

## Friedrich Hayek

### THE ATAVISM OF SOCIAL JUSTICE

Friedrich Hayek (1899–1992) was an Austrian economist and social theorist, and winner of the Nobel prize in economics in 1974. He is best known for his work on the knowledge-generating function of a free-market price system, but also produced very influential work in jurisprudence and cognitive science. In this essay (published in 1976), Hayek criticizes the notion of “social justice” as a doctrine that was appropriate to the small primitive groups of our distant ancestral past, but not to a modern society governed by abstract rules.

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To discover the meaning of what is called “social justice” has been one of my chief preoccupations for more than ten years. I have failed in this endeavor – or, rather, have reached the conclusion that, with reference to a society of free men, the phrase has no meaning whatever. The search for the reason why the word has nevertheless for something like a century dominated political discussion, and has everywhere been successfully used to advance claims of particular groups for a larger share in the good things of life, remains, however, a very interesting one. It is this question with which I shall here chiefly concern myself.

But I must at first briefly explain, as I attempt to demonstrate at length in volume 2 of my *Law, Legislation and Liberty*, about to be published, why I have come to regard “social justice” as nothing more than an empty formula, conventionally used to assert that a particular claim is justified without giving any reason. Indeed that volume, which bears the sub-title *The Mirage of Social Justice*,

is mainly intended to convince intellectuals that the concept of “social justice,” which they are so fond of using, is intellectually disreputable. Some of course have already tumbled to this; but with the unfortunate result that, since “social” justice is the only kind of justice they have ever thought of, they have been led to the conclusion that all uses of the term justice have no meaningful content. I have therefore been forced to show in the same book that rules of just individual conduct are as indispensable to the preservation of a peaceful society of free men as endeavors to realize “social” justice are incompatible with it.

The term “social justice” is today generally used as a synonym of what used to be called “distributive justice.” The latter term perhaps gives a somewhat better idea of what can be meant by it, and at the same time shows why it can have no application to the results of a market economy; there can be no distributive justice where no one distributes. Justice has meaning only as a rule of human conduct, and no conceivable rules for the conduct of individuals

supplying each other with goods and services in a market economy would produce a distribution which could be meaningfully described as just or unjust. Individuals might conduct themselves as justly as possible, but as the results for separate individuals would be neither intended nor foreseeable by others, the resulting state of affairs could neither be called just nor unjust.

The complete emptiness of the phrase "social justice" shows itself in the fact that no agreement exists about what social justice requires in particular instances; also that there is no known test by which to decide who is right if people differ, and that no preconceived scheme of distribution could be effectively devised in a society whose individuals are free, in the sense of being allowed to use their own knowledge for their own purposes. Indeed, individual moral responsibility for one's actions is incompatible with the realization of any such desired overall pattern of distribution.

A little inquiry shows that, though a great many people are dissatisfied with the existing pattern of distribution, none of them has really any clear idea of what pattern he would regard as just. All that we find are intuitive assessments of individual cases as unjust. No one has yet found even a single general rule from which we could derive what is "socially just" in all particular instances that would fall under it – except the rule of "equal pay for equal work." Free competition, precluding all that regard for merit or need and the like, on which demands for social justice are based, tends to enforce the equal pay rule.

## 2

The reason why most people continue firmly to believe in "social justice," even after they discover that they do not really know what the phrase means, is that they think if almost everyone else believes in it, there must be something in the phrase. The ground for this almost universal acceptance of a belief, the significance of which people do not understand, is that we have all

inherited from an earlier different type of society, in which man existed very much longer than in the present one, some now deeply ingrained instincts which are inapplicable to our present civilization. In fact, man emerged from primitive society when in certain conditions increasing numbers succeeded by disregarding those very principles which had held the old groups together.

We must not forget that before the last 10,000 years, during which man has developed agriculture, towns and ultimately the "Great Society," he existed for at least a hundred times as long in small food-sharing hunting bands of 50 or so, with a strict order of dominance within the defended common territory of the band. The needs of this ancient primitive kind of society determined much of the moral feelings which still govern us, and which we approve in others. It was a grouping in which, at least for all males, the common pursuit of a perceived physical common object under the direction of the alpha male was as much a condition of its continued existence as the assignment of different shares in the prey to the different members according to their importance for the survival of the band. It is more than probable that many of the moral feelings then acquired have not merely been culturally transmitted by teaching or imitation, but have become innate or genetically determined.

