



Reviews

JOHN O'NEILL (1998) *The Market: Ethics, Knowledge and Politics*, London: Routledge, pp. 228 + x.

Laissez-faire

Since '[m]uch of this book 'is a conversation with Hayek,' it is curious that 'Hayek' should not feature in the title. Although the issues are bigger than the man, the book engages with the man to produce (according to one commentary) a critique of the triumphalism of the right. Yet, those who regard Friedrich Hayek as the right-wing apostle of laissez-faire economics might reflect upon the following citations taken over many years: 'While the presumption must favour the free market, laissez-faire is not the ultimate and only conclusion' (Hayek 1933:134); 'Probably nothing has done so much harm to the liberal cause as the wooden insistence of some liberals on certain rules of thumb, above all the principle of laissez-faire' (Hayek 1944:13); 'Our main problems begin when we ask what ought to be the contents of property rights, what contracts should be enforceable, and how contracts should be interpreted or, rather, what standard forms of contract should be read into the informal agreements of everyday transactions' (Hayek 1949:113); 'Laissez-faire was never more than rule of thumb. It indeed expressed protest against abuses of governmental power, but never provided a criterion by which one could decide what were the proper functions of government' (Hayek 1973:61–62). Enough, surely, to invite closer attention to the work of possibly the greatest social theorist of the twentieth century.

Notwithstanding the criticisms below, John O'Neill's book ranks highly among those which seek to provide an intellectual basis for post Reagan/Thatcher/Berlin Wall politics. Currently in Britain the main propagator of Clinton/Blair/Prodi 'third way' politics is Anthony Giddens, whose recruitment of John Gray from Oxford and whose desire (as Director) to raise the status of the London School of Economics is reminiscent of Lionel Robbins's desire to counter the influence of Keynes and Cambridge in the 1930s.

Although he believes that 'distributional consequences' are 'the most pressing failures of market economies,' O'Neill's objective is more modest than to elucidate the operation of 'international functional units of planning' that are capable of using global resources in 'an ecologically rational way.' Indeed, that would have been bold! Instead, he sets out 'to defend non-market associations' and 'to puncture the intellectual case for the market economy.' His inspiration is 'Otto Neurath's strong form of associational socialism,' which is his guide to a 'non-market associational order.' It does not escape notice that the latter has strong affinities with the communitarian socialism that is the focus of John Gray's recent endeavours (see Gray 1997, 1998a, 1998b).

Austrian neutrality vs. Aristotelian virtues

O'Neill's subject—the market—comprises 'social and institutional arrangements through which goods are regularly produced for, distributed by and subject to contractual forms of exchange in which money and property rights over goods are transferred between agents.' By the precepts of Austrian school politics, the market (i) is an amoral, arational, non-economic, non-teleological institution which offers no judgement of the end-states that it fosters and (ii) affords a framework for the peaceful co-existence of individuals with diverse goals. These precepts support an ethos of benign neutrality which rivals the perfectionist account of political and social institutions; i.e., the Aristotelian conception of an economy with virtuous *objectives*.

These opposing paradigms of political theory point to different values in negative liberty; it is a prerequisite for either (i) neutrality: with an accommodation of different perceptions of the good, or (ii) perfectionism: with an inducement to character building. However, the author identifies three (not two) issues: (i) 'the powers and dispositions of character' needed to become an autonomous person; (ii) the freedom from coercion needed to exercise that autonomy; and (iii) the material means needed to effect action. He argues that the blurring of the first two issues has obscured the positive component in Hayek's endorsement of liberty. This is a point well taken. For Hayek, freedom is defined by an 'independence of the arbitrary will of another,' which is facilitated by markets and impartial rules. It needs to be added that Hayek's (less overt) perfectionist case—that the market enables the development of autonomous character—is entirely consistent with his resistance both to the 'confusion of liberty with power' and to the 'demand for the redistribution of wealth' (Hayek 1960:12).

