

# Hayek and Popper——a Spontaneous Order and the Open Society

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## Summary

In this paper I will analyze the economic, political, and social thoughts of F. A. Hayek and K. R. Popper. First, the question of what the central issue of social science is, will be discussed. According to Hayek and Popper, the chief issue that social scientists must consider are *unintended results*.

Secondly, I will attempt to make clear how Hayek and Popper view the world. The key concepts of Hayek's and Popper's thought are *a spontaneous order* and *the open society*, respectively.

Thirdly, I must deal with the problem of value judgement. Hayek

seems to avoid this difficult problem, while Popper employs a *dualism of facts and decisions*, when dealing with value judgement.

## 1. The Central Issue of Social Science—Unintended Results

### 1. 1. Hayek: Criticism on Natural-Artificial Dichotomy

In several papers Hayek argues for a *natural-artificial dichotomy*.<sup>(1)</sup> He says that this misleading dichotomy derives from the ancient Greeks. Under this dichotomy, all phenomena are divided into those which are *natural* and those which are *artificial*. But there are at least two standards by which phenomena are divided into *the natural* and *the artificial*. On the one hand we can take *human action* for the standard, but on the other we can take *human design* for it, also. When the standard is *human action*, *natural* phenomena are those which are independent of *human action*, and *artificial* phenomena are the results of *human action*. But if we take *human design* for the standard, *natural* phenomena are those which are independent of *human design*, and *artificial* phenomena are the results of *human design*.

Thus, there can be three kinds of phenomena (see, table-1).

1. the phenomena which are independent of human action
2. the results of human action but not of human design, or unintended results

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(1) Hayek, F. A.: The Results of Human Action but not of Human Design, in: *Studies in Philosophy, Politics and Economics*, The University of Chicago Press, Chicago 1967. / The Errors of Constructivism, 2, in: *New Studies in Philosophy, Politics, Economics and the History of Ideas*, Routledge & Kegan Paul, London 1978 / Dr Bernard Mandeville, 4, in: *New Studies in Philosophy, Politics, Economics and the History of Ideas*.

3. the results of human design

- \* the phenomena, which are independent of human action but are the results of human design, cannot exist logically.

Under the natural-artificial dichotomy, *the results of human action but not of human design* are classified into *the artificial*, when we take *human action* for the standard. They are, however, classified into *the natural*, if *human design* is taken for the standard. Therefore, the natural-artificial dichotomy is misleading.

Moreover, according to Hayek, it is *the results of human action but not of human design* that are the main subject of social science.

table-1

	natural phenomena	artificial phenomena
human action	independent of human action	results of human action
human design	independent of human design	results of human design

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① the phenomena which are independent of human action  
 ② the results of human action but not of human design (unintended results)  
 ③ the results of human design

**1. 2. Popper: the Main Task of Social Science**

Popper, too, emphasizes the importance of unintended results.<sup>(2)</sup> He admits that the structure of our social environment is man-made in a certain sense, and that its institutions and traditions are neither the work of God nor of nature, but are the results of human actions and decisions. He, however, points out that all the structures of our social environment are not consciously designed.

(2) Popper, K. R.: *The Open Society and its Enemies*, Routledge & Kegan Paul, London 1945, 5th ed.1966, Vol. II, pp.93-94.

“only a minority of social institutions are consciously designed while the vast majority have just ‘grown’, as the undesigned results of human actions.”<sup>(3)</sup>

The vast majority of human actions cause the unintended social repercussions.<sup>(4)</sup> For example, if a man wishes urgently to buy a house, we can safely assume that he does not wish to raise the market price of houses. But the very fact that he appears on the market as a buyer will tend to raise market prices.

Therefore, Popper says that the main task of social science is to analyze *the unintended social repercussions of intentional human actions*;<sup>(5)</sup> or to discover and explain the less obvious dependences within the social sphere, and to discover the difficulties which stand in the way of social action.<sup>(6)</sup>

## 2. A Spontaneous Order and the Open Society

### 2. 1. Hayek: Market and Law

The most important concept in Hayek’s thought is *a spontaneous order*.