But not all that is natural to us in this sense is therefore necessarily in different circumstances good or beneficial for the propagation of the species. In its primitive form the little band indeed did possess what is still attractive to so many people: a unitary purpose, or a common hierarchy of ends, and a deliberate sharing of means according to a common view of individual merits. These foundations of its coherence, however, also imposed limits on the possible development of this form of society. The events to which the group could adapt itself, and the opportunities it could take advantage of, were only those of which its members were directly aware. Even worse, the individual could do little of which others did not approve. It is a

delusion to think of the individual in primitive society as free. There was no natural liberty for a social animal, while freedom is an artifact of civilization. The individual had in the group no recognized domain of independent action; even the head of the band could expect obedience, support and understanding of his signals only for conventional activities. So long as each must serve that common order of rank for all needs, which present-day socialists dream of, there can be no free experimentation by the individual.

### 3

The great advance which made possible the development of civilization and ultimately of the Open Society was the gradual substitution of abstract rules of conduct for specific obligatory ends, and with it the playing of a game for acting in concert under common indicators, thus fostering a spontaneous order. The great gain attained by this was that it made possible a procedure through which all relevant information widely dispersed was made available to ever-increasing numbers of men in the form of the symbols which we call market prices. But it also meant that the incidence of the results on different persons and groups no longer satisfied the age-old instincts.

It has been suggested more than once that the theory explaining the working of the market be called *catallactics* from the classical Greek word for bartering or exchanging – *katalattein*. I have fallen somewhat in love with this word since discovering that in ancient Greek, in addition to “exchanging,” it also meant “to admit into the community” and “to change from enemy into friend.” I have therefore proposed that we call the game of the market, by which we can induce the stranger to welcome and serve us, the “game of catallaxy.”

The market process indeed corresponds fully to the definition of a game which we find in *The Oxford English Dictionary*. It is “a contest played according to rules and decided by superior skill,

strength or good fortune.” It is in this respect both a game of skill as well as a game of chance. Above all, it is a game which serves to elicit from each player the highest worthwhile contribution to the common pool from which each will win an uncertain share.

The game was probably started by men who had left the shelter and obligations of their own tribe to gain from serving the needs of others they did not know personally. When the early neolithic traders took boatloads of flint axes from Britain across the Channel to barter them against amber and probably also, even then, jars of wine, their aim was no longer to serve the needs of known people, but to make the largest gain. Precisely because they were interested only in who would offer the best price for their products, they reached persons wholly unknown to them, whose standard of life they thereby enhanced much more than they could have that of their neighbors by handing the axes to those who no doubt could also have made good use of them.

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As the abstract signal-price thus took the place of the needs of known fellows as the goal towards which men’s efforts were directed, entirely new possibilities for the utilization of resources opened up – but this also required wholly different moral attitudes to encourage their exploitation. The change occurred largely at the new urban centers of trade and handicrafts, which grew up at ports or the crossroads of trade routes, where men who had escaped from the discipline of tribal morals established commercial communities and gradually developed the new rules of the game of catallaxy.

The necessity to be brief forces me here somewhat to over-simplify and to employ familiar terms where they are not quite appropriate. When I pass from the morals of the hunting band in which man spent most of his

history, to the morals which made possible the market order of the open society, I am jumping over a long intermediate stage, much shorter than man's life in the small band, but still of much greater length than the urban and commercial society has enjoyed yet, and important because from it date those codifications of ethics which became embodied in the teaching of the monotheistic religions. It is the period of man's life in tribal society. In many ways it represents a transitional stage between the concrete order of the primitive face-to-face society, in which all the members knew each other and served common particular ends, and the open and abstract society, in which an order results from individuals observing the same abstract rules of the game while using their own knowledge in the pursuit of their own ends.

While our emotions are still governed by the instincts appropriate to the success of the small hunting band, our verbal tradition is dominated by duties to the "neighbor," the fellow member of the tribe, and still regarding the alien largely as beyond the pale of moral obligation.


In a society in which individual aims were necessarily different, based on specialized knowledge, and efforts came to be directed towards future exchange of products with yet unknown partners, common rules of conduct increasingly took the place of particular common ends as the foundations of social order and peace. The interaction of individuals became a game, because what was required from each individual was observation of the rules, not concern for a particular result, other than to win support for himself and his family. The rules which gradually developed, because they made this game most effective, were essentially those of the law of property and contract. These rules in turn made possible the progressive division of labor, and that mutual adjustment of independent efforts, which a functioning division of labor demands.

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The full significance of this division of labor is often not appreciated, because most people think of it – partly because of the classical illustration given by Adam Smith – as a designed intra-mural arrangement in which different individuals contribute the successive steps in a planned process for shaping certain products. In fact, however, co-ordination by the market of the endeavors of different enterprises in supplying the raw materials, tools and semi-finished products which the turning out of the final commodity requires is probably much more important than the organized collaboration of numerous specialist workers.

