and stressing that “it is possible for forms of economy of various kinds to exist without being forced into competition” (Neurath 1920: 397, cited in O’Neill 2006: 71).

Following Neurath, the task for socialists seeking to marry together problems of resource allocation with social justice is to open up economic decision-making to collective but also diverse decision-making processes as a general philosophy. Contra Burczak, Hodgson and others, diverse forms of public ownership - that allow different groups of citizens to have some level of participation and stake in the economy, compared to the situation at present, where a small minority globally (the 1 per cent!) hold most of the key decision-making power - are critical to this task.

The importance of dialogue, pluralism and diversified public ownership in creating economic democracy

One problem that Neurath identified with socialist or communist projects of the early twentieth century was their intolerances of different traditions of collective

ownership. His early career researching the economies of ancient societies gave him a broader and more diverse canvas to articulate his own perspectives on public ownership. His recognition and respect of older traditions of mutualism and cooperation was in stark contrast, of course, to many of his contemporaries, who regarded older forms of social relations as inevitably conservative and antiquated. While Neurath still held to the vision of an overall grand plan in the 1920s, he did advocate a tolerance of older forms of collectivism that could be an important element in strengthening broader social support for public ownership:

Today's socialism has many intolerant traits ... Why could the peaceful movements for community-oriented economy not be united? Community economy, guild economy, social economy characterise certain periods, but they also exist side by side and give satisfaction to different types of human being (Neurath 2002 [1920]: 402).

Ultimately, public ownership needs to be forged in a manner that respects such differences in economic identity and practice (Gibson-Graham 2006). What unified the different traditions of central planning and state ownership in the twentieth century was a radical modernist centralism that deliberately sought to destroy older and more localist collectivist economic cultures and traditions as well as more private and market-based forms.

The most compelling critiques of nationalization and public ownership from Hayek and others remains of their strong tendency to centralize and concentrate powers in party and state bureaucracies far removed from the everyday lives of workers and consumers. However, this is not inevitable. While any economy will

continue to require planning and strategic decision-making at higher scales, these do not have to be concentrated within institutions, people or places. Within any territorial form of political governance, the key decision-making functions for different economic activities can and should be dispersed. We might here contrast the decentralized and federalized polity of post-1945 Germany favourably with the growing concentration of political and economic power in the UK (despite recent devolution) around London and the south-east of England. The right institutional arrangements can decentre knowledge, power and decision making within any broader polity.

An economy organized around public ownership should therefore be one that also disperses administrative units, knowledge production and competence and has a plurality and diversity of organizations (e.g. mutual bodies, trade union research networks, small business associations, government and autonomously funded think tanks) to offer alternative and competing interpretations of economic problems. Of course, there are no guarantees in any economic system that elite or special interests cannot capture policy agendas to the detriment of the social body as a whole, but dispersing functions, knowledge and institutional capacity does at least provide important countervailing tendencies.

The implications of this are critical, for it implies that there should not be any one dominant model of ownership or governance. While we might agree on a common or shared set of rules and principles for public ownership, such as a commitment to production for social needs rather than exchange values, the pursuit of social equality, economic democracy and environmental sustainability,

the principle of organizational diversity should also be enshrined in a new approach to public ownership (Cumbers and McMaster 2012). Diverse forms of collective social relations would act as a further brake in preventing the emergence of totalitarian power structures.

Open dialogue and democracy in this sense require a degree of diversity and variation in economic practice. This commitment to diversity implies that there is no one definitive form of public ownership but a range of collective forms can and should coexist. Neurath clearly shares some libertarian concerns with an overweening and centralizing state insofar as he is distrustful of the militarism of nation-states and prefers self-governing associations (O'Neill 2003). This did not mean that there could not be an overall coordinating body charged with a 'general plan': in effect this is what elected governments do at present.

But, underneath this, and enacted in his proposals for the socialization of the Bavarian economy following the brief post-1918 revolutionary period, was a commitment to organizational diversity:

The programme of socialization here discussed makes an attempt at a simultaneous realization of socialism, solidarism and communism ... It provides for cooperatives for peasants and craftsmen, for collectivist settlements on a communist basis and for large-scale socialist production in agriculture and industry to exist side by side, in order to do justice to their different aspirations to realize a collective economy in their own way. (Neurath 2003 [1920], cited in *ibid.*: 196)

Of course, organizational diversity was also recognized by Lenin, in his transitional economic strategy in the 1920s, which clearly did not ultimately produce decentralization of power, economic democracy or pluralism. But, there is a deeper point here captured by Neurath about the importance of diverse ownership forms in an economy more generally to decisively shift people's identities and allegiances away from what he saw as the 'intolerance' of the market economy or nationalisms towards a set of more dispersed identities and loyalties. A good contemporary example would be the Danish energy sector where there are a plethora of forms of public ownership from state ownership (the national oil company, DONG), producer cooperatives (wind turbines), consumer cooperatives and municipally owned entities (electricity distribution companies). This diverse, non-market based and collectively owned organizational assemblage has produced one of the most impressive performances anywhere in the world in shifting towards renewable energy (Cumbers 2012). Neurath's broader point is that a system of associational planning whereby people would be members of many different associations at overlapping scales and spheres of life would advance genuine solidarity and mutualism between peoples and social groups by developing a "multiplicity of ways of life" and "non-conformism" (Neurath 1945) which would guard against the totalitarian demand for one loyalty to 'devour' all others.