According to Hayek, the indispensable factors which enable a spontaneous order to *grow* are market and law (or a system of rules of just conduct). We will begin with market.

#### (1) Analysis of Market

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(3) Popper, K. R.: *The Poverty of Historicism*, Routledge & Kegan Paul, London 1957, 3rd ed. 1961. p. 65.

(4) Popper, K. R.: *The Open Society and its Enemies*, Vol. II, p. 93.

(5) Popper, K. R., *ibid*, p. 95.

(6) Popper, K. R., *ibid*, p. 94.

Hayek argues for market in many of his books. But, here, I will take up only his *The Use of Knowledge in Society* (1945).

In *The Use of Knowledge in Society*, Hayek examines the meaning of planning.<sup>(7)</sup> He says that in ordinary language the word ‘planning’ means ‘the complex of interrelated decisions about the allocation of our available resources’. In this sense all economic activities are planning. Therefore, what we must ask is not the question of whether planning is to be done or not, but the question of whether planning is to be done centrally by one authority for the whole economic system, or is to be divided among many individuals.

This question can be changed into another form: which is likely to be more efficient, centralized planning or decentralized planning? Hayek says that the efficiency of planning depends mainly upon the question of which of them can use ‘the existing knowledge’ more efficiently. According to him, knowledge can be divided into two types.<sup>(8)</sup> First there is the knowledge which is more likely to be at the disposal of particular individuals, and second the knowledge which can be possessed by an authority made up of suitably chosen experts.

The typical example of the latter is scientific knowledge. But as far as the allocation of resources is concerned, the former type of knowledge is as important as the latter. We can give some examples of the former:

1. the knowledge about a machine not fully employed
2. the knowledge about somebody’s skill which could be better utilized
3. the knowledge about a surplus stock which can be drawn upon during

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(7) Hayek, F. A.: *The Use of Knowledge in Society*, in: *Individualism and Economic Order*, Routledge & Kegan Paul, London 1949, pp. 78-79.

(8) Hayek, F. A.: *ibid*, pp. 79-80.

an interruption of supplies

If the knowledge which must be at the disposal of particular individuals is indispensable for the good allocation of resources, and if we want an efficient economic system, we must choose decentralized planning. But, at this point, one important problem arises: that is, how can individual decisions be mutually coordinated? Market makes this possible. For each person's decisions are coordinated through prices as the measure of scarcity of goods and services. Although each person pursues his own interest, the coordination between demand and supply is accomplished by market. This coordination between demand and supply is really *the results of human action but not of human design*.

## (2) Freedom, Coercion and Law

The second factor which enables a spontaneous order to grow is law. According to Hayek, law creates the conditions which minimize coercion and maximize freedom. First of all, we must clarify the meaning of freedom.

In the first chapter of his *The Constitution of Liberty* (1960), Hayek tries to clarify the meaning of freedom. He investigates some usages of it.

1. individual or personal freedom——this means the state in which a man is not subject to coercion by the arbitrary will of another or others.<sup>(9)</sup>
2. political freedom——this means the state in which men can participate in the choice of their government, in the process of legislation, and in the

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(9) Hayek, F. A.: *The Constitution of Liberty*, Routledge & Kegan Paul, London 1960, p. 11.

control of administration.<sup>(10)</sup>

3. inner or metaphysical freedom—this is concerned with the influence of momentary emotions, or moral or intellectual weakness. If a man is guided in his actions by his own will, reason or lasting conviction, rather than by momentary emotions or impulses, he holds ‘inner’ or ‘metaphysical’ freedom.<sup>(11)</sup>
4. freedom as the physical “ability to do what I want” or the power to satisfy our wishes.<sup>(12)</sup>

The most important and indispensable freedom for Hayek is *individual* or *personal freedom*. It can, I think, be safely said that almost every book of Hayek’s since *The Road to Serfdom* (1944), directly or indirectly, grapples with this freedom.