O'Neill laments 'the rejection of the enlightenment project of a rationally ordered social life' and points to an Austrian paradox: to assert that autonomy is good, is to invite rational debate over the conception of the good, which surrenders the virtue of neutrality. O'Neill believes that 'the most effective defence of market institutions would not be to appeal to institutional neutrality between conceptions of the good but rather to develop a perfectionist liberal economics according to which the free market is a necessary condition for that good.' Yet (as O'Neill concedes) Hayek does not propagate a purely contractarian version of liberalism. The perfectionism in Hayek is especially evident in respect of such desirable traits as 'independence and self-reliance, individual initiative and local responsibility' (Hayek 1944:215). For Hayek the key issue *is* the nature of the 'Great Society', where individuals can find 'the best conditions for achieving their aims' (Hayek 1973:55).

O'Neill finds the best welfare defences of the market in classical economics: 'material conditions of well-being, the social and cultural conditions for the development of human excellences ... autonomous choice and the possibility of cultural accomplishment, and conditions that foster proper social relationships.' These constituted the vision before the paradigm shift from substantive accounts of welfare to preference satisfaction. Any concern with the *content* of well-being was then abandoned. Thereafter there was either the (neo-classical) calculus of pleasure and pain or the (Austrian) remit of allowing individuals the best prospect for achieving personal goals. Aristotle was reversed: an item is desirable because of an individual's beliefs about it, not because it is objectively good. However,

O'Neill's account is blemished by his conflation of neo-classical constrained optimisation (whose unlikely assumptions deter many students) with Hayek's social theories of sequential causation and co-ordination. In consequence much of his purported criticism of Hayek flies wide of the mark.

Accepting that ultimate goals are beyond rationality, then 'mistakes about what is of value' occur when our judgements are inadequately informed. If we accept the author's distinction between informed judgements and reformed (or good) judgements, how might the latter be appraised? O'Neill asserts that good judgement 'is that which would emerge from reasonable dialogue, informed by the well-constituted practical and cognitive practices, in conditions of social equality.' We want friends (and real achievements, etc.) not just the pleasure of believing we have friends (and real achievements, etc.). However, a list of objective values would 'miss the role of history and narrative in appraising how well a person's life goes.' So, O'Neill approves of the 'historicised Aristotelianism' in Kant, Hegel and Marx, that human well-being is constituted by 'the exercise of human powers and capacities.' Yet, this is a sentiment which sits at the centre of Hayek's philosophy: '[p]rogress is movement for movement's sake, for it is in the process of learning, and in the effects of having learned something new, that man enjoys the gift of his intelligence' (Hayek 1960:41).

While O'Neill endorses the Kantian prospectus—that human history is the realisation of a 'perfect political constitution as the only possible state within which all natural capacities of mankind can be developed completely'—he makes three observations. Human powers (i) include passive sensitivities to the natural and human world, (ii) are constrained by biology as much as by history, and (iii) do not enjoy an inevitable progression. Again, this is entirely consistent with Hayek's defence of an evolving liberal order, which is a synthesis of two views: (of Kant) that justice is about the equal distribution of freedom and (of Hume) that justice is about the preservation of order (see Gray 1998b; Kukathas 1989).

Non-market associations

Adam Smith's condemnation of associations as conspiracies of sectional interests against the public is central to the notion of 'the market as a sphere in which individuals receive proper recognition'. Skills are not merely instrumental: they deliver self-worth. The liberal market economy brought the shift from status to contract, which affords individuals equal (social, political and economic) 'standing'. However, equal standing must not be confused with equal virtue (kindness, courage, judgement, etc.). Looking good is relative; being good is absolute.

