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**Reopening the road from Frankfurt to Vienna:  
Why “Hayekian Critical Theory” is not an oxymoron**

**[The use of knowledge about society, Part I]**

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**The use of knowledge about society**  
*Part I*

**Reopening the road from Frankfurt to Vienna:  
Why “Hayekian Critical Theory” is not an oxymoron**

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## 1. Why the road from Frankfurt to Vienna should be reopened

Just when you had become familiar with the thought that the *Positivismusstreit* of the 1960s had established a definitive and unbridgeable divide between Vienna's methodological individualism, combined with its critical rationalism, and Frankfurt's humanistic brand of Marxism; just when you had more or less comfortably settled into the idea that Karl Popper's conference on "The Logic of the Social Sciences" and Adorno's rebuttal "Zur Logik der Sozialwissenschaften" (Popper [1962], Adorno [1962], Adorno, Albert, Dahrendorf *et alii* [1969]) constitute the take-it-or-leave-it faceoff for someone who today wishes to choose between Vienna and Frankfurt; just when you thought you didn't have to think about all *that* anymore—well, *think again*. The overarching belief which motivates this paper is that in the face of our contemporary predicament we need to reopen the road that had been closed in the wake of the *Positivismusstreit*.

A major component of our predicament is "globalization" with its associated perplexities and anxieties. There is little doubt that what the epistemic puzzle posed by "globalization" has been one of the main factors sparking the heated debates over the last decades about what economists can really claim to know about the "workings of the economy" and what that knowledge—if any—can be used for to "make the economy work better" (see, e.g., Krugman [1998], Fullbrook [2003]). This epistemic puzzle can be stated as follows. There is an increasingly widespread perception of impotence, both among the general population and among politicians, as the "forces of globalized markets" escape our conscious attempts at controlling or even influencing or harnessing them. In Western societies, our general *awareness of systemic constraints* seems to again have become acute and has sparked widespread debates about whether economic knowledge about globalized markets should be used to *individually accept* the fatalities inherent in the forces of change, to *individually harness* these forces so that each agent in the economy can make the best of globalization, to *collectively control* them so as to generate more satisfactory processes and outcomes at the society level, or to *collectively overthrow* them in order to re-build an international order from scratch.

In essence, this current unease about globalization revolves around the deep issue of *how and to what extent it is possible to control a complex, evolving system*—especially such a huge and multiply interconnected system as the one made up of world commodity, raw-material, capital and labor markets and of the multilevel regulatory institutions that coevolved with this

multimarket network... How is it possible—if it is possible at all—to hold the reins of such a system so as to retain the feeling of “controlling our destinies”? I want to show that to help us make sense of the profound underlying issues, we can fruitfully engineer a debate between the towering figures of *Friedrich August von Hayek*, a chief representative of the Viennese school of Austrian economics and famous for his “neo-liberal” ideas of spontaneous market order and endogenous cultural evolution, and *Max Horkheimer*, cofounder in the Frankfurt of the 1930s of the famous Institut für Sozialforschung and propounder of an epistemological method called “Critical Theory of Society” (*kritische Gesellschaftslehre*). Spontaneously, one would from historical caricature (as well as from some of the protagonists’ more self-delusory statements) deduce that Hayek would be on the side of brutal *laissez-faire* while Horkheimer would be on the side of equally brutal collectivist, centralized planning. In fact, this will turn out not to be so: I want to show that there is room for their respective epistemological (and hence political) positions to be brought into interplay, generating a kind of “Frankfurt Hayekianism” or—as I prefer to call it—“Hayekian Critical Theory”. Thus, the issue of controlling a complex evolving system will be more subtle than merely pinning “planning” or “social democracy” against “free markets”, and that is why engineering an artificial debate between these two men—who never explicitly wrote about each other—will turn out to be fruitful for our current predicament.

Let me state my basic claim in a schematic way before going into the more detailed analysis. In the West, the 1930s and 40s were a time of potential bifurcation or “phase transition” (in the system-theoretical sense) between, on the one hand, a continuation of fragile and imperfect “free” market democracy and, on the other, an encroachment of totalitarian-collectivist regimes of the fascist or Bolshevik varieties. *As paradoxical as it may sound, both Hayek and Horkheimer sided with “free” market democracy, but with radically different interpretations of what “free” means and what the dynamics of freedom entail—different interpretations which hinged on radically different, though perhaps complementary, articulations between consciousness and spontaneity.* In a nutshell, Hayek bases his approach on a notion of “spontaneous consciousness” rather closely related to Maturana and Varela’s notion of enacted knowledge (section 2), whereas Horkheimer is adamant on pushing for the development of individuals’ “conscious spontaneity”—an apparent oxymoron which will turn out to be quite fruitful (section 3). Reviving this tension between two different consciousness/spontaneity articulations and attempting to bridge the gap between them might well be one of the keys for the current debates on steering

“globalization”; this, however, will require that we first arrive at a Hayekian Critical Theory which combines crucial features of both Hayek’s and Horkheimer’s approaches (section 4).

The reader should rest assured: although I will have to make extensive use of quotations my aim is not exegesis but creative, and sometimes even “savage,” plundering of other thinkers’ thoughts in order to advance current issues. So I don’t intend to spend page after page rehashing the systematic oppositions which undoubtedly exist between Horkheimer and Hayek. I will show no particular reverence for the authors’ “true” meanings or intentions. Rather, I intend to use only those oppositions and convergences which can help me find my way through the maze of today’s polemics surrounding the virtues and vices of “too much” or “too little” knowledge about globalized markets. So *in the end*, the authors’ names don’t matter—forget them and keep the substance of their arguments, or rather of the arguments which I modestly believe I can extract from their elaborate and fascinating efforts.

## **2. Hayek’s unexamined social life: Necessary ignorance or calculated nescience?**

### *2.1. Social complexity and the alliance between statistical physics and “social economics”*

For standard microeconomists, surely one of the most central and also most unnerving features of Hayek’s social philosophy is his insistence on the “importance of our ignorance” (Hayek [1964: 39]). Taking his cue from Popper’s doctrine of science as being our knowledge of our ignorance”, he writes in his *Studies* that

What we must get rid of is the naïve superstition that the world must be so organized that it is possible by direct observation to discover simple regularities between all phenomena and that this is a necessary presupposition for the application of the scientific model. What we have by now discovered about the organization of many complex structures should be sufficient to teach us that there is no reason to expect this, and that if we want to get ahead in these fields our aims will have to be somewhat different from what they are in the fields of simple phenomena. (Hayek [1964: 40])

Such a statement is unnerving because it flies in the face of the basic tenet of the so-called “microfoundations” approach in economic theory, namely the idea that a *nomologico-deductive theoretical model* can be constructed which allows the social scientist to infer the shape or form of aggregate phenomena from empirically valid assumptions about the “laws of behavior” of the constituent part, i.e., the agents. As the profound work of such microeconomists as Hugo

Sonnenschein, Werner Hildenbrand, Alan Kirman and Paul Ormerod has shown, “naive” aggregation is possible either under the degenerate assumption of the representative agent or, if even limited heterogeneity is assumed, under extremely stringent conditions pertaining to the distributions of relevant individual characteristics (see, e.g., Kirman [1992, 1997]). This makes microfounded macroeconomics at best a perilous enterprise, and may even, in specific cases where the Representative-Agent fiction is used, make it an exercise in sophisticated irrelevance. In fact, Hayek was playing into the hands of the proponents of theory-free macroeconomics and vector-autoregressive econometrics when he stated that

Though we may never know as much about certain complex phenomena as we can know about simple phenomena, we may partly pierce the boundary by deliberately cultivating a technique which aims at more limited objectives—the explanation not of individual events but merely of the appearance of certain patterns or orders. (...) Once we explicitly recognize that the understanding of the general mechanism which produces patterns of a certain kind is not merely a tool for specific predictions but important in its own right, and that it may provide important guides to action (or sometimes indications of the desirability of no action), we may indeed find that this limited knowledge is most valuable. (Hayek [1964: 40])

The term “complexity” used here by Hayek has to be taken, of course, not in the colloquial meaning (“He’s a complex personality”) but in the technical sense it has acquired in *complex-systems theory*:

Large-scale composition is especially interesting because it produces high complexity and limitless possibility. (...) Myriad individuals organize themselves into a dynamic, volatile, and adaptive system that, although responsive to the external environment, evolves mainly according to its intricate internal structure generated by the relations among its constituents. In the sea of possibilities produced by large-scale composition, the scope of even our most general theories is like a vessel. (...) Large composite systems are variegated and full of surprises. Perhaps the most wonderful is that despite their complexity on the small scale, sometimes they crystallize into large-scale patterns that can be conceptualized rather simply (...). These salient patterns are the emergent properties of compounds. Emergent properties manifest not so much the material bases of compounds as how the material is organized. Belonging to the structural aspect of the compounds, they are totally disparate from the properties of the constituents, and the concepts about them are paradoxical when applied to the constituents. (Auyang [1998: 1-2])

Rooted as it is in our deepest and most general scientific understanding of how compounds get composed from constituents (see Ball [2004]), Hayek’s point can hardly be circumvented merely by micro- and macroeconomists’ continued and sometimes calculated ignorance. It must be faced squarely to the extent that it reflects an ontological feature of the social system, namely



complexity as the irreducibility of the compound level to an explanation in terms purely of the constituent levels. And, of course, it *has* been faced squarely by a significant minority of economists tied more or less loosely to the Santa Fe Institute and the Brookings Institution, and grouped around three main concepts: statistical mechanics, multiagent interactive processes, and artificial—i.e., computer-simulated—societies (see e.g. Resnick [1994], Epstein and Axtell [1996], Arthur, Durlauf and Lane [1997], Gilbert and Troitzsch [1999], Colander [2000], Durlauf and Young [2001]). The discipline or set of disciplines which emerges from this focus on emergent properties of systems have recently grouped by Durlauf and Young under the heading of “social economics”, implying the death of the old duality—present, for instance, in Popper’s (1962) paper but not in Adorno’s (1962) reply—between economics as the science of free choice given social constraints and sociology as the science of the formation of these social constraints.

The contemporary recourse to statistical physics—i.e., to the notion that the constituents’ trajectories or “micro-choices” cannot and need not be modeled in detail but can in some cases be described by statistical distributions, and that certain compound phenomena may possess laws of “motion” or “behavior” which are robust to changes in the specifics of the constituents’ “motion” or “behavior”—seems at first sight to betray a significantly more positivistic bend than Hayek would himself, as an Enlightenment humanist, have tolerated. Is not the focus on aggregate laws and regularities one of the hallmarks of Auguste Comte’s positivistic heresy which Hayek (1941, 1951) so ardently tried to fend off? Isn’t individual liberty and the creation of a social science in which the individuals, and not the aggregate entities, are the key elements one of Hayek’s lifetime goals (Hayek [1943, 1945a])? However, being methods of empirical classification of phenomena, and not of analytical explanation, the procedures of statistical physics neither affirm *nor deny* a substantial amount of individual liberty and autonomy in the cases where the constituents can be considered to possess purposes, free will, etc. In fact, this is the mystery and attraction of statistical physics—that *despite* possibly significant synchronic heterogeneity and chronological variability of the constituents’ goals, purposes, reasons to act, and so on, nevertheless certain *aggregate* laws (such as Pareto’s law or the power law) seem to persist. Indeed, ever since Hobbes the majority of social scientists have thought

that people are different [from atoms, bacteria or animals]: their thoughts, desires and sensations are more complex, and provoke them into conflict. (...) [M]any social scientists (...) have long assumed that people are just too complicated to yield to any mathematical model of behavior. We are each moved by a thousand impulses in a blend

unique to every one of us. So what is the point of making idealizations of human activity? (...) [However,] beyond this miasma of individuality, there might lie some quantifiable *statistical* characteristics of what humans do in moving groups. (...) There are some general rules, some constraints, some trends and averages. (Ball [2004: 159-160])

This is precisely what Hayek's above-quoted principle of ignorance says. So the new social economics, which makes heavy use of this kind of idea, is intrinsically Hayekian in its method—and this has not escaped most of its most prominent proponents, like Peyton Young who opens his *magnum opus* entitled *Individual Strategy and Social Structure* (Young [1998]) with a quotation from Hayek's "Use of Knowledge in Society" (Hayek [1945b]) to the effect that genuine social science "must show how a solution [to the problem of decentralized social order] is produced by the interactions of people, each of whom possesses only partial knowledge."