As *individual* or *personal freedom* is defined as the state in which a man is not subject to *coercion* by the arbitrary will of another or others, we must, next, inquire what coercion means. Hayek says that coercion occurs when one man’s actions are made to serve another man’s will.<sup>(13)</sup> Coercion implies both “coercer’s threat of inflicting harm” and “coercer’s intention to bring about a certain action of the coerced person”. Even when a man is coerced, he does face choices of actions. But the scope of actions that the coerced can choose is so manipulated by the coercer that the coerced, in the end, chooses what the coercer wants: that is to say, the coerced chooses the least painful action.

We can, thus, define coercion as the state in which (1) a man has such

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(10) Hayek, F. A., *ibid*, p. 13.

(11) Hayek, F. A., *ibid*, p. 15.

(12) Hayek, F. A., *ibid*, p. 16.

(13) Hayek, F. A., *ibid*, pp. 133–134.

overwhelming power over another person's life that the former (the coercer) can derive certain actions from the latter (the coerced) by means of the threat of inflicting harm, and (2) the coerced whose scope of actions is restricted by the coercer serves not his own purpose but the coercer's.

Individual or personal freedom can, therefore, be re-defined. When nobody has overwhelming power over another person's life, when nobody is able to have the intention to bring about certain actions of another person, and when everybody is able to pursue his own purpose, individual or personal freedom can be realized.

Now, we must inquire into how we can minimize coercion and maximize freedom. According to Hayek, this end can be accomplished only when a certain extent of private sphere is secured for each person, and the intrusion into this private sphere is prohibited by public power (or government).

The extent of private sphere which is secured for each person is determined by law. Law determines the limit of private sphere. In other words, law is *a system of rules of just conduct* which prohibit this or that action. And this system of rules of just conduct was not constructed by one man or one organization, but it has *grown* through the long history of mankind. In this sense, law (or a system of rules of just conduct) is *the results of human action but not of human design*.

## 2. 2. Popper: the Bright and Dark Sides of the Open Society

### (1) The Revolt of Tribal Emotions

Is it justifiable to interfere with a spontaneous order which market and law enable to grow? Hayek's answer is 'no.' He opposes interference with a spontaneous order. But there is a delicate problem related to this. A spontaneous order grows from the interaction of many people's actions. This implies that we cannot precisely predict the result of the in-



teraction of people's actions, and that many people's wishes to achieve their ends are often frustrated. Hayek holds that these things create an aversion to a spontaneous order and revive the emotions of a tribal society.<sup>(14)</sup>

Popper is one of the authors who most thoroughly investigate these kinds of problems. His *The Open Society and Its Enemies* (1945) describes both the bright and dark sides of the open society. (Hayek's 'spontaneous order' is fundamentally tantamount to Popper's 'open society'.)

I think that Popper's most important assertions can be summarized into three points:

1. Although man has a strong desire for freedom, under certain circumstances he is inclined to escape from freedom and to depend upon some authority. This inclination has been the source of totalitarianism.
2. The strongest proponents of totalitarianism in mankind's history have been Plato and Marx. Their thoughts reflect the wish of returning to 'the closed society'.
3. It is not necessarily an easy task to reject totalitarianism and to realize 'the open society' and freedom.

## (2) The Closed Society vs. the Open Society

Popper says that Western civilization originated with the Greeks, and that they took the first step from tribalism to humanitarianism, or from the closed to the open society.<sup>(15)</sup> In a tribal society, or the closed society, the customs of social life were very rigid and the members of the tribal society complied with the customs unconditionally and irrationally. It was the

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(14) Hayek, F. A.: *Law, Legislation and Liberty*, Routledge & Kegan Paul, London 1973-1979, Vol. II (1976), pp. 143-149.

(15) Popper, K. R.: *The Open Society and its Enemies*, Vol. I, pp. 171-175.

lack of distinction between the customary or conventional regularities of social life and the regularities found in nature that caused the unconditional and irrational compliance with the social customs. People believed both were enforced by a supernatural will.

In the society where rigid social customs dominate every aspect of social life, there can be nothing really equivalent to moral problems. Of course, a member of a tribe sometimes needs great heroism and endurance in order to act in accordance to those social customs. But he will rarely find himself in the position of doubting how he ought to act, because the right action is always determined by custom.