O'Neill presents the market as having encroached too far upon non-market associations: at best, the market creates a tension between welfare gains—although he finds 'little relation between growth in economic welfare and growth in reported 'satisfaction''—and contractual relations that are incompatible with non-market associations; the market corrodes conditions of human well-being: the commitments of personal relationships; social bonds and loyalties; social identity and the narrative order of human life; the norms of recognition that are vital to the internal order of the sciences, arts and crafts; skills and social esteem; and the public nature of the sciences and arts. (In like fashion, might not

gravity be indicted for causing backache?) At the very least markets need boundaries, 'so that non-market associations and relations can flourish.' O'Neill questions the perceived values of the market: liberal neutrality (chapter 2); welfare (chapters 3 and 4); autonomy and freedom (chapters 5–7); 'the forms of recognition it is taken to foster' (chapter 8); those values which emerged from the socialist calculation debate (chapters 9–11); and those drawn from public choice theory (chapter 12).

The author upholds the ideal of the autonomous character and argues that three problems must be addressed: (i) 'educational, cultural, familial and associational spheres' must not be 'colonised by markets'; (ii) 'capacities require non-market domains of informal and formal education, and material, cultural, familial and working conditions which a free market will fail to deliver'; and (iii) the vice of setting autonomous 'standards by which the self and its works are to be judged', where the 'seth of complete self-authorship'—of an autonomous self 'unencumbered by commitments to other individuals, communities, traditions, projects and conceptions of the good'—must be rejected. Who could possibly object? No man is an island: '[t]he isolated asocial man is a fictitious construction' (Mises 1949:164).

Although the author concedes that the market affords opportunities for individuals to liberate themselves from a fixed place in the social order, it also undermines those 'settled dispositions and commitments' that are required to become an autonomous person. His ideal is for a life with 'some narrative unity' to cover 'the realisation of projects and failures that changed one's view of what is important' and which 'requires some form of stability and certainty about the future.' In short, he wishes to rescue Hegel's understanding of associations as furthering the human need for recognition.

The author sees a dichotomy between contractual relationships and those undertaken through trust. Some prior trust is necessary to support choice, but contracts undermine trust. Self-governing associations provide the solution: a means 'to foster the internal standards of particular practices', notwithstanding the danger of associations becoming 'conspiracies of professional power'. As a safeguard to the latter, some kind of 'artefact' is required: a 'citizen's jury' to oversee the deliberations of professional associations. Is it really plausible that more bureaucracy is required?

The author is unconvincing. Of course, there needs to be 'economic and cultural arrangements for trust', but the common law only works because most exchanges occur on the basis of trust. Only for disputed cases is an impartial judgement required. If this were not so, the extended order of market economies would be impossible. Has not the vast bulk of legal niceties been foisted upon entrepreneurs by the unwarranted legislative requirements of constructivist national and international bureaucracies?

Further concern is expressed: that legitimate authority is compromised by its association with wealth and social power; that the wealthy can buy the services of those trained 'to make authoritative utterances'; that markets are inappropriate to goods which 'raise the character of human beings'; that market society 'privileges the choice of 'consumers' over the skills of 'producers'; and that there is no 'educative dialogue' between buyers and sellers. The author believes that producers have a right to 'the critical comment of the educated user', information which is not conveyed by profit and loss (but readily conveyed, surely, by the devices of market research).

Socialism and markets

In chapters 9–11 the focus switches to defences of the market which emanate from Austrian economics. The issue of economic calculation under socialism led to the watershed of Hayek's 'Economics and knowledge' in 1937. O'Neill argues for two (not one) debates in the 1920s and 1930s: between von Mises and Neurath (on the necessity for commensurability through market valuations) and between Hayek and Lange (on epistemological realities).

In regard to commensurability, Mises reasoned that any choice which entailed the sacrifice of economic goods could be weighed by the value of those goods. If, as the author implies, this were the sum of Mises's 'response to the problem of non-economic goods,' it would indeed be 'implausible', but it is not. Of course there are considerations which go beyond resource cost calculations. That ethical considerations are directed by conventional rules (for example, of the kind women and children first) rather than by any retrospective evaluation of opportunity cost was explicitly affirmed by Mises. See, for example: '[a]nyone with a genuine sense of moral values experiences no hardship in deciding between honour and livelihood' (Mises 1920:100).