## 2.2. *The theorist's ignorance and the agents' ignorance*

At the risk of being too schematic—but Hayek's work is, one must admit, rather repetitive and single-minded, perhaps like all great works—I will sum up his main theses in two passages from two of his most celebrated papers:

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. We cannot expect that this problem will be solved by first communicating all this knowledge to a central board which, after integrating all knowledge, issues its orders. We must solve it by some form of decentralization. But this answers only part of our problem [because] the "man on the spot" cannot decide solely on the basis of his limited but intimate knowledge of the facts of his immediate surroundings. There still remains the problem of communicating to him such further information as he needs to fit his decisions into the whole pattern of changes of the larger economic system. How much knowledge does he need to do this successfully? (...) It is in this connection that (...) the "economic calculus" (or the Pure Logic of Choice) helps us, at least by analogy, to see how this problem can be solved, and in fact is being solved, by the price system. (...) The whole acts as one market, not because any of its members survey the whole field, but because their limited individual fields of vision sufficiently overlap so that through many intermediaries the relevant information is communicated to all. (Hayek [1945b: 83-86 *passim*])

The belief in the superiority of deliberate design and planning over the spontaneous forces of society enters European thought explicitly only through the rationalist constructivism of Descartes. But it has its sources in a much older

erroneous dichotomy which derives from the ancient Greeks and still forms the greatest obstacle to a proper understanding of the distinct task of both social theory and social policy. This is the misleading division of all phenomena into those which are “natural” and those which are “artificial”. (...) it was finally in reaction to this Cartesian rationalism that the British moral philosophers of the eighteenth century, starting from the theory of the common law as much as from that of the law of nature, built up a social theory which made the undesigned results of individual action its central object, and in particular provided a comprehensive theory of the spontaneous order of the market. (...) The uncomprehending ridicule poured (...) on [Adam Smith’s] expression of the “invisible hand” by which “man is led to promote an end which was no part of his intention”, however, once more submerged this profound insight into the object of all social theory, and it was not until a century late that Carl Menger at last resuscitated it in a form which now, yet another eighty years later, seems to have become widely accepted, at least within the field of social theory proper. (Hayek [1967: 96-100 *passim*])

These two passages make up the core of what we can call *Hayekian social theory*. If my previous assimilation of the new social economics to Hayekian methodology is correct, they also apply to this new research program. They combine *two distinct and precisely circumscribed types of ignorance*. (1) Each individual agent leads her existence in the sole pursuit of her personal interests, unaware of the fact that the overall constraints she faces are the compounded effect of her own action, together with all other actions. Hayek (1945b: 84) puts it this way: “It is always a question of the relative importance of the particular things with which he is concerned, and the causes which alter their relative importance are of no interest to him beyond the effect on those concrete things of his own environment.” (2) The theorist can observe—and must, as a genuine social scientist, confine himself to observing—the compounded effect of all individual actions; he is therefore bound to remain ignorant of the motives which “really” impelled each individual to act as she did. Hayek (1943: 67) puts it this way: “If conscious action can be ‘explained,’ this is a task for psychology but not for economics or linguistics, jurisprudence or any other social science. What we do is merely to classify types of individual behavior which we can understand, to develop their classification—in short, to provide an orderly arrangement of the material which we have to use in our further task.” In some cases, epitomized by statistical physics and the modeling of gas pressure through random walks of the large numbers of particles, arbitrary variability can be admitted and the statistical properties of the compound phenomenon (power law, Gaussian distribution, Pareto’s law, etc.) can be used directly by the theorist in full ignorance of the details of the interaction; in other cases such as the modeling of financial markets, Keynes’s (1936) model with interactions between “bears” and “bulls” or Kirman’s (1991) model involving interactions between “fundamentalists” and “chartists” admit a more limited variability

of types or categories of behavior so as to keep the model analytically tractable and to avoid refinements which are unnecessary given the compound phenomenon under study (here, financial bubbles).

This two-tier ignorance is perhaps the main key to Hayek's and his "social-economics" successors' vision of social science and its legitimate aims. As is well known, Hayek's concept of "true individualism" and its legal and political implications crucially underlie this advocacy of twin ignorance: as a humanist he does not, of course, call for social theorists to build interactive models of mindless, ignorant atoms whose analytical solutions the theorists, in turn, are ignorant of and can only solve on the computer; while such deep analytical intractability may indeed frequently pop up, what Hayek really has in mind is the normative idea that the maximal realization of *each* individual's liberty when *several* individuals interact can only be ensured if no allocation of resources (ideas, goods, services, etc.) is imposed *ex machina* so as to short-circuit that interaction—in other words, a set of rules and regulations must be constructed so that out the virtually infinite *ex ante* variability of individual aims some indeterminate *ex post* order can result *as a purely emergent property of the system of interactions*.

This, to Hayek's mind, has at least two very direct implications for the status of social-science knowledge. (a) Explanatory theoretical models are fundamentally optional. Offering a causal explanation of exactly how a certain orderly state emerged at a certain time and place might have some limited usefulness for policy interventions which, to paraphrase Axelrod and Cohen (2000), can be dubbed "harnessing complexity", and which have to do with understanding how to *influence* a social system's outcomes so as to further one's objectives without exercising any *control* over the agents' motivations and goals. (b) Normative social theory is morally forbidden to the extent that it strays away from what Hayek (1960) called "the constitution of liberty", namely the evolutionary design of a broad system of legal rules, cultural values and economic incentives aimed at establishing a "Rule of Law" (Hayek [1944: 75-90]) in which "planning and competition can be combined"—which can be done "only by planning *for* competition, not planning *against* competition" (Hayek [1944: 43], my italics). In fact, these two implications are not independent: the theorist's moral obligation to follow (b) is a direct consequence of (a)'s being linked to

an indisputable intellectual fact which nobody can hope to alter and which by itself is a sufficient basis for the conclusions which the individualist philosophers drew. This is the constitutional limitation of man's knowledge and

interests, the fact that he *cannot* know more than a tiny part of the whole of society and that therefore all that can enter into his motives are the immediate effects which his actions will have in the sphere he knows. (...) The real question, therefore, is not whether man is, or ought to be guided by selfish motives but whether we can allow him to be guided in his actions by those immediate consequences which he can know and care for or whether he ought to be made to do what seems appropriate to somebody else who is supposed to possess a fuller comprehension of the significance of these actions to society as a whole. (Hayek [1943: 14])

In fact, the individual is inherently unable to acquire the knowledge that would be required to act on broad ethical, moral or critical convictions, since

Whether his interests centre round his own physical needs, or whether he takes a warm interest in the welfare of every human being he knows, the ends about which he can be concerned will always be only an infinitesimal fraction of the needs of all men. (Hayek [1944: 62])

So “interests” pertaining to society-wide issues are not excluded by Hayek, but he deems them somehow *practically irrelevant* because the individual agents’ ignorance is a constitutive limitation due to their neurological wiring. The theorist’s ignorance, however, must be voluntary and rooted in an ethical commitment not to violently impose on the complex plurality of goals a monolithic reduction of them—at least when it comes to normative judgments about how society ought to be. This drastic voluntary limitation of what *normative* social philosophy allows itself to offer is due to the *positive* fact

that nobody can know *who* knows best and that the only way by which we can find out is through a social process in which everybody is allowed to try and see what he can do. (...) Or, to put this fundamental contention differently, human Reason, with a capital *R*, does not exist in the singular, as given or available to any particular person, as the rationalist approach seems to assume, but must be conceived as an interpersonal process in which anyone’s contribution is tested and corrected by others. (Hayek [1943: 15])

That this two-tier ignorance does not in fact hinder what, in Popperian fashion, Lindblom and Cohen (1979: 4) have called “social problem solving” is perhaps the most striking epistemological conclusion of Hayek’s whole setup. As Lindblom and Cohen put it,

Information and analysis provide only one route because (...) a great deal of the world’s problem solving is and ought to be accomplished through various forms of social interaction that substitute action for thought, understanding, or analysis. (...) People differ from each other in the kind and quality of ordinary knowledge they possess. Yet although practitioners of professional social inquiry possess a great amount of relatively high-quality ordinary knowledge, so do many journalists, civil servants, businessmen, interest-group leaders, public opinion

leaders, and elected officials. (...) [An] alternative to professional social inquiry is interactive problem solving through the many devices by which action substitutes for thought—never wholly but significantly. (...) A given problem can be attacked by understanding, thought, or analysis (we treat these terms as strictly synonymous) of that very problem, or by various forms of interaction among people, in which what they do, rather than what they or anyone else thinks (or understands or analyzes) about that problem moves toward the solution or preferred situation. Strictly speaking, since people never stop thinking, the alternatives are a frontal analytical attack on some identified problem, or the interaction in which thought or analysis is adapted to the interaction and is therefore on some issues displaced by interaction. (Lindblom and Cohen [1979: 10-20 *passim*])

Interactive social problem solving lets the solution emerge from the practical interaction of individuals who are largely ignorant when considered from the overall viewpoint—and a social theorist who relinquishes her ambition to solve a social problem through her “bird’s eye view” understanding thereby chooses to respect this *constitutive state of individual-level knowledge*. And since, as Hayek and Popper would both contend, normative issues about the rules and structure of society are themselves social problems, this “displacement of thought by interaction” may also apply to social problems traditionally addressed through social ethics or social philosophy.

### 2.3. *The competitive social process as an embodied, self-verifying social “theory”*

The principle of competition is, of course, Hayek’s chief mode of displacement of thought by interaction:

When we deal (...) with a situation in which a number of persons are attempting to work out their separate plans, we can no longer assume that the data are the same for all the planning minds. The problem becomes one of how the “data” of the different individuals on which they base their plans are adjusted to the objective facts of their environment (which includes the actions of the other people). (...) Competition is essentially a process of the formation of opinion: by spreading information, it creates that unity and coherence of the economic system which we presuppose when we think of it as one market. It creates the views people have about what is best and cheapest, and it is because of it that people know at least as much about possibilities and opportunities as they in fact do. It is thus a process which involves a continuous change in the data and whose significance must therefore be completely missed by any theory which treats these data as constant. (Hayek [1946: 93 and 106])

“Planning *for* competition,” then, means for Hayek that none of the rules and regulations of the legal and customary order should be allowed to impede this interactive process of information compactation and dissemination: the final judgment on each individual’s performance and place

within that process should be passed in a fully anonymous way, i.e., should be *no one's judgment in particular*—and this can only be so if rational judgment itself (and thus “human Reason, with a capital *R*”) is a systemically emergent property of the interactive process.

This has far-reaching epistemological consequences. Rationality can be neither substantive nor procedural, since what is in agreement with Reason can be neither fixed as an eternal substance nor embodied in preexisting general procedures—no, Hayekian rationality seems to be a purely emergent property in the sense that it can only be stated *ex post* as the property of what Dupuy (1992a) has called a self-exteriorized, or self-transcendent, social totality. So neither outcomes nor rules are *per se* rational; only the interactive process which puts itself through the culturally evolved legal and customary framework of the Rule of Law can be called an instance or a hypostasis of “Reason.” Therefore, Hayek’s complex-systems analytics, which implies that “human Reason, with a capital *R*, (...) must be conceived as an interpersonal process,” leads us to the recognition that *reason is neither substantial nor procedural, but processual*. Reason *is* a process, not the criterion *for* judging an outcome or a set of procedures. But then, who is to judge an individual or a society? Well, if no individual can claim to be rational by himself—because he always “takes part in a process more complex and extended than he could comprehend” (Hayek [1943: 14-15])—and if from each individual’s point of view no one else can be allowed to claim rationality in his name, rational judgment can only be uttered by a Great Nobody. This is *the figure of the market* as the “subjectless process” (Dupuy [2002]) which succeeds in recapitulating everyone’s judgment without singling out any particular judgment—and this subjectless process with its paradoxical recapitulation defines reason. Reason *is* a competitive process.

I believe that if we take this epistemological position quite seriously, we end with a starkly *anti-theoretical* stance on the part of Hayek. This is because once rationality is defined as a competitive process, no rational social theory of course can without contradiction question the “validity” of that process—it would be as impossible as Kantian transcendental reason questioning its own (transcendental) conditions of possibility, and the evidence for the contradiction would be, for Hayek, that in a free society even anti-competition ideas or theories have to use the competitive process in order to reach their audiences: they have to be taught in the right places to the right people, sold by the right publishers in the right bookstores, obtain sufficient airing space on the right mass media, and so on. We might say that, in line with the above notion of interactive social problem solving, Hayek has a specific way of closing the gap

between social theory and social functioning: since the competitive process is the only coherent definition of rationality, a competitive market system is also the only coherent institutional setup in a free society; but notice carefully that this means that *the competitive social process is the only self-validating, hence concretely supporting, social “theory.”* I have put the word *theory* between quotation marks because, here, theory itself becomes a process rather than being a contemplative discourse built up by an outside observer. This idea may seem convoluted, but it is absolutely crucial in order to understand the depth of Hayek’s position, and also to understand the fundamental structure of the new social economics and its lack of distance vis-à-vis the figure of the market. In fact, Hayek succeeds in positing the process of competition as the very *embodiment of reason at work* within the constantly evolving fabric of social interactions—one class of these interactions being the interactive construction of social-science theories, which therefore acquire their status as theories only *through* competition and hence cannot coherently produce theories of noncompetitive social processes.

In similar fashion, Niklas Luhman (1975, 1997) has claimed on the basis of complex-systems theory that no participant in a system is ever able to observe that system from the outside—since careful analysis will always reveal that his very cognitive faculties are actually results of, rather than preconditions for, his participation in the system—and hence cannot without ultimate contradiction formulate alternatives to the system. Extra-systemic alternatives are an illusion for Luhmann in the same way that alternative interpretations of rationality are an illusion for Hayek when he claims

that to recognize something as mind is to recognize it as something similar to our own mind, and that the possibility of recognizing a mind with a structure fundamentally different from our own, or to claim that we can observe changes in the basic structure of the human mind is not only to claim what is impossible: it is a meaningless statement. (Hayek [1942-44: 135])

In other words, claiming that reason can be anything else than a competitive market process, or using our reason to claim that anything but a competitive market process should be our concrete institutional setup, involves for Hayek a radical contradiction akin to jumping over one’s own shadow or pulling oneself off the ground by one’s own hair. This certainly explains why even contemporary economists working at the very frontier of the discipline, such as Jason Potts in his profound *The New Evolutionary Microeconomics*, can still claim that this frontline paradigm



studies “the interactions between agents over the dynamic network that is the object of our science, the market economy” (Potts [2000: 7]).

