

**ADAM SMITH, DAVID HUME AND FRIEDRICH VON HAYEK
– BIO-POLITICS AND LIFE IN THE BEST OF ALL POSSIBLE
NECRO-ECONOMIC SYSTEMS**

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Abstract. *Mike Hill and Warren Montag have explored the concept of necro-economics, the idea that, at the start of economics as a serious discipline in the eighteenth century, allowing the forces of the market to operate without restriction created a class of people who, in times of famine and food dearth, would be unable to afford food, and hence would be left to die by the market. The justification for allowing this class to die has its roots in the idea that our world is the best of all possible worlds, and we would realize that if only we could see the whole picture, that their death was for the best. The economic version of this argument found in Hayek is a secularized version of the theological argument found in Leibniz. Those allowed to die do not represent a state of exception in Agamben's sense, but rather that they represent simply the limit point of the normal processes inherent in the free market. I argue that Hayek's argument that neo-liberalism offers the most rational and hence the best of all worlds is based on a flawed conception of rationality, and that once Hayek's conception of rationality is fleshed out, rationality needs to be understood in terms of submission, not so much to the impersonal forces of the market, but to the human processes which control the market. In the light of this, Hayek's argument becomes vulnerable to a secularized version of the argument which David Hume used to refute Leibniz's theological argument that our world is the best of all possible worlds. I examine Hayek's conception of neo-liberal rationality and show how it differs from Foucault's conception, in that Hayek's conception is absolute rather than relative to a frame of enquiry. I then offer an alternative conception of rationality, based on a conception of human flourishing, and the Aristotelian idea that it is rational to pursue a life in which one flourishes. Such a conception of rationality is incompatible with Hayek's conception of rationality, and I use the work of the philosopher Philippa Foot to suggest that a Hayekian state is one in which human flourishing is impossible and hence is an 'irrational' world.*

Keywords: *Montag and Hill, Adam Smith, David Hume, Hayek, bio-politics, necro-economics, neo-liberalism, virtue ethics, economic rationality, flourishing.*

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In one of the most thoughtful books on Nietzsche, *Nietzsche's Voice*, Henry Staten asks the following question about the history of humanity and our attempts to assign it a meaning and significance. "Consider all the rest of human history, including most of the planet at the present moment. What are we to say about this overwhelming spectacle of cruelty, stupidity and suffering? What stance is there for us to adopt with respect to history, what judgment can we pass on it? Is it all a big mistake?"¹

In this passage Staten raises in a very clear and graphic way one of the key problems of capitalism that Warren Montag addresses in *Necro-economics: Adam Smith and Death in the Life of the Universal*, and which Mike Hill and Warren Montag explore in greater depth in *The Other Adam Smith: Popular Contention, Commercial Society, and the Birth of Necro-Economics*.² It is the problem of providing a justification for the existing order of things. What are we to say about the vast waste of human life which underpins contemporary capitalism – the Western slave trade on which the initial prosperity of Britain, America and France was built, colonialism and its wholesale exploitation of native populations, the 60 million who died of famine in India under British rule, and the waste of life in Europe, in which a whole class were assigned the social function of merely providing the source of wealth for the privileged classes? Why, one is tempted to ask, if the world presents little more than an overwhelming spectacle of cruelty, stupidity and suffering, should we accept the existing order rather than try to change it?

The answer to Staten's question – what stance is there for us to adopt towards this overwhelming spectacle of cruelty, stupidity and suffering, which neo-liberalism offers – is that, despite appearances to the contrary, we live in the best of all possible worlds, (or at least, a close approximation to the best of all possible worlds, in so far as the ideal of neo-liberalism has as yet been only imperfectly realized), and the attitude we should adopt is acceptance or submission to the order of things as they are.

In *The Other Adam Smith* and 'Necro-economics: Adam Smith and Death in the Life of the Universal' Hill and Montag offer both a genealogy and a critique of this neo-liberal answer. They start with a theological answer to this question, from Leibniz and Malebranche, and arrive at the economic answer to this question, from Hayek via Adam Smith. For Leibniz and Malebranche God is an all-wise being, made the world to fulfil his purposes, and since his purposes reflect his infinite wisdom, the world he made must reflect that infinite wisdom, and as such could not be other than it is. The way the world is reflects the necessity of God's design. As Leibniz wrote, "The divine wisdom directs the divine goodness which extends to the totality of created things. Therefore, the divine providence manifests itself in the total series of the universe. It follows that among the infinite number of possible series God has selected the best, and that consequently this best universe is that which actually exists."³

¹ Henry Staten, *Nietzsche's Voice*.

² Mike Hill and Warren Montag, *The Other Adam Smith*. Warren Montag 'Necro-economics: Adam Smith and Death in the Life of the Universal'.