While there are clearly some problems with Neurath's account, there are important insights here that help to take the debate beyond the standard critiques of socialist planning and public ownership. The Hodgson critique of democratic planning is not entirely overcome here, given globalization and the

increasingly complex nature of the capitalist economy. Nevertheless, one does not have to sign up to Neurath's vision of a market-free decentralized socialism to recognize the importance of his arguments in overcoming the totalitarianisms of free market thinking or centralizing state projects. Reclaiming the diverse heritage of, and possibilities for, public ownership as an important element of creating democratic and pluralistic forms of economic relations is very much in the spirit of the arguments advanced here.

Conclusion

My purpose in this chapter has been to argue for a more serious engagement on the left with Hayek's critique of socialism, planning and collective ownership as leading to tyranny and his celebration of markets, competition and capitalism as the protector of democracy and individual liberty. Hayek's intellectual arguments in particular have been compelling in seeking to get to grips with the flaws apparent in dealing with the issues of uncertainty, pluralism and democracy. Many have taken up this task with gusto, none more so than Theodore Burczak in his recent attempt to reformulate a market version of socialism (Burczak 2006). While accepting Hayek's critique of socialism planning for its omissions in dealing with knowledge problems; central issues for any economic system; Burczak's ingenious appeal to competitive markets under collective ownership is an important riposte. Burczak's insightful thesis around worker ownership and the important issue of 'appropriative justice' is an important theme to take forward from these debates

However, I would argue that Burczak and others cede too much ground to Hayek in considering the economic institutions that can bring together technical proficiency and social justice. Two points are critical here in the argument laid out above. First, is that the continued emphasis upon the market as a form to promote innovation, diversity and economic tolerance has its own problems and indeed is no more likely to resolve some of the issues apparent under forms of state and public ownership. While, following the above discussion, there is clearly a role for markets in some fashion in the organization of a socialist economy, it is quite a big leap to dismiss alternative non-market institutions and mechanisms for co-ordinating the economy out of hand, or to put quite so much emphasis upon market forms. The reframing of an economic agenda around socialism and economic democracy also has to go beyond market values to incorporate non-market forms and ethics. Not only are the market's powers to stimulate knowledge and diversity exaggerated but the competitive and profit driven ethos is not and should not be the only 'economic identity' that shapes economic decision-making (Gibson-Graham 2006). Accepting the economy as ultimately a socially and politically embedded phenomenon, the task is therefore to create institutions that both protect and encourage non-invidious, market and non-market forms. At the core of these arguments is the need for institutional rules and organizational forms that are fundamentally grounded in democratic procedures, advances a pluralist society and is concerned with deliberative forms of decision-making. The precise nature of how this emerges, will vary over time and space, and is context dependent.

The second related point, drawing upon O'Neill and Neurath (and implicitly from Hayek and Hodgson), is the importance of diversity and variety in new forms of ownership, allowing both state and non-state forms of public ownership to work alongside each other. The key criticism in this respect is that in developing new ideas about public ownership we do not fall back into the mistake of the all encompassing model and vision. Public ownership needs to take on more variegated forms that are both responsive of geographical variations in pre-existing economic practices and cultures but also takes diverse, dispersed and overlapping forms as a way of combating the centralization and concentration of economic power and decision-making.

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Notes

¹ Prior to becoming Prime Minister, at a meeting of the Institute of Economic Affairs, Margaret Thatcher famously quipped, "This is what we believe", brandishing in her hand as she spoke a copy of Hayek's *Constitution of Liberty* (Lister 2011, 1).

² Here I will henceforth use the term public ownership but I define the term broadly in terms of all those attempts both outside and through the state to

create forms of collective ownership in opposition to private ownership (e.g. including employee-owned firms, producer and consumer cooperatives) as well as those that involving state ownership. See Cumbers 2012 for an extended discussion of these definitional issues.

³ See Cumbers 2012, chapter 1 for an overview.

⁴ Although in my view, Burczak's approach remains preferable methodologically because of it is rooted within a political economy framework that recognizes the ontological primacy of social relations over Ostrom's rational choice and methodological individualism (see Fine 2010).