#### 2.4. *Competitive social interaction as source of enacted knowledge: Hayek and “spontaneous consciousness”*

What emerges (so to speak) from this discussion is the idea that the lack of individual control over, and even the lack of individual anticipation and apprehension of, social phenomena is one of the hallmarks of a genuinely free society. Hayek’s doctrine of cultural evolution is deeply embedded in this conviction that *the unexamined social life is a necessary condition for individual liberty*:

The crucial point is that it is infinitely more difficult rationally to comprehend the necessity of submitting to forces whose operation we cannot follow in detail, than to do so out of the humble awe which religion, or even the respect for the doctrines of economics, did inspire. It may indeed be the case that infinitely more intelligence on the part of everybody would be needed than anybody now possesses, if we were even merely to maintain our present complex civilization without anybody having to do things of which he does not comprehend the necessity. *The refusal to yield to forces which we neither understand nor can recognize as the conscious decisions of an intelligent being* is the product of an incomplete and therefore erroneous rationalism. It is incomplete because it fails to comprehend that the co-ordination of the multifarious individual efforts in a complex society must take account of facts no individual can completely survey. And it fails to see that, unless this complex society is to be destroyed, the only alternative to *submission to the impersonal and seemingly irrational forces of the market* is submission to an equally uncontrollable and therefore arbitrary power of other men. (Hayek [1944: 210], my italics)

As emphasized already earlier, this is clearly no prescription for voluntary lobotomy, but rather for accepting that any one individual’s social life must go unexamined—in contradiction with one of philosophy’s oldest dictates—because it is intrinsically unexaminable. The illusion denounced by Hayek is the treatment of emergent properties of a complex system as if they were controllable and hence analytically decomposable and recomposable, as are certain (though by no means all!) features of our individual lives. As we saw earlier, the hallmark of complexity is that concepts about compounds are “paradoxical” (in the words of Sunny Auyang) when applied to the constituents; therefore, emergent phenomena are endowed with a kind of *non-decomposability* which allows Hayek to deride individually held “views from above” or ideologies, and to put exclusive emphasis on practical skills and adaptive capacities. One of the key issues we shall be encountering below is precisely this: *is social complexity really that unreflectible?* If so, then we

have to take our cue from Hayek and call ideology an individual's illusion of possessing a global view and a general explanatory scheme for what, in actual fact, cannot be overviewed or comprehended. Ideology, from a Hayekian perspective, would be the illusion of comprehending complexity—if by “comprehension” we mean, precisely, the capacity to decompose analytically and then re-compose the system's interactions in such a way as to be able to affect the compound outcomes by influencing the constituents' *motivations and goals*.

In effect, what Hayek is driving at is that there is no such thing as “the social world” independently of the *already and always ongoing* real-time interactions of the individual agents—interactions which include, of course, the evolutionary generation and drift of traditions and legal rules and institutions. More precisely, if we take any given individual no outside observer is ever able to comprehend and transparently model the way in which that individual perceives and apprehends his environment. This is simply because for that individual “the world” is a *deeply subjective and inalienable* result, rather than a pre-given medium, of his engagement with his environment. It turns out that very much the same is being said nowadays by cognitive scientists who discover

that knowledge cannot be explained as a mirror of nature, but rather that the knower and the known are co-implicated. This is, epistemologically, a theme dear to post-modern philosophy: the absence of a reference point, or *a lack of foundations*. This is in direct contradiction to the classical scientific tradition of objectivism (Varela [1990: 13]).

As Dupuy (1992a, 1992b) has emphasized, Hayek was during his whole life a roadside companion of cyberneticians and cognitive scientists, and he drew crucial insights from their developments on information-processing and evolutionary selection. He never worked as a cognitive scientist himself but always had a keen interest in the implications of cognitive science for the status of knowledge in society. Although his subjectivism would have made him wary of most attempts at neuro-reductionism, and although a significant part of Hayek scholarship has focused on his imports from Darwinism and classical evolutionism (see e.g. Hodgson [1993]), I conjecture he would most probably have had a feeling of kinship with Varela's notion of “knowledge as enaction,” i.e., the idea that cognition is far from being reducible to information-processing, instruction-following, or selective optimization, but rather has to do with “the ways in which system and environment define each other” (Varela [1990: 21]). And Varela emphasizes that once this deconstruction of first- and second-generation cognitivism is carried out, “what we

are left with (...) is a situation in which you can not rely on having *foundations*, an external reference point to serve as foundation. Whatever is regular, is a condition inseparable from your co-implicative history, it is not sitting out-there” (Varela [1990: 23]). We even find quasi-Hayekian formulations, such as the following :

Ordinary life is necessarily one of *situated* agents, continually coming up with what to do faced with ongoing parallel activities in their various percepto-motor systems. This continual redefinition of what to do is not at all like a plan selected from a repertoire of potential alternatives; it is enormously dependent on contingency and improvisation, and is more flexible than any plan can be. A situated cognitive entity has—by definition—a perspective. This means that it isn’t related to its environment “objectively,” independently of the system’s location, heading, attitudes, and history. (...) Whatever is encountered in the environment must be valued or not and interacted with or not. This basic assessment of surplus signification cannot be divorced from the way in which the coupling event encounters a functioning perceptuo-motor unit; indeed, such encounters give rise to *intentions* (...), and intentions are unique to living cognition. To put it another way, the nature of the environment for a cognitive self acquires a curious status: it is that which *lends itself* to a surplus of signification. (...) Indeed, the cognitive system cannot live without this constant coupling with and the constantly emerging regularities provided by its environment; without the possibility of coupled activity the system would become a mere solipsistic ghost. (...) Once cognitive intelligence is approached from this self-situated perspective, it quickly becomes obvious that there is no place where perception could deliver a representation of the world in a traditional sense. The world shows up through the enactment of the perceptuo-motor regularities. (Varela [1999: 55-59 *passim*])

Indeed, in line with Schumpeter’s (1942) view of competition as creative destruction and with Kirzner’s (1973) view of competition as a process of discovery, it seems plausible to say that *the “Vienna view” on competition is that without the real-time unfolding of actual social interactions, there would be no “social world” (and perhaps even no “world” at all) for the individuals to know and experience.* That is why, I think, entrepreneurship acquires such a quasi-sacred status in Austrian economics, as the very paradigm of the emergence of enacted knowledge. Let me put it in a voluntarily “complex” way: in the competitive social process, both imitation (tradition-heeding) and innovation (fruitful breaks with tradition) become part of the way in which the social environment, as an emergent property of ongoing interactions, is shaped by the actions of the interacting individuals while at the same time shaping their very criteria of action and the content of the “data flow” which they utilize without realizing that these “data” are nothing more than the emergent properties of their interactions. *While based on enacted knowledge, competitive social interaction also shapes the further enactment of new knowledge.* As Humberto Maturana puts also in somewhat convoluted form, one can say

that for any particular circumstance of distinction of a living system, conservation of living (conservation of autopoiesis and of adaptation) constitutes adequate action in those circumstances, and, hence, knowledge: *living systems are cognitive systems, and to live is to know*. [At the same time,] any interaction with a living system can be viewed as a question posed to it, as a challenge to its life that constitutes a domain of existence where [the observer] expects adequate action of it. At the same time, then, the actual acceptance by the observer of an answer to a question posed to a living system entails [this observer's] recognition of adequate action by the living system in the domain specified by the question, and consists in the distinction of [the living system] in that domain under conditions of conservation of autopoiesis and adaptation. (Maturana [1990: 89-90])

Replace the “observer” by the impersonal instance of reason as a competitive process, and the “question” or “challenge” by competitive pressure, and you have a pretty accurate statement of how enacted knowledge comes into play in competition.

Now, the flow of “encounters” which make up the competitive social process and the associated flow of “intentions” sustains, according to Varela, a “selfless self” which he characterizes as “a coherent whole that is nowhere to be found and *yet* can provide an occasion for the coordinated activity of neural ensembles” (Varela [1999: 60]). In fact, “Our sense of a personal ‘I’ can be construed as an ongoing interpretative *narrative* of some aspects of the parallel activities of our daily life, whence the constant shifts in forms of attention typical of our microidentities. Whence also the relative fragility of its narrative construction” (Varela [1999: 61]). One of these fragile narratives is, of course, our impression of “a homuncular soul-like entity”; another is “a vaguer sense of ‘self as process’” (Varela [1999: 60]). Hayek was probably never *that* deep-reaching in his grasp of the shaded subtleties of cognitive science, and this idea of *self as process* would obviously have appealed to him—all its fragility notwithstanding—as a perfect counterpart to Reason as process. Indeed, the flow-of-consciousness and intentionality literatures inherited from Husserlian phenomenology, and which Varela in some sense seeks to naturalize, have always insisted that apart from a putative and perhaps only methodological “transcendental I” whose consistency and stability over time is in itself an intractable issue, *consciousness is essentially a process springing from spontaneous, ongoing (though not necessarily dialectical!) interaction with an “environment” which is at the same time “constituted by” that consciousness*.

I don't wish to push this kind of discussion too far (phenomenology can be a gruesome business), but I do take it as entirely plausible that this epistemological configuration is what Hayek would have found most congenial to his overall approach to social phenomena. At least (to

respect Hayek's own caveat about projection onto other minds) I believe I would find the approach of enacted knowledge congenial if I had Hayek's convictions as I have set the out here. To prepare the forthcoming debate with Horkheimer's critical-theory approach, let me call my interpretation of Hayek's cognitivism as *the approach of spontaneous consciousness*—meaning that in the Hayekian perspective, forms of consciousness and the content of the flow of consciousness are plausibly seen as emergent properties of acts of cognition viewed as living, “intentional,” *spontaneous* interaction with an environment which both defines, and is defined by, these acts of cognition. Unsurprisingly given what I have explained above, this approach of spontaneous consciousness puts deeply into question the ability of the acting subject to understand and shape the social whole in which his local and situated acts of cognition are embedded—but that, of course, is exactly what Hayek believes. And, as a consequence, it must also be what the more contemporary proponents of the new social economics believe, too.

### **3. Horkheimer's social actor as social critic: Disguised totalitarianism or emancipatory liberalism?**

#### *3.1. “Superstition” and the problem of uncontrollable social forces*

Philip Ball has suggested a very plausible interpretation of Hayek's theoretical efforts in the 1930s and 40s:

How do we ensure that society is not just stable but moral? It is generally taken for granted in the West that the answer, or at least a good part of the answer, is to make society democratic. But this is a modern view; or at least, it has passed in and out of favor over time. The liberal democracies of Locke and Mill by no means represented the obvious political future of Europe in the 1930s, when it looked vulnerable both to fascism and to a warped and dictatorial socialism. Against such a backdrop we can understand why Austrian economist Friedrich von Hayek felt compelled to write his famous defense of capitalist freedom, *The Road to Serfdom* (1944). But Hayek's critique of socialism, which he regards as the beginning of an inevitable descent into totalitarianism, is not just a warning to beware of Hitler, Mussolini and Stalin. It also (...) addresses the crucial question that all democrats must ask: *how much* should they rule? (Ball [2004: 580])

We know Hayek's answer to the “how much” question, and it revolves around his already quoted conviction that one of our key virtues as free individuals ought to be our ability “to yield to forces

which we neither understand nor can recognize as the conscious decisions of an intelligent being.” More explicitly,

It was men’s submission to the impersonal forces of the market that in the past has made possible the growth of a civilization which without this could not have developed; it is by thus submitting that we are every day helping to build something that is greater than anyone of us can fully comprehend. *It does not matter whether men in the past did submit from beliefs which we now regard as superstitious*: from a religious spirit of humility, or an exaggerated respect for the crude teachings of the early economists. The crucial point is that it is infinitely more difficult rationally to comprehend the necessity of submitting to forces whose operation we cannot follow in detail, than to do so out of the humble awe which religion, or even the respect for the doctrines of economics, did inspire. (Hayek [1944: 210], my italics)

The implicit Hegelianism of this belief in cultural evolution has been sufficiently documented and cogently discussed (see e.g. Dupuy [1992b]); my own focus here will be a bit different. It so happens that just around the same time, more precisely in 1946, Max Horkheimer, a German philosopher of Marxist persuasion who had co-founded the renowned Institut für Sozialforschung in Frankfurt in the mid-1930s and went into exile to New York delivered a series of lectures at Columbia University in which he stigmatized the philosophical perspective of action, counteraction and interaction dear to orthodox Marxists but also to the Viennese economists (whom he never cites explicitly, however). It is striking that in this context the word “superstition” reappears, as if echoing Hayek’s earlier defenses of Reason as competitive, interactively adaptive process. Let me quote at some length:

According to [subjectivistic] theories, thought (...) is a tool of all actions of society, but it must not try to set the patterns of social and individual life, which are assumed to be set by other forces. (...) Reason has never really directed social reality, but now reason has been so thoroughly purged of any specific trend or preference that it has finally renounced even the task of passing judgment on man’s actions and way of life. Reason has turned them over for ultimate sanction to the conflicting interests to which our world actually seems abandoned. (...) Thus the individual subject of reason tends to become a shrunken ego, captive of an evanescent present, forgetting the use of the intellectual functions by which he was once able to transcend his actual position in reality. These functions are now taken over by the great economic and social forces of the era. (...) [T]he impact of the existing conditions upon the average man’s life is such that the submissive type (...) has become overwhelmingly predominant. From the day of his birth, the individual is made to feel that there is only one way of getting along in this world—that of giving up his hope of ultimate self-realization. This he can achieve solely by imitation. He continuously responds to what he perceives about him, not only consciously but with his whole being, emulating traits and attitudes represented by all the collectivities that enmesh him (...). The method of negation, the denunciation of everything that mutilates

mankind and impedes its free development, rests on confidence in man. The so-called constructive philosophies may be shown truly to lack this conviction and thus to be unable to face the cultural debacle. *In their view, action seems to represent the fulfillment of our eternal destiny.* Now that science has helped us to overcome the awe of the unknown in nature, *we are the slaves of social pressures of our own making.* (...) If by enlightenment and intellectual progress we mean *the freeing of man from superstitious belief* in evil forces, in demons and fairies, in blind fate—in short, in emancipation from fear—then denunciation of what is currently called reason is the greatest service reason can render. (Horkheimer [1946: 8-9, 140-141, 187])

For Horkheimer, superstition resides not only in our ancestors' submission to religious myth or social hierarchy, but also in our contemporary submission to the multifarious imperative of *adaptive thinking*. This is because, by definition, that which has to be adapted to—the “context of action,” the “environment” —gets to be seen as a reified entity; in fact, Hayek's approach gets its force from such reification: it confronts us with the hard question of how different an interactively generated social context is from a thunderstorm to which we adapt by opening an umbrella, or from a landslide to which we adapt by jumping to the side. More broadly, all contemporary models of “social physics” based on statistical mechanics share this reification—in models of the spontaneous emergence of footpaths in a public park or of an individual's conscious attempts to go to a bar only when it is almost empty (see Ball [2004: 159-174, 415-422]), each individual takes the environment generated by others' actions as a *thing* to be adapted to or manipulated if possible. These, for Horkheimer, would be instances of what he calls “subjective reason,” namely “the ability to calculate probabilities and thereby to co-ordinate the right means with a given end” (Horkheimer [1946: 5])—since Max Weber we would rather speak of instrumental reason.