It is in a great measure this inter-firm division of labor, or specialization, on which the achievement of the competitive market depends, and which that market makes possible. Prices the producer finds on the market at once tell him what to produce and what means to use in producing it. From such market signals he knows that he can expect to sell at prices covering his outlays, and that he will not use up more resources than are necessary for the purpose. His selfish striving for gain makes him do, and enables him to do, precisely what he ought to do in order to improve the chances of any member of his society, taken at random, as much as possible – but only if the prices he can get are determined solely by market forces and not by the coercive powers of government. Only prices determined on the free market will bring it about that demand equals supply. But not only this. Free market prices also ensure that all of a society's dispersed knowledge will be taken into account and used.

The game of the market led to the growth and prosperity of communities who played it because it improved the chances for all. This was made possible because remuneration for the services of individuals depended on objective facts, all of which no one could know, and not on someone's opinions about what they ought to have.



But it also meant that while skill and industry would improve each individual's chances, they could not guarantee him a specified income; and that the impersonal process which used all that dispersed knowledge set the signals of prices so as to tell people what to do, but without regard to needs or merits. Yet the ordering and productivity enhancing function of prices, and particularly the prices of services, depends on their informing people where they will find their most effective place in the overall pattern of activities – the place in which they are likely to make the greatest contribution to aggregate output. If, therefore, we regard that rule of remuneration as just which contributes as much as possible to increasing the chances of any member of the community picked out at random, we ought to regard the remunerations determined by a free market as the just ones.

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But they are inevitably very different from the relative remunerations which assisted the organization of the different type of society in which our species lived so much longer, and which therefore still governs the feelings which guide us. This point has become exceedingly important since prices ceased to be accepted as due to unknown circumstances, and governments came to believe they could determine prices with beneficial effects. When governments started to falsify the market price signals, whose appropriateness they had no means of judging (governments as little as anyone else possessing all the information precipitated in prices), in the hope of thereby giving benefits to groups claimed to be particularly deserving, things inevitably started to go wrong. Not only the efficient use of resources, but, what is worse, also the prospects of being able to buy or sell as expected through demand equaling supply were thereby greatly diminished.

It may be difficult to understand, but I believe there can be no doubt about it, that we are led to

utilize more relevant information when our remuneration is made to depend indirectly on circumstances we do not know. It is thus that, in the language of modern cybernetics, the feedback mechanism secures the maintenance of a self-generating order. It was this which Adam Smith saw and described as the operation of the “invisible hand” – to be ridiculed for 200 years by uncomprehending scoffers. It is indeed because the game of catallaxy disregards human conceptions of what is due to each, and rewards according to success in playing the game under the same formal rules, that it produces a more efficient allocation of resources than any design could achieve. I feel that in any game that is played because it improves the prospects of all beyond those which we know how to provide by any other arrangements, the result must be accepted as fair, so long as all obey the same rules and no one cheats. If they accept their winnings from the game, it is cheating for individuals or groups to invoke the powers of government to divert the flow of good things in their favor – whatever we may do outside this game of the market to provide a decent minimum for those for whom the game did not supply it. It is not a valid objection to such a game, the outcome of which depends partly on skill and particular individual circumstances and partly on pure chance, that the initial prospects for different individuals, although they are all improved by playing that game, are very far from being the same. The answer to such an objection is precisely that one of the purposes of the game is to make the fullest possible use of the inevitably different skills, knowledge and environment of different individuals. Among the greatest assets which a society can use in this manner for increasing the pool from which the earnings of individuals are drawn are the different moral, intellectual and material gifts parents can pass on to their children – and often will acquire, create or preserve only in order to be able to pass them on to their children.

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The result of this game of catallaxy, therefore, will necessarily be that many have much more than their fellows think they deserve, and even more will have much less than their fellows think they ought to have. It is not surprising that many people should wish to correct this by some authoritative act of redistribution. The trouble is that the aggregate product which they think is available for distribution exists only because returns for the different efforts are held out by the market with little regard to deserts or needs, and are needed to attract the owners of particular information, material means and personal skills to the points where at each moment they can make the greatest contribution. Those who prefer the quiet of an assured contractual income to the necessity of taking risks to exploit ever-changing opportunities feel at a disadvantage compared with possessors of large incomes, which result from continual redistribution of resources.

High actual gains of the successful ones, whether this success is deserved or accidental, is an essential element for guiding resources to where they will make the largest contribution to the pool from which all draw their share. We should not have as much to share if that income of an individual were not treated as just, the prospects of which induced him to make the largest contribution to the pool. Incredibly high incomes may thus sometimes be just. What is more important, scope for achieving such incomes may be the necessary condition for the less enterprising, lucky, or clever to get the regular income on which they count.

The inequality, which so many people resent, however, has not only been the underlying condition for producing the relatively high incomes which most people in the West now enjoy. Some people seem to believe that a lowering of this general level of incomes – or at least a slowing down of its rate of increase – would not be too high a price for what they feel would be a juster distribution. But there is an even greater obstacle

to such ambitions today. As a result of playing the game of catallaxy, which pays so little attention to justice but does so much to increase output, the population of the world has been able to increase so much, without the income of most people increasing very much, that we can maintain it, and the further increases in population which are irrevocably on the way, only if we make the fullest possible use of that game which elicits the highest contributions to productivity.