³ Leibniz, *Vindication of God's Justice*, quoted in Hill and Montag, p. 258.

The existence of evil is, for Leibniz, only apparent. With our limited human knowledge, we cannot perceive the entirety of the Divine plan, but if we could survey the whole history of humanity and see it from God's perspective, we would see that the apparent existence of evil, the appearance of human history being nothing more than an overwhelming spectacle of cruelty, stupidity and suffering, is merely an appearance. The underlying reality is of a deeper harmony, "For all things in the universe are in mutual harmony and the truly wise never decide without taking the whole into consideration."⁴

Hill and Montag see the Enlightenment as involving the secularization of this idea, and Adam Smith as providing the first draft of an argument that is structurally identical, albeit with God replaced by man, and the role of theology replaced by that of economics. The Divine hand, which created the order that we find on Earth, is replaced by a different kind of hand, the invisible hand of the market, and God's providential designed order gives way to a providential spontaneous order. The market, like the universe, is "one immense and connected system"⁵, and should suffering strike us as a result of market forces, then according to Adam Smith, we should understand that the apparent cruelty, stupidity and suffering masks a deeper inner perfection and harmony, the perfection and harmony of the market. "If we ourselves, therefore, were in poverty, in sickness, or in any other calamity, we ought first of all to use our utmost endeavours, so far as justice and duty to others would allow, to rescue ourselves from this disagreeable circumstance. But if, after all we could do, we found this impossible, we ought to rest satisfied that the order and perfection of the universe required that we should in the meantime continue in this situation... The prosperity of the whole should, even to us, appear preferable to so insignificant a part as ourselves... Assured of the wisdom which directs all the events of human life, whatever lot befalls him, he accepts it with joy, satisfied that, if he had known all the connections and dependencies of the different parts of the universe, it is the very lot which he himself would have wished for. If it is life, he is contented to live, and if it is death, as nature must have no further occasion for his presence here, he willingly goes where he is appointed."⁶

Smith's remarks are indicative rather than fully worked out, and it is to Hayek that we need to turn for the complete argument. For Hayek, the harmony and perfection of the market is not planned. It arises spontaneously, and it is the spontaneous character of the order which arises through the operation of the market which ensures the best of all possible economic outcomes, for it is based upon mankind's true nature, the natural selfishness and rapacity of mankind, and its "general disposition to truck, barter, and exchange,"⁷ and the desire to get the better of the other person in a deal. Despite the selfishness of the motives that inspire people to engage with the market, an invisible hand ensures that outcome is, if not quite the best of all possible worlds, certainly a very good world, as

⁴ *Ibidem*.

⁵ Smith, *Theory of Moral Sentiments*, p. 289.

⁶ *Ibidem*, pp. 274-276.

⁷ Smith, *Wealth of Nations*, p. 25.

Smith notes, “In spite of their natural selfishness and rapacity, though they mean only their own convenience, though the sole end which they propose from the labours of all the thousands whom they employ, be the gratification of their own vain and insatiable desires, they divide with the poor the produce of all their improvements. They are led by an invisible hand to make nearly the same distribution of the necessaries of life, which would have been made had the earth been divided into equal portions among all its inhabitants, and thus, without intending it, without knowing it, advance the interest of the society and afford means to the multiplication of the species.”⁸

Economics now offers the key to understanding what is the best of all worlds, a world founded upon the principles of *laissez faire*, where markets operate without any interference. Adam Smith’s arguments in favour of *laissez faire* economics and the claim that it will produce the best of all possible economic worlds find their clearest expression in the ideas of von Mises, Hayek and neo-liberalism, which Hill and Montag, like Foucault, see as offering the most well-worked-out contemporary version of the ideas of Adam Smith and Adam Ferguson. Hill and Montag offer, in effect, a genealogy of the idea that neo-liberalism is the best of all possible economic systems, starting with Leibniz, proceeding via Adam Smith and ending with Hayek.

Functional explanation and the usefulness of genealogy

On Bernard Williams’s characterization, genealogical accounts attempt to “offer a narrative that tries to explain a cultural phenomenon by describing a way in which it came about, or could have come about, or might be imagined to have come about.”⁹ Depending on the character of the argument, they may, as Hayek’s economic argument attempts to do, imply “a kind of necessity: given a few basic facts about human nature and our conditions of life, this was the only way things could have turned out.”¹⁰ Hill and Montag offer, in effect, a genealogical account that attempts to explain how the idea that the free market is the best way of ordering things could have – or did – come about, given the assumption of what appear to be a few basic facts about human nature.

What genealogical accounts do best, by engaging in a sort of speculative history, is remind us of the function of certain ideas. Explaining the function of an idea may not tell us the whole story, but “philosophers who ignore, suppress, or just don’t believe in the functional background leave too much unexplained, and too much that is central to the topic unsaid.”¹¹ There are two functional roles which the idea that we live in the best of all possible worlds which Hill and Montag’s genealogical account enable us to identify.