Whereas Hayek believes that instrumentally interacting individuals will co-evolve rules and customs which make their rule-bound instrumental interactions sufficient for the emergence of social order, Horkheimer sees this processual approach to Reason as a relinquishment of an equally important dimension of reason, namely what he calls “objective reason,” which is being jeopardized by the Hayekian claim that objective knowledge is a totalitarian illusion of the subject. For Horkheimer, on the contrary, the critique of objectivistic illusion can only hold water if it bases itself on a non-illusory objectivity:

The subjective faculty of thinking was the critical agent that dissolved superstition. But in denouncing mythology as false objectivity, i.e. as a creation of the subject, it had to use concepts that it recognized as adequate. Thus it always developed an objectivity of its own. (...) The present crisis of reason consists fundamentally in the fact that at a

certain point thinking either became incapable of conceiving such objectivity at all or began to negate it as a delusion. This process was gradually extended to include the objective content of every rational concept. In the end, no particular reality can seem reasonable *per se*; all the basic concepts, emptied of their content, have come to be only formal shells. As reason is subjectivized, it also becomes formalized. The formalization of reason has far-reaching theoretical and practical implications. If the subjectivist view holds true, thinking cannot be of any help in determining the desirability of any goal in itself. (Horkheimer [1946: 7])

The basic logic underlying contemporary superstition is, for Horkheimer, the mistaken belief in uncontrollable social forces and in the impossibility of non-instrumentally discriminating between worse and better societies: “Everyone is under the whip of a superior agency. Those who occupy the commanding positions have little more autonomy than their subordinates; they are bound down by the power they wield” (Horkheimer [1946: 158])—a point we might today recast as expressing the Frankfurt School’s rejection of systemic interdependence and social complexity *in so far as they are used to legitimize the market order and its co-evolved institutions by naturalizing them*. In effect, what Hayek considers to be the chief virtue of liberal societies promoting “true” individualism, Horkheimer sees as the chief sign of alienation of an unfree society. In an earlier conference given in Frankfurt in 1937 before his American exile began, and entitled “Traditional and Critical Theory,” the co-founder of the Frankfurt School put this insight in no ambiguous terms, calling on his audience to recognize

the contradiction-filled form of human activity in the modern period. The collaboration of men in society is the mode of existence which reason urges upon them, and so they do apply their powers and thus confirm their own rationality. But at the same time their work and its results are alienated from them, and the whole process with all its waste of work-power and human life, and with its wars and all its senseless wretchedness, seems to be *an unchangeable force of nature, a fate beyond man’s control*. (Horkheimer [1937a: 204], my italics)

In a crucial bid to harness the idea of the invisible hand towards what appears to him a less fatalistic standpoint, he offers a historicist reconstruction of what Hayek views as the “data” of social interaction. As we saw earlier, Hayek considers these “data”—preferences, technology, prices, customs, rules, etc.—both as subjectively changing and as objectively circumscribed by the unchanging general morphology of the market order. Horkheimer fully realizes that this is indeed so and offers us a strikingly accurate characterization of the notion of social complexity, but at the same time he attempts to relativize this characterization by showing that it is part of a historically situated economic and cultural system whose general morphology has no reason—as



opposed to what Hayek is claiming—to be more immutable than the changing individual interactions which it encompasses and whose product it is:

The whole perceptible world as present to a member of bourgeois society and as interpreted within a traditional world-view which is in continuous interaction with that given world, is seen by the perceiver as a sum-total of facts; it is there and must be accepted. The classificatory thinking of each individual is one of those social reactions by which men try to adapt to reality in a way that best meets their needs. But there is at this point an essential difference between the individual and society. The world which is given to the individual and which he must accept and take into account is, in its present and continuing form, a product of the activity of society as a whole. (...) The opposition of passivity and activity (...) does not hold for society (...) in the same way as for the individual. *The individual sees himself as passive and dependent, but society, though made up of individuals, is an active subject, even if a nonconscious one* and, to that extent, a subject only in an improper sense. This difference in the existence of man and society is an expression of the cleavage which has up to now affected the historical forms of social life. The existence of society has either been founded directly on oppression or been *the blind outcome of conflicting forces* (...). *In the bourgeois economic mode the activity of society is blind and concrete, that of individuals abstract and conscious.* (Horkheimer [1937a: 199-201], my italics)

This last sentence is a truly remarkable summary which no complex-systems theorist would disavow. In modern parlance, we could express Horkheimer's point by saying that the contemporary market society is indeed a type of "swarm" or "hive" (Kelly [1994: 4-28]) whose overall morphology looks more or less constant (it is "concrete") and is unconsciously supported by all of the myriad interactions of its individual members (it is "blind"), but there is no reason to deduce from this seeming constancy that the emergent properties of these individual interactions could not be changed if the modes of interaction themselves (the "economic mode") could be modified. The "abstract and conscious" character of the individuals' activity comes from the fact that—as Hayek says things ought to be—individuals' consciousness is geared to day-to-day, situated activity on the basis of localized practical knowledge, and this particular kind of activity makes them appear to an observer as abstract particles in a compound whose meaning eludes them.

This, as we know, is precisely the reason why, from a Hayekian perspective, social forces are fundamentally uncontrollable emergent properties. As we now see, this is also precisely the reason why Horkheimer objects to a Hayekian perspective. What is striking, however, is that Horkheimer is not at all eschewing the emancipatory aims of liberalism—on the contrary, he is lamenting the fact that under the guise of enlightened emancipation the political and economic

liberalism of Adam Smith, to which Hayek is an heir, has generated a society whose self-organizing properties are no excuse for an uncritical acceptance along the lines of Hayekian “submission to forces one cannot comprehend.” That Horkheimer reached, at his own time, for Marxist concepts in order to effect the critique is, in coherence with his own epistemological stance, a largely contingent matter; in a short but very important preface added in 1968 to the re-edition of his essays of the 1930s and 40s, he explicitly avows that these essays

are dominated by economic and political ideas which no longer have any direct application; to relate them properly to the present situation requires careful reflection. (...) Thoughtless and dogmatic application of the critical theory to practice in changed historical circumstances can only accelerate the process which the theory aimed at denouncing. (...) *Under liberalism* the citizen could within limits develop his own potentialities; his destiny was within limits determined by his own activity. That all should have this possibility was what was meant by the demand for freedom and justice. As society changes, however, an increase in one of these two is usually matched by a decrease in the other (...). In such circumstances, to judge the so-called free world by its own concept of itself, to take a critical attitude towards it *and yet to stand by its ideas* (...) is the right and duty of every thinking man. (...) Despite its dangerous potential, despite all the injustice that marks its course both at home and abroad, the free world is at the moment still an island in space and time (...). (Horkheimer [1968 : v-ix *passim*], my italics)

Thus it is not liberalism *per se* which is a target for the Frankfurt School, but its self-perversion (despite self-organization!) into a mechanism for generating losses of individual autonomy and increases in (albeit “liberal”!) systemic interdependence and “hive”-like organization.

### 3.2. *Theoretical knowledge as a source of practical knowledge: the roots of Critical Theory*

The formalization of reason as it eschews all pretension to objectivity and retreats into radical subjectivism must, in Horkheimer’s view, lead the otherwise legitimate fight against scientism into a dead end. This is because if one follows the dictates of subjective reason the rational individual must, of necessity, relinquish as illusory all speculative reflection and all attempts to acquire a global standpoint on society; instead, rationality becomes *truncated* in the sense that it imposes itself the limitation processing and utilizing information generated by, and required to optimally manage, situations of everyday life:

The view is abroad that reason is a useful instrument only for purposes of everyday life, but must *fall silent in face of the great problems* and give way to the more substantial powers of the soul. The result is the avoidance of any

theoretical consideration of society as a whole. The struggle of contemporary metaphysics against scientism is in part *a reflection of these broader social tendencies*. (Horkheimer [1932: 4-5], my italics)

There is a crucial and often neglected aspect of the Frankfurt School's comprehension of history, which has all too frequently been caricatured as repeating the naive Marxist belief in objective "laws of history": while social formations, i.e., the co-evolving complexes of goals and institutions which make up a society in its structure, are clearly the result of complex individual interactions, the diverse individual goals and motives which drive these interactions *are usually "abstract" in the sense that they do not include a reflexive moment in which the individuals attempt to re-locate their action within society as a whole*. As we saw, this abstract character of individual action is what Hayek values supremely, and he protects individuals' motives and goals against objectivistic encroachment by claiming that social science is not meant to explain behavior at all; as we saw also, this is precisely the methodological stance which accounts for the soaring successes of statistical physics in contemporary economics. In fact, for Hayek this abstraction is the very hallmark of a non-scientistic social science. Horkheimer, on the other hand, begs to differ and would call such science downright superficial:

The task of describing facts without respect for nonscientific considerations and of establishing the patterns of relations between them was originally formulated as a partial goal of bourgeois emancipation in its critical struggle against scholastic restrictions upon research. But by the second half of the nineteenth century this definition had already lost its progressive character and showed itself to be, on the contrary, a *limiting of scientific activity to the description, classification, and generalization of phenomena* (...). The result of science, at least in part, may have been usefully applied in industry, but science evaded its responsibility when faced with the problem of the social process as a whole. (...) Yet *social reality, the development of men acting in history*, has a structure. To grasp it requires a theoretical delineation of profoundly transformative processes which revolutionize all cultural relationships. The structure is not to be mastered by simply recording events as they occur (...). The refusal of science to handle in an appropriate way the problems connected with the social process has led to superficiality in method and content (...). *Every human way of acting which hides the true nature of society, built as it is on contrariedades, is ideological*, and the claim that philosophical, moral, and religious acts of faith, scientific theories, legal maxims, and cultural institutions have this function is not an attack on the character of those who originate [these acts, theories, maxims, and institutions] but only states the objective role such realities play in society. (Horkheimer [1932: 5-7 *passim*], my italics)

In other words, spontaneous everyday action—and, more generally, unreflective action—of the kind put forward, for instance, by the otherwise quite different approaches of pragmatism and

enactive cognitivism is by its very nature geared to “hiding the true nature of society.” This is as little a personal attack on individuals as is Thomas Kuhn’s (1962) idea that the everyday activity of “normal scientists” by structural necessity glosses over the deep and growing contradictions of the prevailing paradigms, so that *the label “ideological” is here used in the objective sense of abstracting from the incoherences of the whole in order to increase the efficiency or short-term performance of some of the parts.*

That Horkheimer’s attacks on the *philosophical use* of pragmatic competence and everyday—enacted—knowledge might also apply to Hayek seems clear to me. Even though, as I already emphasized, Hayek is more of an Enlightenment humanist than are perhaps some of the proponents of pragmatism, he nevertheless believes that most explanatory endeavors possess an inherent violence towards individual consciousness which justifies that the social scientist settle for the agents’ directly observable or inductively inferrable ordinary knowledge as his sole guide to developing a classificatory taxonomy of types of behavior. What distinguishes Hayek most from Horkheimer in this respect is that he does not take theoretical knowledge about society to be a first-hand category in that taxonomy. Agents are supposed to evolve within their immediate environment and not to look beyond it towards broader—let alone all-encompassing, “metaphysical”—horizons.

Now Horkheimer would reply to this that it cannot possibly be a principled position. In other words, there is nothing which *in principle* forbids an individual from attempting to acquire and use knowledge about the society in which she lives and acts. Horkheimer would understand Hayek as claiming that such an attempt would simply be self-defeating: the individual would stumble upon the same problems of finite cognitive capacity which impel Hayek himself to abandon the aim of building a substantive theory of society; in other words, all this individual could end up with is the realization that her brain, like any other human brain including Hayek’s and Horkheimer’s, is unable to grasp and “comprehend” the whole of the ongoing social process. To this, Horkheimer would snap back, “How do you *know that* ?” Is not the confinement of the individual’s action to a fated abstraction a sign that, for all its purported subjectivism, Hayek’s method is really a metaphysical defense of a particular social formation? That Hayek might in actual fact be a metaphysician might come as a shock to some of his disciples; but he is, if we remember his many claims that the toughness of competition and the frustration of aspirations is

an unavoidable trait of society, and if Horkheimer’s following characterization of metaphysics is correct:

As a rule, metaphysical theories harmonize well with the belief that hardship is an eternal necessity for the great majority of men and that the individual must always surrender himself to the designs of the powers that be. (Horkheimer [1937b: 132])

True enough, in the market economy the “designs” are actually designed by no one in particular, but the dictate of surrendering to the powers of the market’s judgment is indeed a central part of Hayek’s thought, as we saw. Since genetic competence as well as acquired everyday knowledge, i.e., the whole content of what we earlier dubbed “spontaneous consciousness,” are closely tied up with this kind of Hayekian subjectivistic metaphysics, what—if anything—can undo the ties?