In the closed society individuals are related to each other by concrete physical relations such as 'touch' 'smell', and 'sight'. On the other hand, in the open society people are regulated by such abstract social relationships as 'division of labor' and 'prices'. A person's life decisively depends upon the actions of others whom he has never seen. An event which happens to occur on the opposite side of the earth may cause his ruin. People have gradually lost 'intimate personal contacts'. Because of this, the number of people in our modern societies who live in anonymity and suffer from isolation has been increasing.

According to Popper,<sup>(16)</sup> the transition from the closed to the open society is one of the deepest revolutions through which mankind has passed. This revolution is still at the beginning stage, and many people may want to return to the closed society. But those, who are determined to devote themselves to the ideal of the open society, must bear the strain and uneasiness which the breakdown of the closed society creates.<sup>(17)</sup> They must endeavor to be rational, to restrain at least some of their emotions, to

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(16) Popper, K. R., *ibid*, p. 175.

(17) Popper, K. R., *ibid*, p. 176.

look after themselves, and to accept responsibilities.

There are only two ways, when we face the shock of this transitional period. The first is the trial of returning to the closed society and the savagery related to it. The second is the gradual progress toward the open society under the pressure of uneasiness and uncertainty. Popper says:

“if we wish to remain human, then there is only one way, the way into the open society. We must go on into the unknown, the uncertain and insecure, using what reason we may have to plan as well as we can for both security and freedom.<sup>(18)</sup>”

### 3. Value Judgement

#### 3.1. Hayek: Just and Good

Hayek opposes almost every interference with market. He thinks that interference with market gradually distorts a spontaneous order. The intensity of his opposition to interference with market reaches its peak when income redistribution comes under discussion.

#### (1) Opposition to Income Redistribution

Hayek’s opposition to income redistribution consists of two arguments.

First, he insists that the word ‘just’ cannot be applied to a spontaneous order. On the one hand he says that only human conduct can be called *just* or *unjust* and that a bare fact, or a state of affairs which nobody can change, may be *good* or *bad*, but not just or unjust.<sup>(19)</sup> On the other, as we have seen in 2.1., a spontaneous order which market and law enable to

(18) Popper, K. R., *ibid*, p. 201.

(19) Hayek, F. A.: *Law, Legislation and Liberty*, Vol. II, p. 31.

grow is the results of human action but not of human design. Therefore, according to Hayek, if somebody tries to apply the word just (or unjust) to the income distribution under a certain spontaneous order, he makes a category mistake: that is to say, as long as market works, *unjust* income distribution cannot exist.

Even if there can be no unjust income distribution, there can be bad income distributions. But Hayek seems to oppose even the trial of transforming a bad income distribution into a good income distribution. He thinks that the trial to bring about a good income distribution often causes unintended bad results. This is his second argument. The word unjust applied to the income distribution is a category mistake. Moreover, there is no consensus about good income distribution among people. If, under these circumstances, somebody pursues a good income (re)distribution, the goal is set so that his ideal of the good income distribution can be accomplished. But other people may oppose his ideal. If disagreements of the ideal of the good income distribution persist, and if each person pursues his own ideal, at least according to Hayek, either totalitarianism, where somebody's ideal is forced upon other people, or disorder, where several ideals conflict and no solution can be found, will arise.

## (2) A Good or Bad Society

I cannot help remembering the impression which I had when I read Hayek's *The Constitution of Liberty* more than ten years ago. In Part I and Part II he dealt with freedom, coercion, and law, etc. I felt, and feel even now, his arguments to be consistent and convincing. But Part III, where he criticized various policies of the Welfare State, seemed, at least to me, to be erratic and to lack convincing power. After that, I came to think that I can not rely on Hayek's argument when the question of what

kind of policies ought to be employed comes under discussion.

Imagine a society where 'a system of rules of just conduct' is strictly observed, and private property, free transaction on market, and freedom of speech are secured, while a small minority of the population enjoys a extraordinarily extravagant way of life at the cost of the majority's poverty and misery. I think that this kind of society is an absolutely bad society. But as long as we follow Hayek's argument, we can hardly try to transform a bad society into a good society.