Firstly, as Foucault points out, the theological and economic arguments serve to fence off a domain of enquiry. That is to say, they define the terms of

⁸ Smith, *Theory of Moral Sentiments*, pp.184-185.

⁹ Bernard Williams, *Truth and Truthfulness*, p. 20.

¹⁰ Edward Craig, ‘Genealogies and the State of Nature’, p. 182.

¹¹ *Ibidem*, p. 198.

legitimate enquiry as being only those questions that fall within the scope of the domain. The arguments operate like a Kuhnian paradigm, establishing parameters within which legitimate enquiry can take place, and regarding as irrelevant any questions raised from an area of enquiry outside the parameters of the domain. Foucault describes this Kuhnian process as defining the sphere of rationality, as it defines the area within which rational enquiry can take place. In theological terms the arguments offered by Leibniz and Malebranche provided a synthesis of faith and reason which, within the context of the early Enlightenment, sought to define the limits of rational speculation – rational examination of theological matters can only take place from within a perspective that presupposes the truth of theism, i. e. from within theology itself. Free market economics attempts to restrict the scope of critical examination of economic policy to criticism which presupposes the primacy of economics as a means of understanding the social world, i. e. coming from within the field of economics itself.

Secondly, both the theological and the economic arguments justify the existing state of affairs. This requires them to address the issue of evil, of poverty, of exploitation, of premature death and wasted lives – in short, the “overwhelming spectacle of cruelty, stupidity and suffering” which is a significant part of the history of humanity. And both conclude that this spectacle has the mere appearance of being evil. The cruelty, stupidity and suffering are real enough, but in the grand scheme of things they are of no great importance because, as Leibniz says, we live in the best of all possible worlds, and because, as Adam Smith says, whatever befalls a man, “if he had known all the connections and dependencies of the different parts of the universe, it is the very lot which he himself would have wished for... if it is death, as nature must have no further occasion for his presence here, he willingly goes where he is appointed.” The life of cruelty, stupidity and suffering which has been, throughout history, the lot of a large proportion of humanity is simply not important, once one grasps the bigger picture. Some lives, it seems, just don’t matter very much, and we can now understand why.

*From the functional similarity to the structural similarity
of arguments for the best of all possible worlds*

Genealogical accounts may or may not serve to undermine the phenomenon they address. Nietzsche’s account of the genealogy of morals suggests that morality arose to give expression to hatred and resentment, and that it remains the function of morality to give expression to these attitudes, although this function is now disguised in that it lies below the surface of morality, operating in secret. If Nietzsche’s genealogical account is accepted, it tends to subvert morality, in that his account must raise doubts about the value of morality.¹² Hill and Montag’s argument showing the functional similarity of theological and economic arguments for our current world being, if only we can establish free

¹² See Craig, especially pp. 182-183.

markets everywhere, the best of all possible worlds, is not subversive in the same way. Identifying the functions of the arguments Hill and Montag examine, marking off a domain of enquiry and arguing that the only legitimate criticisms that can arise must come from within the domain and not from outside it, and legitimizing the current distribution of wealth and opportunity, does not subvert those arguments in the way that Nietzsche subverts morality. It's perfectly reasonable to accept Hill and Montag's account of the genealogy of Hayek's argument that free markets produce the best of all possible worlds, and yet to regard this as in no way undermining one's faith in Hayek's argument.

But besides the functional similarity, there is also a structural similarity between the two arguments, and it is this structural similarity which reveals the weakness of Hayek's economic argument that free markets produce the best of all possible worlds, as it is the same weakness that Leibniz's argument has.

When Hayek argues for the superiority of free markets over any other form of social organization, he stresses the spontaneous nature of the order that is produced by free markets. The free market arises from the diffused knowledge that is contained inside the heads of individual participants in the market, making their choices on the basis of what they know and what they want. Out of this diffused knowledge, the order of the market arises. For Leibniz, the order in the world arises not from the diffused knowledge of its inhabitants, but from the infinite knowledge of God, who knows the past, the present and the future, and the effects of every decision made by everyone who has or will ever live. There could hardly be more different pictures of the way knowledge generates order than those of Hayek and Leibniz.

Hayek places great emphasis on the spontaneous character of the market, stating that it arises without there being any intention on any one's part to produce it. But this difference is not particularly relevant to the structure of the argument. The structural similarity that enables us to see what is problematic lies not in how the order arises, either spontaneously or planned, but in other characteristics of the eventual order. Both Leibniz's and Hayek's arguments are attempts to explain the presence of order in the world. And both claim to reveal the underlying necessity of the order they seek to explain – starting from a few basic facts about human nature, our conditions of life, or the nature of the universe, this was the only way things could have turned out.¹³ Where the two arguments differ is in what they take to be basic facts that explain the order of the world. This is hardly surprising as they have very different conceptions as to what the order they seek to explain is – in Leibniz's case it is the metaphysical order of the world, in Hayek's case it is the economic order of the world.