Here, Horkheimer suggests what will turn out to be a key notion in the rest of our discussion, namely the simple idea of a “subjective interest in the unfolding of society as a whole” (Horkheimer [1937b: 163]). That he believes this idea to escape Hayek’s objection of self-defeating, limited cognitive capacities is evidenced by the fact that he actually considers this non-everyday, subjective interest as *an alternative resource for individual action*:

As opposed to customary practice, the individual who is conscious of himself does not focus his attention merely upon the possibility of definite predictions and practical results (...). When an *active individual* of sound common sense perceives the sordid state of the world, desire to change it becomes the guiding principle by which he organizes given facts and shapes them into a theory. (...) The meaning of theory for the *consciously acting individual* is quite different from its meaning for the empirical scientist. (...) Where (...) thought reaches beyond the given composition of social life, the theoretical pattern (...) is a construct of empirical elements which consciously reflects reality as seen from the standpoint of the far-reaching interests of the individual. (...) *The autonomously acting individual discerns unity and interdependence where the servile consciousness perceives only disparity, and conversely.* (Horkheimer [1937b: 162-163], my italics)

What comes out very sharply here is that Horkheimer’s “consciously acting individual” is very much like Hayek himself as a theorist in that she is able to “discern unity and interdependence” where the non-reflective individual “perceives only disparity”—and, equally importantly, we have the converse: in situations where the spontaneously acting individual in everyday life perceives unity and trivial interdependence, the consciously acting one perceives the actual disparity and complex interdependence. We may well want to dismiss this kind of characterization as unduly elitist, but then we have to draw the full implication, namely, that

Hayek's own endeavor really only amounts to an elitist bird's-eye view of the morass of unreflective, everyday actions which he is alone in being able to make sense of—if only by rejection the very idea of comprehension and replacing it with the idea of legal and political protection of individual liberties.

If such elitism is to be avoided—as it must, even from a Hayekian perspective—*the “subjective interest in the unfolding of society as a whole” must be integrated into social science as a fully-fledged category of rationality.* And to that end, “What is needed is a radical reconsideration, not of the scientist alone, but of the knowing individual as such,” which in turn implies that we acknowledge “that there is a human activity which has society itself for its object” (Horkheimer [1937a: 199, 206]). This activity is the formation of theoretical knowledge about society with a view to acting on that knowledge; it

is suspicious of the very categories of better, useful, appropriate, productive, and valuable, as these are understood in the present order, and refuses to take them as nonscientific presuppositions about which one can do nothing. The individual as a rule must simply accept the basic conditions of his existence as given and strive to fulfill them; he finds his satisfaction and praise in *accomplishing as well as he can the tasks connected with his place in society* and in courageously doing his duty *despite all the sharp criticism he may choose to exercise in particular matters.* But the critical attitude of which we are speaking is wholly distrustful of the rules of conduct with which society as presently constituted provides each of its members. *The separation between individual and society in virtue of which the individual accepts as natural the limits prescribed for his activity* is relativized in critical theory. (Horkheimer [1937a: 207], my italics)

Notice carefully that the issue for Horkheimer is not whether individuals in a Hayekian society can or cannot exercise localized criticism in the everyday sense (complaint, attempts to improve methods, etc.). Rather, the issue is whether individuals are or are not developing a theoretical picture of what is wrong in the society in which she lives and what can be done about it. In other words, and this will be absolutely crucial in our attempt to suggest a Hayekian Critical Theory, what emerges from Horkheimer's discussion is that *even in a Hayekian view of society as unfolding dynamically through individual interaction, one of the activities which individuals might be busy with is the acquisition of a “view of society.”* As I will claim below, there is no essential incoherence in this although it will destabilize some of both Hayek's and Horkheimer's cherished dogmas.

### 3.3. *Utopian aspiration as an alternative pragmatic competence: the praxeological uncovering of “disordering potentialities”*

For the moment, let us focus on how the rational necessity for critical theory and its diffusion modifies the picture one might have of legitimate aspirations in a market society. In his 1946 lectures, Horkheimer at some point discusses the changes in attitudes inside the labor movements, and what he has to say about them might well be applied even today:

The workers, at least those who have not gone through the hell of fascism, will join in any persecution of a capitalist or politician who has been singled out because he has violated the rules of the game; *but they do not question the rules in themselves*. They have learned to take social injustice—even inequity within their own group—as a powerful fact, and to take powerful facts as the only things to be respected. *Their minds are closed to dreams of a basically different world and to concepts that, instead of being mere classification of facts, are oriented toward real fulfillment of those dreams.* (...) At the present time, labor and capital are equally concerned with holding and extending their control. The leaders in both groups contend to an increasing extent that theoretical critique of society has become superfluous as a result of the tremendous technological progress that promises to revolutionize the conditions of human existence. The technocrats maintain that superabundance of goods produced on super-assembly lines will automatically eliminate all economic misery. Efficiency, productivity, and intelligent planning are proclaimed the gods of modern man (Horkheimer [1946: 151-152], my italics).

Apart from showing—which is important—that Horkheimer is certainly no fetishist of “intelligent planning,” this passage calls attention to the fact that critical theory is intimately bound up with individuals’ rational utopian aspirations and their actualization within the social process. Since by definition such aspirations cannot be grounded in a “scientific” knowledge of a social world that doesn’t yet exist, and since—to insist—no collective move towards a new social world can be “intelligently planned,” *practical historical struggles* are the only possible vector for actualization of rational aspirations to a new social world.

The conceptual systems of classificatory understanding, the categories into which dead and living things, social, psychological, and physical phenomena have all been absorbed together, the division of objects and of judgments on them into the various pigeonholes of the special areas of knowledge—all this makes up the apparatus of thought as it has proved and refined itself in connection with the real work process. This world of concepts makes up the consciousness of most men, and it has a basis to which its proponents can appeal. *The concerns of critical thought, too, are those of most men, but they are not recognized to be such.* The concepts which emerge under its influence are critical of the present. The Marxist categories of class, exploitation, surplus value, profit, pauperization, and breakdown are elements in a conceptual whole, and *the meaning of this whole is to be sought not in the preservation of contemporary society but in its transformation into the right kind of society.* (...) Above all, however, critical

theory has no material accomplishments to show for itself. The change which it seeks to bring about is not effected gradually, so that success even if slow might be steady. (...) [T]he first consequence of the theory which urges a transformation of society as a whole is only the intensification of the struggle with which the theory is connected. (Horkheimer [1937a: 218-219], my italics)

That this does not imply a new collapse into interactionist pragmatism is evidenced by the fact that, as Horkheimer shows in his discussions of the internal limitations of Kantian rationalism (Horkheimer [1937a: 202-208]) reemphasized in the late 1960s (Horkheimer [1968]), the “concerns of critical thought” of which he speaks here must never be divorced from the duty “to judge the so-called free world by its own concept of itself, to take a critical attitude towards it and yet to stand by its ideas.” However, as the above passage shows, judging the realizations of liberal societies by their own conception of themselves in no way implies an obligation to effect only “gradual” or “steady” change—the revolution/reform issue is left open by Horkheimer. Nevertheless, what all reforms *or* revolutions will have in common is the crystallization of aspirations for change into “struggle.” And while social struggle certainly mobilizes certain practical competences such as shrewdness, patience, clear vision, strategic  *finesse*, and so on, it certainly doesn’t use them in order simply to fit into the prevailing scheme of things, e.g., to get a better job, to earn more income, to obtain better education for one’s children so that they can be productive, etc.

Indeed, one of Horkheimer’s key claims is that the worldview embedded into any critical theory of society is, in and of itself, a tool for action; his earlier lament that pragmatic interactionism has superseded contemplative thought and objective reason is not incompatible with his present emphasis on praxeology: what the formalization of reason and the pragmatic emphasis on gradually evolved practical rules does is to split action off from any aspiration that does not remain compatible with these practical rules being used by everyone. *A fortiori*, actions becomes split off from any possibility of rejecting these rules themselves—something which Hayek, again, views as one of the chief virtues of subjectivist interactionism. In Horkheimer’s opinion, people who thus curtail their field of reflexive investigation omit a crucial aspect of human reason, namely that “the *critical acceptance* of the categories which rule social life contains simultaneously their condemnation” (Horkheimer [1937a: 208], my italics). *This individualistic notion of critical acceptance as condemnation is absolutely central to the Frankfurt School’s critical endeavor*, and together with Horkheimer’s documented skepticism



vis-à-vis social planning, it silences too facile attempts to portray the members of the Frankfurt School as a bunch of top-down totalitarians. The critical acceptance of practical norms means that the individual acts according to them while consciously attempting to subvert them—not by submitting to forces beyond his comprehension which might eventually make the rules evolve in an unintended direction.

Thus, individuals' "dreams of a basically different world" are not simply contemplative entities floating around in a corner of their otherwise pragmatic and rule-following minds. Rather, these dreams in so far as they are guides to practical action form an integral part of what it means for an individual to be pragmatic and rule-abiding—it means a *critical acceptance* of the rules, hence a condemnation of them in the name of a "basically different world." As a result, the scourge of "alienation," which Horkheimer defines as "the separation of value and research, knowledge and action" (Horkheimer [1937a: 208]), can be overcome in a way that it cannot in a Hayekian framework. A non-alienated consciousness is not one that already lives in the world of its dreams but one which critically accepts its present world, i.e., which seeks out ways to use the present as a stepping stone toward a *consciously different future*. Thus, to avoid alienated daydreaming—which is no rational alternative to alienated immersion—the individual has first to operate a move of *self-discovery*, for "the thrust towards a rational society, which admittedly seems to exist today only in the realms of fantasy, is really innate in every man"; and he then has to operate a move of *cognitive displacement*, for critical theorizing "is not concerned only with goals already imposed by existent ways of life, but with men and all their potentialities" (Horkheimer [1937a: 245, 251]).

This notion of potentiality is very problematic, of course, because arguably a potentiality can only ever be *perceived* and acted on if it is already in some sense actualized, i.e., if it is no longer merely potential. We know that this was, in fact, one of the core contentions which separated Popper and Adorno in the *Positivismusstreit*. The problems become even more complicated when we add to individual potentialities the crucial dimension of collective potentialities, where well-known collective-action problems (see e.g. Hardin [1982]) as well as questions of logical consistency (see Elster [1978]) intervene. It would be ridiculous to claim that Horkheimer's discussion contains answers to these problems; obviously, it doesn't. However, his objective is not to provide a positive or normative theory of how human potentialities—at the individual and collective levels—could be uncovered; rather, in an intellectual climate where the very notion of

*ex ante* perceivable potentiality suffers from neglect, especially on the part of pragmatists and positivists, his goal is to insist that this notion must lie at the heart of social science.

Despite his bid to displace unintended consequence with intended consequence and adaptive thinking with actively critical thinking, Horkheimer—in large part because of his Marxist anchoring—upholds a *fundamentally evolutionary view* of society and history. His occasional excursions into dialectics should not deter us from realizing that, as I already emphasized earlier, this contingent use of Marxist categories is no absolute constraint on what critical theory can deliver without Marxism. (The work of Jürgen Habermas sufficiently testifies to this.) “Struggle” emphatically does not imply dialectics, since struggles may indeed fail to bring about what they intended; however, in from a Horkheimerian perspective, such absence of dialectical directionality in history should lead us to fetishize any Invisible Hand, as Adam Smith did when he claimed to explain all major shifts in historical conditions by the unintended consequences brought about by agents pursuing goals completely unrelated to the end result (see e.g. Muller [1993: 113-130]). *It is quite a different thing when compound consequences differ from the goals of agents who were interacting by consciously following their respective dreams of a social world fundamentally different from the one in which their interactions were taking place.* In either case, the consequences may be unintended, but they are likely to be differently so—provided we could have some sensible criteria of comparison—when individuals are interacting on the basis of their respective everyday knowledge and when they are interacting on the basis of their respective critical views about what, in fidelity to the very aims professed by liberalism, has to change in society as a whole. This is what Horkheimer conveys to us in this crucial passage:

... the idea of a future society as a community of free men, which is possible through technical means already at hand, does have a content, and to it there must be fidelity amid all change. In the form of an insight that the dismemberment and irrationality of society can now be eliminated and how this is to be accomplished, this idea is constantly being renewed amid prevailing conditions. (...) Out of the obscure harmony between being and thought, understanding and sense perception, human needs and their satisfaction in today's economy, *there will emerge in the future age the relation between rational intention and its realization.* The struggle for the future provides but a fragmentary reflection of this relation, to the extent that a will which aims at the shaping of society as a whole is already consciously operative in the construction of the theory and practice which will lead to it. (Horkheimer [1937a : 217-218], my italics)

Given Horkheimer's fundamentally evolutionary bend, we can express this point by saying that what he is pointing at is the uncovering of potentialities which will impel individuals to act in

such a way that the previously evolved rules and customs may no longer be fit to organize order. With respect to these rules and customs, the aims of agents seeking a “fundamentally different world” may induce behavior that will appear if not like random walks, then at least like strongly erratic “noise in the system.” In that sense, what Horkheimer is attempting to convey to us is the idea that our critical acceptance of current norms is apt to make us uncover, and act upon, *disordering potentialities*.