We must maintain justice and freedom, but at the same time we must, I think, endeavor to realize a better society than the present one.

### 3. 2. Popper: a Dualism of Facts and Decisions and Piecemeal Social Engineering

#### (1) A Dualism of Facts and Decisions

Examining the meaning of the word 'just' cannot, by itself, produce a real solution to the difficult problem concerning income distribution. Under certain circumstances we must judge whether an income distribution is good or bad. In this context, I think it is helpful to investigate Popper's dualism of facts and decisions.

He says: (1) norms and normative laws *can* be made and changed by man, more especially, by a decision or convention to observe them or to alter them;<sup>(20)</sup> (2) our decisions must be compatible with the natural laws (including those of human physiology and psychology), if they are ever to be carried into effect;<sup>(21)</sup> (3) but any decision cannot be logically derived from facts.<sup>(22)</sup>

(20) Popper, K.R.: *The Open Society and its Enemies*, Vol. I, p.61.

(21) Popper, K.R., *ibid*, p.62.

(22) Popper, K.R., *ibid*, pp.62-63.

Popper emphasizes the impossibility of reducing decisions to facts. According to his dualism, norms and normative laws are determined by the interaction between decisions and facts.

A dualism of facts and decisions has two difficulties. First, when we say that norms and normative laws are made and changed by a decision (or decisions), whose decision will control the changes in norms and normative laws?; or in other words, if there are differences between people's decisions, whose decision should dominate? This question could lead to the problem of relativism. Popper says:

“It must, of course, be admitted that the view that norms are conventional or artificial indicates that there will be a certain element of arbitrariness involved, i. e. that there may be different systems of norms between which there is not much to choose (a fact that has been duly emphasized by Protagoras). But artificiality by no means implies full arbitrariness.”<sup>(23)</sup>

I think that Popper's argument concerning relativism of value is incomplete. We must give much more careful consideration to it. I plan to inquire further into it in another paper.

The second difficulty of a dualism of facts and decisions is the aversion to it. Decision and responsibility are indivisible. When we decide, we must take responsibility, which puts us under strain. This aversion stems from the same root as the aversion to the open society.

“we may perhaps discern two main tendencies which stand in the way of adopting a critical dualism [i. e., a dualism of facts and decisions].

(23) Popper, K.R., *ibid*, p.65.

The first is a general tendency towards monism, that is to say, towards the reduction of norms to facts. The second lies deeper, and it possibly forms the background of the first. It is based upon our fear of admitting to ourselves that the responsibility for our ethical decisions is entirely ours and cannot be shifted to anybody else; neither to God, nor to nature, nor to society, nor to history.<sup>(24)</sup>”

## (2) Piecemeal Social Engineering

I think that Popper’s political ideals are liberalism and humanitarianism. It is desirable for everybody to gain as much freedom as possible. But freedom must not be unlimited. Because freedom defeats itself, if it is unlimited; that is to say, unlimited freedom means that a strong man is free to bully one who is weak and to rob him of his freedom.

Popper advocates ‘piecemeal social engineering’ as the way of social reform to accomplish his ideals. In order to understand what this really means, we must investigate four concepts; (i) historicism, (ii) social engineering, (iii) Utopian approach, and (iv) piecemeal approach.

### ①Historicism vs.Social Engineering

First, we begin with contrasting<sup>(25)</sup> historicism and social engineering. According to historicism, man cannot alter the laws of historical destiny, since all his plans and actions are only means by which the inexorable laws of development shape his historical destiny. On the other hand, the social engineer does not ask any questions about the historical destiny of man. He believes that man is the master of his own destiny and that, in accor-

(24) Popper, K.R., *ibid*, p.73.

(25) Popper, K.R., *ibid*, pp.21-23.

dance with our aims, we can influence or change the future of man.

The historicist is inclined to look upon social institutions mainly from the point of view of their history, i.e. their origin, their development, and their present and future significance. On the other hand, the social engineer will not take much interest in the origin of institutions, or in the original intentions of their founders. Rather, he will put the problem like this. If such and such are our aims, is this institution well designed and organized to serve them?