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If people in general do not appreciate what they owe to catallaxy and how far they are even dependent on it for their very existence, and if they often bitterly resent what they regard as its injustice, this is so because they have never designed it and therefore do not understand it. The game rests on a method of providing benefits for others in which the individual will accomplish most if, within the conventional rules, he pursues solely his own interests – which need not be selfish in the ordinary sense of the word, but are in any case his own.

The moral attitude which this order demands not only of the entrepreneur but of all those, curiously called “self-employed,” who have constantly to choose the directions of their efforts, if they are to confer the greatest benefit on their fellows, is that they compete honestly according to the rules of the game, guided only by the abstract signals of prices and giving no preferences because of their sympathies or views on the merits or needs of those with whom they deal. It would mean not merely a personal loss, but a failure in their duty to the public, to employ a less efficient instead of a more efficient person, to spare an incompetent competitor, or to favor particular users of their product.

The gradually spreading new liberal morals, which the Open or Great Society demanded, required above all that the same rules of conduct should apply to one’s relation to all other members of society – except for natural ties to the members

of one's family. This extension of old moral rules to wider circles, most people, and particularly the intellectuals, welcome as moral progress. But they apparently did not realize, and violently resented when they discovered it, that the equality of rules applicable to one's relationship to all other men necessarily implied not only that new obligations were extended to people who formerly had no such claims, but also that old obligations which were recognized to some people but could not be extended to all others had to disappear.

It was this unavoidable attenuation of the content of our obligations, which necessarily accompanied their extension, that people with strongly ingrained moral emotions resented. Yet these are kinds of obligations which are essential to the cohesion of the small group but which are irreconcilable with the order, the productivity, and the peace of a great society of free men. They are all those demands which under the name of "social justice" assert a moral claim on government that it give us what it can take by force from those who in the game of catallaxy have been more successful than we have been. Such an artificial alteration of the relative attractiveness of the different directions of productive efforts can only be counter-productive.

If expected remunerations no longer tell people where their endeavors will make the greatest contribution to the total product, an efficient use of resources becomes impossible. Where the size of the social product, and no longer their contributions to it, gives individuals and groups a moral claim to a certain share of that product, the claims of what deserve really to be described as "free riders" become an unbearable drag on the economy.

## 9

I am told that there are still communities in Africa in which able young men, anxious to adopt modern commercial methods, find it impossible thereby to improve their position, because tribal customs demand that they share

the products of their greater industry, skill or luck with all their kin. An increased income of such a man would merely mean that he had to share it with an ever-increasing number of claimants. He can, therefore, never rise substantially above the average level of his tribe.

The chief adverse effect of "social justice" in our society is that it prevents individuals from achieving what they could achieve – through the means for further investment being taken from them. It is also the application of an incongruous principle to a civilization whose productivity is high, because incomes are very unequally divided and thereby the use of scarce resources is directed and limited to where they bring the highest return. Thanks to this unequal distribution the poor get in a competitive market economy more than they would get in a centrally directed system.

All this is the outcome of the, as yet merely imperfect, victory of the obligatory abstract rule of individual conduct over the common particular end as the method of social co-ordination – the development which has made both the open society and individual freedom possible, but which the socialists now want to reverse. Socialists have the support of inherited instincts, while maintenance of the new wealth which creates the new ambitions requires an acquired discipline which the non-domesticated barbarians in our midst, who call themselves "alienated," refuse to accept although they still claim all its benefits.

## 10

Let me, before I conclude, briefly meet an objection which is bound to be raised because it rests on a very widespread misunderstanding. My argument, that in a process of cultural selection we have built better than we understood, and that what we call our intelligence has been shaped concurrently with our institutions by a process of trial and error, is certain to be met by an outcry of "social Darwinism." But such a

cheap way of disposing of my argument by labeling it would rest on an error. It is true that during the latter part of the last century some social scientists, under the influence of Darwin, placed an excessive stress on the importance of natural selection of the most able individuals in free competition. I do not wish to underrate the importance of this, but it is not the main benefit we derive from competitive selection. This is the competitive selection of cultural institutions, for the discovery of which we did not need Darwin, but the growing

understanding of which in fields like law and language rather helped Darwin to his biological theories. My problem is not genetic evolution of innate qualities, but cultural evolution through learning – which indeed leads sometimes to conflicts with near-animal natural instincts. Nevertheless, it is still true that civilization grew not by the prevailing of that which man thought would be most successful, but by the growth of that which turned out to be so, and which, precisely because he did not understand it, led man beyond what he could ever have conceived.