### 3.4. *Critical social interaction as a source of emancipatory knowledge: Horkheimer and “conscious spontaneity”*

Apparently, what emerges from this discussion is in radical opposition with what we concluded for Hayek. There, we saw that the lack of individual control over, and even the lack of individual comprehension of, “compositive” social phenomena was a necessary condition for a free society. In contrast with that apology of the unexamined social life, Horkheimer appears to be much more in line with the traditional aims of philosophy and, in particular, the Socratic ideal of the *examined* (social) life. His rejection of the cognitive myopia of Hayekian agents rests on a deep skepticism towards all forms of metaphysical dispossession which strip of human agency of its aspirations to consciously shape collective destiny. As opposed to Hayekian cognition, which is *intentional* in the a-theoretical, phenomenological sense, Horkheimerian cognition is intentional in the sense that it constantly gets its orientation from a voluntarily critical experience of interactions. We are thus led to shift from “spontaneous consciousness” and its always shady links with empiricism, to “*conscious spontaneity*” and its clear rejection of any merely literal or immediate experiencing of social interactions:

The existence of society has either been founded directly on oppression or been the blind outcome of conflicting forces, *but in any event not the result of conscious spontaneity on the part of free individuals*. (...) [T]o the extent that the subject does not totally isolate himself, even as thinker, from the social struggles of which he is a part and to the extent that he does not think of knowledge and action as distinct concepts, necessity acquires another meaning for him. If he encounters necessity which is not mastered by man, it takes shape either as that realm of nature which despite far-reaching conquests still to come will never wholly vanish, or as *the weakness of the society of previous ages in carrying on the struggle with nature in a consciously and purposefully organized way*. (...) The struggle on two fronts, against nature and against society’s weakness, is part of the effective striving for a future condition of things *in which whatever man wills is also necessary and in which the necessity of the objects becomes the necessity of a rationally mastered event*. (...) The claim that events are absolutely necessary means in the last analysis the

same thing as the claim to be really free here and now: resignation in practice. (Horkheimer [1937a : 200, 230-231], my italics)

In the framework of Critical Theory, “conscious spontaneity” is not a metaphysical category. Spontaneity here refers, as it does in Hayek and his underlying form of enacted cognition (see above, section 2.4), to the basic fact that any cognition is the complex result of experience and, in particular, interactive learning. As we saw, the individual’s “subjective interest in the unfolding of society as a whole” is speculative only to the extent that the unfolding of society is being envisaged as leading *through the practice of social struggle* to a structurally different social world. The last sentence of the passage highlights Horkheimer’s implicit judgment to the effect that Hayek’s mode of thought give an ideological coloration to individual actions: claiming, as Hayek does, that individuals should be seen as fully free interactors in a complex adaptive system independently of what cultural mechanisms “designed” the rules of that system hides the truth about that system, namely that not having been *thought through* it actually lends a cumulative advantage to those who have the strongest pragmatic abilities to harness or manipulate its undesigned complexity.

This idea of “thinking through” (*durchdenken*) is not meant here as the acquisition of a transparent knowledge or of a sudden, piercing intuition of the object in a quasi-metaphysical or quasi-revelatory fashion. Rather, it refers to the process of accumulated practical knowledge which comes from (a) experiencing one’s own and others’ social suffering and (b) attempting to undo the causal processes which create that suffering. Such experience is necessarily, at least in part, acquired in interaction and it is, in that precise sense, a variant of spontaneity. However, spontaneously experiencing suffering and trying to undo its causal processes necessarily introduces along with the phenomenological spontaneity of the experience a *radically investigative and therefore reflective component*, which creates a sort of distance from the experience, a distance which is the very essence of going beyond what is merely “given,” of living in a style of “critical acceptance.” Horkheimer believes, as do all members of the Frankfurt School, that this investigate-reflective component is intrinsically bound up with an individual effort to acquire an appropriate critical social theory. And while of course spontaneous experience and reflective distance sometimes occur simultaneously, the specific kind of enacted knowledge that emerges is one in which “*the world*” and “*the conscious subject*” *co-define each other through theory-mediated, reflectively partisan interaction*:

When an active individual of sound common sense perceives the sordid state of the world, desire to change it becomes the guiding principle by which he organizes given facts and shapes them into a theory. The methods and categories as well as the transformations of the theory can be understood only in connection with this taking of sides. This, in turn, *discloses both his sound common sense and the character of the world. Right thinking depends as much on right willing as right willing on right thinking. (...) The tendencies and countertendencies out of which the historical world is constituted represent developments which cannot be grasped without the will for a more human existence, a will which the subject must experience, or rather produce, within himself.* (Horkheimer [1937b: 162-163], my italics)

It is important to emphasize that this conscious spontaneity has at least two crucial features. The first is that, just like Hayek's spontaneous consciousness, it has no business in *actually and immediately demanding complete realization* of whatever critical theory the individual has acquired. Horkheimer (1937b: 162) is well aware that "thought has to produce a picture of living things in which the functions of the single parts and the whole become clear only at the close of the intellectual process"; this, as we will see, has significant implications for the shape a legitimate critical theory can have. The second feature is that critical theories acquired by individuals may very well be constructed with the ambition of being scientific in the Popperian sense, i.e., of starting from possibly falsifiable nomological statements and going through logical deductions all the way to falsifiable observation statements. The constraint which this creates, however, and which is highly problematic in a Popperian approach, is that falsifiers will have to contain both directly and non-directly observable empirical data, namely data about "visible facts" and data about "factual potentialities." As Raymond Geuss (1981: 88-95) has shown, this is no simple matter.

One way in which the domain of legitimate critical theories is apt to be narrowed down, and the types of empirically admissible factual potentialities will be limited, is perhaps through a hermeneutic staking-off of critical attitudes of the kind suggested by Michael Walzer (1987, 1988). In essence, Walzer's idea is that while any carrier of a critical social theory is, in some sense, a marginal individual if not an outcast, he nevertheless can draw some persuasive force for his theory by anchoring it in the preexisting values of his "community." In fact, this is not that different from Horkheimer's own key idea that critical theorizing has to work with the ideas of liberalism and criticize their current form of implementation while sticking to their core message. However, upon reading Walzer's work, and especially his lectures on *interpretation and Social*

*Criticism*, one may come to fear that he is eager to narrow down the scope of social criticism with a bout too much ideological zeal:

If the effect of detachment is literally the “drowning out” of the values that arise from the critic’s own life in his own time and place, then the way may be opened for an enterprise far more radical than social criticism as I have described it—an enterprise more like conversion and conquest: the total replacement of the society from which the critic has detached himself with some (imagined or actual) other. Replacement obviously depends upon criticism of what is to be replaced. I shall not attempt a definitional exclusion: this is social criticism. It is most often, however, a morally unattractive form of social criticism and not one whose “objectivity” we should admire. (...) In a sense, Marxists are not properly called critics of bourgeois society, for the point of their politics is not to criticize but to overthrow the bourgeoisie. They are critics of the workers instead, insofar as the workers are ideological prisoners and so fail to fulfill their historical role of the agents of overthrow. Marxists explain the failure by invoking the theory of false consciousness, which we might think of as their gesture toward common values. The theory acknowledges the commonality but treats it as a kind of collective mistake—and so misses a critical opportunity to describe socialism in socially validated and comprehensible terms. The only alternative is not to describe it at all. To discover or invent a set of socialist values does not seem to have been a practical possibility. Why should the workers stake their lives for *that*?(Walzer [1987: 52, 55])

Walzer’s critique of Marxism’s historical materialism and theory of proletarian primacy is, of course, well taken; as I said earlier Horkheimer himself seems to have thought that critical theory could do away with integral Marxism. But there are three deeper problems.

First of all, and quite apart from the fact that the first part of the statement is somewhat self-contradictory (it isn’t criticism, but it is),the whole passage seems to me to be rather less subtle than Horkheimer’s own suggestion. Indeed, the challenge of how to critically push forward liberalism by suggesting new forms of social life while all the time sticking to liberalism’s core values is the deepest challenge of contemporary political philosophy; it cannot be equated with finding “socially validated and comprehensible ways” of re-describing *non-liberal* utopias. The challenge, rather, is how far the description of *intra-liberal* alternatives can be stretched and how strongly it is constrained by ideological limitations disguised as demands for “social validity and comprehensibility.”

The second problem is that, as our preceding discussion of the genesis of conscious spontaneity ought to have demonstrated, Walzer’s claim that “The only alternative is not to describe it at all” is simply wrong: just because one may—partly for reasons of prevailing ideology, I as I have just explained—not be able to provide a socially valid and comprehensible

re-description of the core liberal ideals doesn't mean that one cannot describe it on the basis of one's own enacted knowledge acquired through theory-mediated, reflectively partisan interaction with fellow sufferers or with oppressors. True enough, one may then have more trouble persuading a large number of people, or publishing one's reflections with a widely distributed commercial publisher—in short, one's pragmatic means of spreading one's criticism may be curtailed by the prevailing society's self-organized and self-sustaining ideological mechanisms; that is quite distinct, however, from not being able to describe at all.

The third problem is closely connected to the second. It seems to me Walzer is confusing the act of *proposing or promoting* a critical alternative with the very different act of *deploying any and all means necessary to the actual and immediate realization* of that alternative. Thus jumping from Horkheimer's tedious attempts at epistemological discernment to a blunt portrayal of Machiavelli, Stalin or the Crusades appears to me inadequate. In short, Walzer's suggestions for narrowing down the domain of legitimate critical theories and of types of empirically admissible factual potentialities seems to me overblown. We can remain content with Horkheimer's own suggestions as expounded above; in fact, privileging Horkheimer's complex dynamics of interaction between consciously spontaneous individuals over Walzer's wholesale argument for communitarian epistemic limitations will put us in a much better position to make the most of the confrontation between Hayek and Horkheimer in our search for a critical theory for our modern liberal times.

#### **4. Why Hayekian Critical Theory is not an oxymoron**

The keystone issue now is whether there can be any overlap between the Hayekian notion of spontaneous consciousness and the Horkheimerian notion of spontaneous consciousness. Let me be a bit blunt at the start and assert that, as I will show below, I believe there is such an overlap; in fact, there is no sound reason—other than an ideological self-limitation of both authors' approaches—why one could not acknowledge *both* that no single mind can ever embrace and comprehend the whole process and result of our detailed, ongoing social interactions *and* that one of the forces driving interactions between rational individuals is their desire to advance a better society. In this section, I want to claim the following. Viewed from a Hayekian angle, the Horkheimerian approach is unable to tell us how social formations can *emerge from* the interaction of consciously spontaneous individuals; viewed from a Horkheimerian perspective,

the Hayekian approach is unable to tell us why the prevailing modes of spontaneous consciousness and the institutional rules with which they have co-evolved are optimal from a critical point of view, and why critically-minded liberals should not criticize today's market economies. By creating a crossover between these two sets of weaknesses we can, I believe, create a much more solid approach.

To many minds, the idea of pulling together these two strands of thought into a form of “Hayekian Critical Theory” may seem oxymoronic; indeed, wasn't Hayek one of the most vocal opponents of the Marxist undercurrents which motivated Horkheimer's work? Well, as I suggested at the beginning, *think again*. It makes perfect sense to take Hayek's basic scheme of knowledge-using individuals who interact purposively and generate non-intended aggregate states (including legal rules and institutions) which constrain their actions and make them mutually compatible (i.e., which spontaneously order society) and mix it with Horkheimer's basic scheme of critically-minded individuals who, through collective action informed by critical social theories, aim to shape and control the systemic constraints which make their lives what they are. Notice carefully that I am speaking here of “basic schemes”—I do of course realize that overcoming the oxymoron must involve a bilateral relinquishment of some theoretical and political options to the extent that they are not fully organic to the respective author's approach.

#### *4.1. Critical Theory and critical theories: a two-tier approach*

One potential misunderstanding has to be cleared away immediately. A key aspect of my proposed synthesis of Hayek and Horkheimer is that I do not claim that either of these authors really has—contrary, perhaps, to what he believes—offered us only one critical theory of liberal society. Clearly each of them seeks to convey to his readers *a specific critical theory*, and each author's critical theorizing of the historical situation is deeply distinct. One of the reasons why my proposal may seem oxymoronic to many is that they see no way to “unite” the approaches of a Marxist and of a right-wing libertarian; and that, of course, is true and explains why I earlier spoke of *basic schemes*. In fact, it turns out that both Hayek and Horkheimer were major thinkers because they did *not* publicize *merely* one specific approach to society to be thrown into the political arena along with other similarly specific approaches. They did that *also*, of course, but—partly unwittingly due to their deep understanding of liberal philosophy and their adherence to the tradition of the Enlightenment—they did *more*. Even though Horkheimer *was indeed* a



“late Marxist” with a belief in the proletariat’s revolutionary mission (Jameson [1990]), and even though Hayek *was indeed* a right-wing libertarian with a belief in minimally regulated market competition (Hoover [2003]), both of them also succeeded in acquiring such a deep understanding of the social process in liberal societies that the *basic scheme* of their approaches can to a significant extent be *divorced from* their own specific theoretical options.

This sounds paradoxical, but only as long as we don’t realize that the whole endeavor of critical theorizing actually amounts to working with a two-tier approach: there are a myriad *critical theories* (with lower-case letters) which circulate among agents as part of their “knowledge” and there is a *Critical Theory* (with capital letters) which can only be unique—although it may differ from one social theorist to another—which is not part of any agent’s knowledge and makes up an autonomous domain of social science (see Dupuy [1992a]). To clarify this, let me refer to Geuss’s remarkable, and largely definitive, discussion of *The Idea of a Critical Theory*. Geuss suggests the following characterization of a critical theory:

A typical critical theory will be composed of three main constituent parts:

- (A) A part which shows that a transition from the present state of society (the “initial state” of the process of emancipation) to some proposed final state is “*objectively*” or “theoretically” possible, i.e. which shows:
  - 1) that the proposed final state is inherently possible (...);
  - 2) that it is possible to transform the present state into the proposed final state (...).
- (B) A part which shows that the transition from the present state to the proposed final state is “*practically necessary*,” i.e. that
  - 1) the present state is one of reflectively unacceptable frustration, bondage, and illusion (...);
  - 2) the proposed final state will be one which will lack the illusions and unnecessary coercion and frustration of the present state (...).
- (C) A part which asserts that the transition from the present state to the proposed final state can come about only if the agents adopt the critical theory as their “self-consciousness” and act on it. (Geuss [1981: 76])

These three conditions aptly develop the content of what we earlier encountered as “conscious spontaneity”: in their interactions, agents will be consciously spontaneous—rather than merely spontaneously conscious—if their reasons for acting are guided by a critical theory comprising (A), (B) and (C). Thus a critical theory as defined by Geuss is an *individual feature*, despite the purported universality proclaimed in (C). As the individual level I may be a Hayekian individual or a “Frankfurt” kind of guy, and in both cases adhere to (A), (B) and (C).