The insurance institution will serve as an example. The social engineer will not worry about the question of whether insurance originated as a profit-seeking business; or whether its historical mission is to serve the commonweal. But he may offer a criticism of certain insurance institution, showing how to increase their profit, or how to increase the benefit they render to the public. And he will suggest ways in which they could be made more efficient in serving one end or the other.

Popper resolutely rejects historicism, because, as we have seen, man can change norms and therefore institutions.

## ② Utopian Approach vs. Piecemeal Approach

Let's turn to the Utopian and piecemeal approach.<sup>(26)</sup>

Popper points out the characteristics of the Utopian approach of social reform. Those who hold to the Utopian approach think as follows: (1) any rational action must have a certain end; (2) it is rational in the same degree as it pursues its end consciously and consistently, and as it determines its means according to this end; (3) we must be careful to determine our real or ultimate ends; (4) these principles, if applied to the realm of political activities, demand that we must determine our ultimate political end, or the

<sup>(26)</sup> Popper, K.R., *ibid.*, pp.157-159.



Ideal State, before taking any practical action.

On the other hand, those who adopt the piecemeal approach, first of all, search for a method with which to fight against the greatest and most urgent evils of society, rather than search for its ultimate end. They may or may not have blueprints of a good society. But their blueprints are comparatively simple; blueprints for such single institutions as health and unemployment insurance, or arbitration courts, or depression fighting budgeting, or the educational system. Moreover under the piecemeal approach, man can easily respond to ‘the unintended social repercussions of intentional human actions (see, 1. 2.)’.

Popper says that the Utopian approach is all the more dangerous, because it is more cogent than the piecemeal approach. The Utopian approach entails two grave difficulties.

1. Can the ultimate end (or ends) at which all actions are aimed be determined? (Determination of the ultimate end is much more difficult than the specification of urgent social evils.)
2. Can a large-scale social reform on the basis of the Utopian approach respond to the unintended social repercussions?

(A large-scale social reform necessarily causes various kind of repercussions. Predicting all these repercussions previously is impossible.)

### ③ Aversion to Piecemeal Social Engineering

Popper rejects historicism and endorses social engineering. He also refutes the Utopian approach and instead, advocates the piecemeal approach. But the piecemeal social engineering proposed by Popper is not necessarily a popular one. The solution of more important problems seems to be postpone, and every time man faces a new problem he must

make a decision which is not always easy. The historicist denies that man can change the course of history, while he can incite the masses by inspiring them a belief in a bright future. Moreover, he does not suffer from decision making, because he need not decide which way mankind should take. But we cannot predict the future of history, and cannot, therefore, promise the bright future previously mentioned.

The Utopian approach appears more reasonable and morally superior to the piecemeal approach. But the former is a dangerous one. In order to recognize how dangerous it is, we must illuminate one aspect contained in it: that is, *uncompromising radicalism*.<sup>(27)</sup> According to it, we must go to the very root of the social evil, and completely eradicate the wicked social system. This kind of exhaustiveness can appeal to man's aestheticism. Most people would prefer making a new dress of new cloth to keeping an old garment badly patched. It is not surprising that people think likewise about institutions. But the uncompromising radicalism applied to institutions and human beings could invite a disaster. Because, if the view that only constructing a really beautiful new world held significance would dominate, human beings would be reduced to being the means for satisfying the desires of idealist who, inspired by aestheticism, would want to construct UTOPIA at any cost.

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I assert that those who try to defend the open society must resolve to live in a imperfect and badly patched society. We are morally imperfect. Our knowledge about the means to accomplish our ideals is badly limited. But it is a fact that there are several standards of values in this

<sup>(27)</sup> Popper, K.R., *ibid*, pp.164-165.

world that hinders construction of a impeccable and really beautiful world.

Those who devote themselves to the ideal of the open society must not deplore the fact that there are several standards of values. In addition to this, they must continue to do their best lest disagreements between standards of values should lead to violence.