O'Neill misses the crucial emphasis which Mises gave to the need for market prices. It is that exchange-values are essential in respect of capitalistic production for the reason that '[t]he human mind cannot orientate itself properly among the bewildering mass of intermediate products and potentialities of production without such aid' (Mises 1920:103).

O'Neill builds a thesis of common ground: between Mises and Lange and between Neurath and Hayek. The former uphold commensurability, with Mises insisting upon the practical need for market valuations and Lange describing technical solutions in terms of common ownership of production and a market in consumption goods. For different reasons, Hayek (epistemic) and Neurath (ethical and political) both 'deny that *calculation* between social options is possible'; but O'Neill insists that Hayek denies the possibility of an ethical choice between social ends. He confronts Hayek with the questions: What can be done 'if the assumption of commensurability is given up'? and 'What kinds of resolution are possible given irreducible value plurality?' His own responses are that we might attempt to persuade the other party: i.e., 'to alter preferences'; that we might adopt procedures which meet 'the norms of rational discussion'; and that we might face the choice of how the narrative of a life should continue. So we might; and if these (and others) reiterate Neurath's point that '[r]ationalism sees its chief triumph in the clear recognition of the limits to actual insight' then Hayek might be cited to similar effect. See, for example: '[s]urely one of the tasks of reason is to decide how far it is to extend its control or how far it ought to rely on other forces which it cannot wholly control' (Hayek 1973:29).

Hayek's primary contribution was in respect of the epistemic function of the market, not only as an efficient communicative device, but in coping with that tacit knowledge of particular time and place. The future is affected by every present decision and no system can dispel that uncertainty. O'Neill points to the missing details in the interest rate co-ordination of decisions by consumers and investors: nothing indicates which products will be needed. Although this problem resides under any regimen, O'Neill believes that 'ignorance and confusion' are exacerbated by the close secrecy of market competition. He has faith that the possibility of redressing these difficulties lies 'with some mechanism for distributing

information.’ Decentralised but predominantly non-market associations and institutions are once more to the rescue. He believes that the scientific community provides an illustration: ‘an idea is not yours until you give it away.’ The more general point is that ‘the classical notion of politics as an association of associations deserves to be revived’ to correct the notion of social and economic affairs as either centrally planned or market oriented.

Conclusion

There would seem to be few ills that non-market associations cannot put right, and these include the political opportunism exposed by public choice theorists. O’Neill points to the paradox that ‘[i]f one took seriously what they are saying in their theories, one could not take seriously their acts of saying them’; in other words, what is the hidden motivation of public choice theorists? Although public choice theory says ‘something right’ in its critique of state benevolence, the author believes it is too narrow in its view of self-interest, which should be taken in the particular institutional context. Associational socialism again takes its cue: non-market institutions can re-orient an individual’s self-interest. Of course; this would be part of the general educative process. Once more the author again falsely indicts Austrian economics for taking ‘as given the wants people happen to have.’

Dynamic models of social interaction would afford few insights if they were so structured. Indeed, Hayek views progress ‘as a process of formation and modification of the human intellect ... in which ... our values and desires continually change’ (Hayek 1960:40); he accepts that Norms and conventions may actually result in the adaptation of the character and purposes of the individual (Hayek 1967:232); and he cites the abolition of slavery, penal and prison reform, the prevention of cruelty to children and animals, and the humane treatment of the insane as having become accepted norms only ‘after lonely pioneers had devoted their lives and fortunes to arousing the public conscience’ (Hayek 1960:127).

O’Neill is not the first to conflate the Austrian and neo-classical paradigms. Whereas many Austrians would accept as paramount ‘the question of what associations best develop the goods of human life,’ they would be sceptical of O’Neill’s utopian ‘vision of a non-market associational order’ as an alternative to the market economy. A non-market association that finds itself threatened by the market environment would be advised to address the nature of its weakness.

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