Recall, however, each consciously spontaneous interactor is also, in Horkheimer's parlance, characterized by a "critical acceptance" of the current state of rules and institutions; this means that while she condemns the existing social world she does not aim to immediately and fully realize her critical theory here and now. Therefore, there exists some level of ongoing interaction which always concretely escapes the grasp of any of the particular critical theories—even though by (B) dissatisfaction with this level of interaction is in fact the very object of all critical theories. This level of ongoing interactions which transcends all dissatisfactions about itself could, in somewhat Hegelian terms, be called the concrete totality, as opposed to the partial totalities which each individual carries in his head. Somewhat misleading in his use of the singular, Horkheimer says that "Those who have the theory in their heads have it there in its totality and act according to that totality" (Horkheimer [1937a: 240]). By contrast, the concrete totality is an emergent property and *cannot* be fully theorized by any of the particular partial totalities in circulation; it requires a specific level of normative analysis which will be the realm of what I have called Critical Theory. This has to tell us how critical theories should emerge in individuals and how they should be made to interact in a liberal society. At that level, both Hayek and Horkheimer have things to contribute which do not boil down to their specific dissatisfaction with, or apology for, contemporary liberal market economies. As I will argue later, what they have to contribute is significantly distinct from what Habermas, the chief exponent of such an overarching Critical Theory (McCarthy [1978], Geuss [1981]), has offered.

#### 4.2. *Breaking away from Hayek's evolutionary immanentism: the "harnessing of social complexity" through consciously spontaneous social interactions*

Hayekian "spontaneous consciousness" has to be made more deeply aware of the virtualities or possibilities of the experienced world. Both authors actually share a significant portion of Hayek's "true individualism," as is evidenced for instance by Horkheimer's lament about "[t]he takeover of what belongs to the individual into the state's keeping" (Horkheimer [1937a: 248]), or his already quoted pro-liberal position: "Under liberalism the citizen could *within limits* develop his own potentialities; his destiny was *within limits* determined by his own activity. That all should have this possibility was what was meant by the demand for freedom and justice" (Horkheimer [1968: vii], my italics).

One of the enduring problems of liberal philosophy is the question of how one judges those “limits,” and to what extent they require a critical reassessment. On the basis of his own personal critical theory, Hayek has become known as an unflinching defender of inequality: individual suffering in impersonal competitive contexts is unavoidable, and its differential character is the price to pay for a social process which shifts positions around periodically instead of hardening them into stable statuses.

[T]rue individualism is not egalitarian in the modern sense of the word. It can see no reason for trying to make people equal as distinct from treating them equally. While individualism is profoundly opposed to all prescriptive privilege, to all protection, by law or force, of any rights not based on rules equally applicable to all persons, it (...) is equally opposed to any rigid limitation of the position individuals may achieve, whether this power is used to perpetuate inequality or to create equality. Its main principle is that no man or group of men should have the power to decide what another man’s status ought to be (...). That it is possible to foretell who will be the lucky ones or whom disaster will strike, that rewards and penalties are not shared out according to somebody’s views about the merits or demerits of different people, but depend on their capacity and their luck, is as important as that in framing legal rules we should not be able to predict which particular person will gain and which will lose by their application. (Hayek [1943: 30], [1944: 105]).

In that sense, Hayek’s sophisticated evolutionism, which has been well documented (see e.g. Hodgson [1993: 152-194]), does offer itself to the critique voiced by Horkheimer against the effects of cultural evolution:

Civilization starts with, *but must eventually transcend and transvaluate*, man’s native mimetic impulses. Cultural progress as a whole, as well as individual education, i.e. the phylogenetic and ontogenetic process of civilization, consists largely in converting mimetic into rational attitudes. (...) Conscious adaptation and eventually domination replace the various forms of mimesis. (...) To adapt oneself means *to make oneself like the world of objects* for the sake of self-preservation. This *deliberate (as opposed to reflexive) making of oneself like the environment* is a universal principle of civilization. (Horkheimer [1946: 115], my italics)

This makes Hayekian cultural evolution less of a marvel, at least when one adopts a critical attitude. But if this were the end of it, Hayek’s setup would simply emerge as an instance of highly sophisticated but nevertheless non-“transcended,” non-“transvaluated” social Darwinism. There would be absolutely no way to connect Vienna and Frankfurt; but in fact there is, and I take my hint from a small phrase dropped almost casually by Hayek in his discussion of the content of “true” individualism and of Adam Smith’s doctrine of “self-love”:

There can be no doubt, of course, that in the language of the great writers of the eighteenth century it was man's "self-love," or even his "selfish interests," which they represented as the "universal mover," and that by these terms they were referring primarily to a moral attitude, which they thought to be widely prevalent. These terms, however, *did not mean egotism in the narrow sense of concern with only the immediate needs of one's proper person*. The "self," for which alone people were supposed to care, did as a matter of course include their family and friends; *and it would have made no difference to the argument if it had included anything for which people in fact did care*. (Hayek [1943: 13], my italics)

Now, of course, this last italicized phrase might be construed in different ways. If we accept—as Hayek seems to accept—that any object *X* an individual is *able* to "care for" must be an *X* such that the individual can fully comprehend *X in its actual ongoing process*, then we will indeed have to admit that "[even if] he takes a warm interest in the welfare of every human being he knows, the ends about which he can be concerned will always be only an infinitesimal fraction of the needs of all men" (Hayek [1944: 62]). However, Horkheimer distinctive contribution is to dispute this; indeed, the whole emphasis of the Frankfurt School on *theory* implies that possessing a theoretical view of the good society (in the sense of (A), (B) and (C) above) is distinctly *not* possessing immediate and unified knowledge of the ongoing world process. Thus, it is through this "moral capacity" to include in their "self" anything for which they do care" that individuals can show themselves able to transcend their "spontaneous" adaptive necessities and to make them "conscious."

This means that any critical theory of society—including Hayek's own!—is indeed contained within one brain as a *sophisticated picture* of how social life is and should be functioning, but being a *critical* theory it is emphatically *not* an expression "of what seems appropriate to somebody else who is supposed to possess a fuller comprehension of the significance of [the individual's actions] for society" (Hayek [1943: 14]). This is so for at least two reasons: first, the critical theory is not somebody else's, but *the agent's own*, since she has come to acquire it within the social process itself (more on this shortly); second, the critical theory is a *type of pragmatic knowledge* in the sense that as a totality distributed in the agent's brain it guides the individual's action, rather than being merely a tool to judge the action after the fact as to its appropriateness. The *reason* why the individual acquired a critical theory of society is precisely that she wants it as a tool for action. Thus, Hayek's attempt to separate theoretical knowledge from everyday knowledge on the ground of limited cognitive capacities seems to me misguided, and in fact unnecessary: Hayek himself, and any socially or politically committed thinker, is living a

demonstration that in fact people *do act* out of theoretical convictions without being impaired by their limitations in embracing the whole ongoing social process within which they act.

Now, *how* does an individual come to acquire a critical theory of society within the ongoing social process? As indicated already earlier, the category of *struggle* plays a central role here. (In the next subsection I will argue that what is misconstrued is Horkheimer's excessively dialectical model of struggle.) Horkheimer shows that liberalism itself, as a set of critical theories which have claimed attention throughout modern Western history, was both a product and a factor of *social struggles*. In a half-playful discussion of the "liberal mind," he suggest this:

Mind is liberal. It tolerates no external coercion, no revamping of its results to suit the will of one or other power. But on the other hand it is not cut loose from the life of society; it does not hang suspended over it. In so far as mind seeks autonomy or man's control over his own life no less than over nature, it is able to recognize this same tendency as a force operative in history. Considered in isolation, the recognition of such a tendency seems natural; but *just as mind is unable to recognize it without first having been stimulated and become concerned, neither can it make such recognition a generally accepted fact without a struggle*. To that extent, mind is not liberal. (Horkheimer [1937a: 223], my italics)

This necessity for a liberal to occasionally be illiberal is universally recognized, even if it remains one of the most enduring puzzles of political philosophy. Horkheimer's subtlety is to move us out of the domain of ideas and idealism into the realm of hard historical realities: liberal society—and Hayek's own life and political practice (Dixon [1998: 18-32]), as well as that of numerous other liberals, testifies to that—must be struggled for. It is the progressive result of a critical mass of people interactively seeking to better the social world, to overcome their sufferings and frustrations. And indeed, Hayek's *Road to Serfdom* is a "fighting pamphlet"—an intellectual tool designed for diffusion so as to fuel social struggle for values *he* believes *we* can't live without. As such, it contradicts Hayek's own claim that action-guiding knowledge cannot claim to embrace all of social reality—it can, in the Greek sense of *theoria* to which Hayek's own work is a testimony, though of course not in the sense of being able to reproduce instantly the whole network of ongoing interactions.

Once we recognize the inherently struggle-boundedness of critical theoretical knowledge, we see that *critical theories are acquired by individuals as tools for the emancipatory action they seek to build starting from their own concrete situations*. Social life is not just—albeit sophisticated and "civilizing"—evolutionary immanence. Rather, it is the emergent result (more

on this shortly) of individual's multifarious and contradictory attempts to "harness" the social complexity they are immersed in and to bend the consequences of complex interaction (Axelrod and Cohen [2000]); however, the shape of the bend is not given by mere unreflective adaptation to a competitive market process, but by the direction of what each individual's theory makes her critically care about. Each critical theory—including Hayek's and Horkheimer's—is, as it were, a structured proposal for a better world, and these theories are formed and modified over the course of social interactions as individuals experience their own and others' social suffering and frustrations in a non-purely spontaneous, "reactive" way.

This closes the first half of my effort to suggest the shape of a Hayekian Critical Theory—the half concerned with making Hayek more Horkheimerian by using his own internal resources. I shall now embark on the second leg, which consists in using Horkheimer's own insights in order to make him more Hayekian.

#### *4.3. Breaking away from Horkheimer's dialectic fixation: society as an emergent feature of "critical mass"*

Horkheimerian "conscious spontaneity" has to be made more aware of (i) various collective-action limitations and (ii) the global-level statistical inevitabilities or regularities due to the fact that social phenomena are frequently emergent properties. Certainly, Horkheimer's way too facile rejection of Invisible Hand notions as "superstitions," as well as his frequently naive illusions of collective control over "man's destiny," are symptoms of what has long been wrong with socialist philosophy. Both authors actually share a significant portion of Horkheimer's belief that social theory should promote authentic liberation, as is evidenced by Hayek's constant ambition to study "that condition of men in which coercion of some by others is reduced as much as possible in society" (Hayek [1960: 11]), or by his perception that "whatever we do, it can only be the beginning of a new, long, and arduous process in which we all hope we shall gradually create a world very different from that which we knew during the last quarter of a century" (Hayek [1944: 245]). However, while in this purported concern for collective emancipation Hayek is too unattentive to the role played by the individuals' critical consciousness, Horkheimer is too unattentive to the role played by the pathologies coordination and interaction and by the constraints of a decentralized social order. A perhaps harsh way of putting it, but one which I believe would by most Frankfurt School scholars not be considered inadequate, would be to say

that while Horkheimer was certainly the more profound philosopher of the two, Hayek was undoubtedly by far the better sociologist. In what follows, I will leave aside collective-action considerations (although they loom in the background) and I will focus mainly on the issue of systemic constraints.

One of the most enduring challenges of socialist philosophy is to show exactly how the “long and arduous process” through “we all hope to create a better world” can unfold. On the basis of his own critical theory, Horkheimer takes it as relatively unproblematic that if *each* individual becomes aware of the chains which bind *all* individuals, a collective movement will emerge which has none of the—to him—unsavory features of emergent properties in a complex system:

Where (...) man confronts *circumstances which do depend on him yet eyes them as alien and unalterable* his thought is bound to be feeble and abstract. Where today there is nothing but dependence, there could instead be constructive resolve on so wide a scale that even the character of intellectual behavior would be altered. Calculative thought, mere “head” thinking (...), corresponds to a type of human being who is still in a stage of relative impotence, who is still passive with regard to vital issues, despite all his industrious traits. As a result the functions of management and regulation (...) take on the character of adaptation and artifice far more than of rationality. *Since the development of a higher spontaneity hinges on the creation of a rational community, it is impossible for the individual simply to decree it.* (...) [T]he prerequisite for this goal is that the individual abandon the mere recording and perception of facts, that is, mere calculation; that he learn to look behind the facts; (...) that he formulate conceptions that are not simple classifications of the given; (...) in short, *that he learn to think dialectically.* (Horkheimer [1937b: 181], my italics)

Apart from being an excellent summary of Horkheimer’s epistemological aims as well as of his allergies to emergent phenomena (more on this shortly), this passage highlights an important puzzle, in the form of a kind of hermeneutic circle: in order to form a community of consciously spontaneous agents, individuals need to “learn” various attitudinal qualities—can’t this individual “learning” come about only from already being in a community of consciously spontaneous agents? If, as is undoubtedly true, “the development of a higher spontaneity” cannot be “decreed,” how can it come about? And what does Horkheimer mean by “dialectical” thinking?

Hayek’s personal critical theory of society can give no answer, because as we saw above, symmetrically to Horkheimer’s allergy to emergent phenomena Hayek evidences an allergy to theoretical knowledge being used by agents in their everyday actions. However, what I earlier called Hayek’s *basic scheme* can indeed put us on the right track—namely, if we extend to

theoretical learning his interactionist perspective and his notion that economic variables transmit information to individuals. Let me rehearse a familiar point I already quoted in part above:

All economic activity is (...) planning; and in any society in which many people collaborate, this planning, whoever does it, will in some measure have to be based on *knowledge which, in the first instance, is not given to the planner but to somebody else, which somehow will have to be conveyed to the planner*. The various ways in which the knowledge on which people base their plans is communicated to them is the crucial problem for any theory explaining the economic process (...). We cannot expect that this problem will be solved by first communicating all this knowledge to a central board which, after integrating all knowledge, issues its orders. We must solve it by some form of decentralization. But this answers only part of our problem [because] the “man on the spot” cannot decide solely on the basis of his limited but intimate knowledge of the facts of his immediate surroundings. There still remains the problem of *communicating to him such further information as he needs to fit his decisions into the whole pattern of changes of the larger economic system*. How much knowledge does he need to do so successfully? (...) [T]his problem can be solved, and in fact is being solved, by the price system. (...) Fundamentally, *in a system in which the knowledge of the relevant facts is dispersed among many people, prices can act to co-ordinate the separate actions of different people* (...). (Hayek [1945b: 78-85 *passim*], my italics)

Recall that we are now dealing not with “spontaneously conscious” economic agents as implicit in this passage, but with “consciously spontaneous” economic agents who are attempting to harness the complexity of the system by using certain critical theories of society as discriminating guides to their actions. Thus, “knowledge” here includes such theories, and the issue becomes whether any equivalent of a “price system” could exist which might fulfill the task of “conveying” to each agent all “further theoretical knowledge” (in form of critical theoretical elements) allowing her to “successfully fit” her critically motivated actions into the “larger system.”

Obviously, as we saw earlier, such theoretical knowledge is bound to be *factual* in a very different sense from which market prices are factual. Still, since critical theories do not appear exogenously as commandments engraved in stone tablets, the set of available critical theories—with lower-case “c” and “t”—can be treated as an emergent property of the social interactions of consciously spontaneous interactions individuals. And it is the chief task of Critical Theory—with capital “C” and “T”—to understand how such an emergence does in fact, and might under better circumstances, occur. What Horkheimer means by “dialectical thinking” on the part of the individuals is that, to him, the best way for an individual to acquire a critical theory (i.e., to become a Marxist) is to “look behind the facts” that make up her society’s



common sense and to come to see these facts as a falsifying fetish whose power must be removed by a move to a higher-order rationality in which what parades as facts is understood in its “true” ideological function. But by introducing our Hayekian, *emergentist* corrective, we now realize that this single-minded operation of translating official facts into hidden interests can only itself be carried out as a progressive and interactive endeavor which does not at all guarantee that “higher-order rationality” will be easily agreed on by all parties to the interaction.

Thus, society as a community of consciously spontaneous individuals can indeed not be “decreed,” and it can in fact only *emerge as the unintended consequence of a complex, decentralized, interactive learning process* (see e.g. Chamley [2004]). This, as we can gather from Hayek’s approach, necessarily requires some form or other of *competitive “market” for critical ideas* (see e.g. Coase [1974], Colander [1989])—because, as most economists and philosophers readily know from experience, even in the interactive search for the “right” critical ideas there are inevitable elements of competition and rivalry, differential evaluation, arbitrage between theories, etc. There is no reason why one shouldn’t be able to at least metaphorically view theory circulation and diffusion as a market, in the same way that some economists and politologists speak of a “political market.” What would form and reform constantly is a kind of “critical mass,” i.e., a mass of critical individuals whose one-by-one trajectories might be difficult to keep track of, but whose overall statistical properties might show the same regularities (provided one can in some sense quantify theoretical knowledge and work with statistical distributions of theories...) as other complex phenomena.

To the extent that the learning process becomes centralized, as when a single “official social doctrine” becomes the sole object of teaching at schools and universities, the variety of conscious spontaneities and of the associated critical theories is stifled and Hayek’s cogent criticism of centralized planning applies. This is what happens when, as Horkheimer (1937a) suggests, *one single* critical theory—in his case, Marxist materialism—becomes the focus of all reflective and utopian thinking, and hence becomes dogma. Then, while Critical Theory is still used as a tool to criticize reality, it is underpinned by one single critical theory. Equally bad, however, is when *no* critical theory of society is taught at all, and when all teaching on society is presented merely as a collection of descriptive facts, explanatory models or abstract thought experiments, so that whatever might have been the critical intent of a theory of society is either collapsed onto descriptive factuality or made irrelevant by abstraction. This is what happens when economics

gets taught as non-critical positive theory or as abstract normative economics. (Quite strikingly, Hayek does not suggest that this should be the case, and he is much more critical of neoclassical dogma than Horkheimer is of standard Marxism.) Then, no critical theory emerges at all, economics becomes a policy tool rather than a reflective tool for social criticism, and the aim of Critical Theory itself tends to become merged with the mere description of the prevailing (“pluralistic, democratic, free, liberal,” etc.) functioning of existing society.

In both these cases, what I would call *the power of emergence* whose intuition Hayek so powerfully conveys is stifled. Rather than being a community of consciously spontaneous individuals, society becomes either a community of un-spontaneous, self-conscious individuals having fallen prey to the “illusion of control” (Ormerod [1998: 75-90]), as in dogmatic communism, or a community of spontaneously conscious, merely adaptive and “competitive” individuals of the business-school type, eager to fit in with the “new knowledge economy” (see e.g. Stehr [2002], Foray [2004]).

This closes the second half of my effort to suggest the shape of a Hayekian Critical Theory—the half concerned with making Horkheimer more Hayekian by using his own internal resources. We have seen that each approach has to give up some portion of its epistemological presuppositions, but that is the price to pay to obtain what I believe to be a sound and stimulating picture of society as the emergent property of a complex learning process in which critically-minded individuals interact reflectively, through collective action informed by competing critical social theories, each aiming to *shape and control* the systemic constraints which make their lives what they are, and through this interaction nevertheless generate *unintended aggregate consequences* which constrain their actions and make them mutually compatible (i.e., which spontaneously order society). This, in essence, is what I want to call Hayekian Critical Theory. As my whole discussion has tried to demonstrate, there is no oxymoron involved here as long as we distinguish Hayek’s and Horkheimer’s critical theories—as specific “partial totalities”—from their underlying *basic schemes* which makes possible a complicated but consistent Critical Theory of the social process—the “concrete totality”—in which these critical theories interact.

Once this is clearly understood, the road from Frankfurt to Vienna can be reopened for the great benefit of all. The *Positivismusstreit* is not thereby idiotically “overcome,” but it is no longer allowed to prevent circulation in both directions.

#### 4.4. *Toward a self-criticizing social system? Arguing for a concept of “critical instrumental rationality”*

What kind of social dynamics can Hayekian Critical Theory support? I think we could gain some insight by scrutinizing Jürgen Habermas’s (1981, 1992) huge *opus*. Given his own trajectory from the Frankfurt School to the theory of communicative rationality, and given that he addressed many of the same issues which I have been discussing, Habermas seems to be a natural place to start looking for signs of the presence or absence of Hayekian Critical Theory. Such a task would, however, exceed the scope of this paper; a more realistic and more modest question is what some of the conditions might be under which Habermas’s approach to communicative action and democratic legitimacy *could be compatible with* the Hayekian brand of Critical Theory discussed above. In what way is Hayekian Critical Theory even at all *different* from Habermas’s own approach? In a nutshell, I would claim that Habermas presents essentially an *equilibrium theory* whereas in the Hayekian vein I have been after a *disequilibrium theory*. Let me explain.

Habermas’s trajectory is symptomatic of the deep difficulties which political liberalism faces in integrating Critical Theory without reducing it to the—admittedly difficult—problem of finding and refining procedural criteria of democratic legitimacy. The problem is certainly not democracy *per se*, since indeed the extension of democratic procedures to all the spheres of collective life where it is practicable is a strong part of even Horkheimer’s own view, when he writes of “socialism, democracy realized in its true meaning” (Horkheimer [1946: vi]). Rather, in line with the Marxian critique of “bourgeois” democracy from which Habermas seems to have increasingly distanced himself, the problem is that democracy and its required transcendental-pragmatic conditions of ideally uncoerced speech *must itself be shown to emerge as the ultimately unintended result of the complex interaction of asymmetrically situated, though critically-minded individuals*. How can such an emergence be thought to take place? To go in the direction outlined above the theory of communicative action needs to shift much—though of course not all—the emphasis from *conditions of possibility* to *process of emergence*. It needs to pay more careful attention to the processual dynamics through which repeated, irregular, possibly conflictual interactions between diverse “subjective pretensions to objectivity” (i.e., individuals who *critically accept* situations of distorted communication) eventually generate the “objective realm of subjectivities” in which speech is no longer distorted.

Indeed, it is striking that Hayek had a similar remark ready for neoclassical economists already back in the 1940s:

Any approach, such as that of much of mathematical economics with its simultaneous equations, which in effect starts from the assumption that people's *knowledge* corresponds with the objective *facts* of the situation, systematically leaves out what is our main task to explain. I am far from denying that in our system equilibrium analysis has a useful function to perform. But when it comes to the point where it misleads some of our leading thinkers into believing that the situation which it describes has direct relevance to the solution of practical problems, it is high time that we remember that it does not deal with the social process at all and that it is no more than a useful preliminary to the study of the main problem. (Hayek [1945b: 91])

Applying this remark, in Horkheimerian vein, to knowledge that includes critical theories as guide for individual action we obtain a rather powerful challenge to, though certainly not a rejection of, Habermasian transcendental pragmatics. Moreover, however, Hayekian Critical Theory and its emphasis on critical theories of society as guides for *everyday action* seems to me to displace the Habermasian focus on speech acts more towards a return to instrumental action—the extreme case being, in Horkheimer's own terms, social “struggle.” Now this may be an additional challenge even for some of those who have criticized Habermas for his benign neglect of game theory and strategic interaction. As Joseph Heath writes at the end of his critical assessment,

The major advantage of studying game theory more carefully (...) is that it helps to distribute the burden of proof somewhat more evenly among the different conceptions of rationality [rather than overblowing the importance of discursive rationality]. To prize agents out of their instrumental orientations, Habermas claims that the mere act of speaking automatically locks them into a commitment to discursive redemption of their validity claims. Once it becomes clear that *instrumental action sometimes is just not feasible*, it seems reasonable to suppose that agents will enter into discourse just because normatively regulated interaction works better than strategic action, and practical discourse is the best way to fix the content of the normative system. Similarly, Habermas suggests that unless they enter moral discourse, they may throw up their arms and “revert” to a strategic orientation. But again, *if the strategic orientation is simply not feasible*, agents may have no option but to work out their differences discursively (...). (Heath [2001: 310-311], my italics)

True enough, in terms of pure logic Heath cannot be wrong: *if* acting instrumentally to modify norms is not possible, *then* there is no choice but to modify them by symmetric argumentation. But is this not a foregone conclusion to the extent that the conditions of *impossibility of further* instrumental determination—embodied, for instance, in particular game rules which make

strategic misrepresentation and manipulation instrumentally suboptimal—must have been *preceded* by a process of struggle aimed at making this impossibility real? And must the success of that process of struggle not, in turn, be seen as the outcome of a series of *instrumental interactions between consciously spontaneous agents*, i.e., individuals having acquired and constantly reflecting on a critical stance towards the prevailing social norms? If this is so—and Hayekian Critical Theory suggests it is—then it may be that Heath, while certainly being much less of a transcendentalist than Habermas, is still too closely focusing too closely on an “equilibrium” approach to normative formations.

Thus, the unexpected alliance of Hayek and Horkheimer allows me to suggest that instead of focusing on a dichotomy between a pragmatically transcendental model of communicative rationality (Habermas) *and* a model of self-limiting instrumentality in symmetric games (Heath), we should perhaps investigate the potentialities of a model of emergence of social norms through the interaction of individuals endowed with *critical instrumental rationality*—i.e., individuals who are each committed to the realization of their critical theories of society but who each reflect (as part of their respective critical theories) on the best instrumental strategies for the furthering of their critical interests in a society where all individuals do the same. No doubt, as Hayek himself has constantly argued, such interactions will never happen in a vacuum because our instrumentally rational social critics will co-evolve rules and norms to ensure, for instance, that mutual destruction is averted, that instrumental violence is kept at a minimum, etc. However, there is no reason to expect that such a dynamic process would start directly in a Heathian framework where instrumental action has been rendered ineffective. The latter may very well be an endpoint (stable or unstable) of the process; Hayekian Critical Theory insists that it should not be presupposed but rather made an *explanandum*.

It may, at first sight, seem odd that the Horkheimerian perspective—so wary of the degeneration of “objective” into “subjective” reason—be used here to introduce a different kind of *instrumental* rationality. The oddity disappears, however, when one recalls that what I have dubbed here critical instrumental rationality is a guide to individual action based on a critical theory of society, namely, on a worldview acquired by the individual *in order to act in a purposeful way towards a better society*. This is, of course, not at all the kind of instrumental rationality Horkheimer and the whole Frankfurt School have in mind when they lament the colonization of the life-world by formalized reason; not surprisingly, therefore, it does not

overlap with what Heath, who here follows Habermas's usage, calls "instrumental rationality." By staying clear of both top-down planning and the fetishization of "everyday competence," Hayekian Critical Theory explores the subtle mixes between what Lindblom (1990) has called, respectively, the "scientific society" and "self-guiding society" models—it explores, if you like the spectrum between *anarchically reflexive* and *non-pragmatically anarchic* societies, between "letting go, with dignity" (Kelly [1994: 127]) and a demand for slightly more than mere "social hope" (Rorty [1999]). Neither Hayek's nor Horkheimer's all too specific critical theories will do here; Habermas has offered what I view as an insufficiently process-oriented version of a Critical Theory. The approach outlined here seeks to remedy some of the shortcomings.

Critical instrumental rationality forms a crucial centerpiece of that approach. A more careful analysis of its behavioral and epistemic implications for Hayekian Critical Theory, as well as a more deep-reaching comprehension of some of its variants (see Arnsperger [2004a, 2004b]), should help us in promoting visions of social change which are both complexity-based and existentially inspiring, and which compensate the uncertainties linked to the global emergence of change by the exhilarations of a society in which critical-mindedness and consciously spontaneous interaction have become a way of collective life.

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