Leibniz starts from what appear to be some basic facts about the nature of the universe, the fact that God is infinite in knowledge and goodness, and goes on to show that these properties, intelligence and goodness, are transmitted from God to the world, so that the world in which we live must be one which reflects God's infinite intelligence and infinite goodness, as “among the infinite number

¹³ *Ibidem*, p. 182.

of possible series God has selected the best". The important point to recognize here is that the enabling conditions of infinite intelligence and goodness, which Hume terms its "first impulse and active force", are responsible for the final condition of the world, that it is the best of all possible worlds.

Hayek starts from what appear to be some basic facts about human nature and our conditions of life, that people are rational. By rational, Hayek means that people are self-interested and able to judge their own interests better than anyone else can, and as a consequence their decisions and actions will reflect their rational choices. The market arises from the rationality of individuals, exercising their choices on the basis of their own self-interest and their expectations of a successful outcome to their choices. The market therefore has the same property as the enabling condition, Hume's "first impulse and active force". It is as just as rational as the rational choices that bring it into being.

Just as for Leibniz the enabling condition for the world, God's knowledge and goodness, is transmitted to his creation, the world, producing the best of all possible worlds, so for Hayek, the enabling condition for the market, the rationality of each individual, is transmitted to their creation, the market, producing the most rational of all forms of economic organization.

The mechanism by which the enabling condition produces the final product can be either the result of a plan or can arise spontaneously. In the above account, it doesn't matter, which enables us to disregard all Hayek's considerations about the nature of a spontaneous order. What matters is that rationality is transmitted from individuals, from Hume's "first impulse and active force", to the market itself, not the manner in which it is transmitted. It is irrelevant to the argument that the order is spontaneous rather than planned.

If we return to Leibniz, we can examine Leibniz's initial condition, God's infinite wisdom and goodness. The most devastating criticism of this was given by David Hume, a contemporary and friend of Adam Smith. Hume doesn't deny the existence of order in the world, but asks what sort of order it is. Like Henry Staten, he is unimpressed by the order he sees, finding the mixture of pleasure and pain which the world presents to be on balance, more on the side of the latter than the former. So, he suggests a different initial condition. Instead of an infinitely wise and good being, he suggests that the world might be "only the first rude essay of some infant deity who afterwards abandoned it, ashamed of his lame performance. [Or perhaps] It is the work only of some dependent, inferior deity, and is the object of derision to his superiors..."¹⁴

Hume's general point is that if one uses an argument in which the properties one ascribes to the origin are transmitted to the finished product, whichever properties one puts in at the origin make a big difference to the properties one discovers in the outcome. An infinitely good and wise God produces the best of all possible worlds. But an infant deity, a dependent, inferior deity, who is the object of derision to his superiors will not produce the best of all possible worlds, but a flawed world, filled with mistakes, in which the balance of pleasure and pain may fall more on the side of the latter than the former.

¹⁴ David Hume, *Dialogues concerning Natural Religion*, p. 45.

Hayek's argument is that the rationality of individuals produces the rationality of the market, so it is appropriate to ask the corresponding Humean question about Hayek's conception of rationality. How would Hayek's argument look if add more substance to his conception of rationality?

Rationality, for Hayek, is simply self-interested behaviour. In the expectation of furthering one's own interests, one considers one's desires, hopes, expectations and so on, and acts with a view to obtaining the greatest satisfaction of one's interests. This is, in effect, the neo-liberal conception of the rationality of *homo economicus* – that people are materialistic, self-interested individuals, who know what they want in that they have a set of ordered preferences, and who make decisions on the basis of the marginal utility of preference satisfaction. To this we can add a couple of other elements, one from Adam Smith and one from Hayek. According to Smith, mankind has a natural propensity to truck and barter.¹⁵ And Hayek, reading economics as having a primacy in the explanation of human behaviour, denied that morality has any place in the market. Social justice is, according to Hayek, a meaningless term, and the market should be free from all "moral" interference which seeks to give people what they deserve rather than what the market allocates them.

Smith had no illusions about the nature of the real world. It is not an idealized marketplace, where negotiations are conducted between equals on the basis of mutual respect and fair exchange, an open "debate between every buyer and every seller" in Turgot's words.¹⁶ For Smith, "laws and government may be considered... in every case as a combination of the rich to oppress the poor."¹⁷ In *The Wealth of Nations*, Smith says further, "We have no acts of parliament against combining to lower the price of work; but many against combining to raise it," and the "masters are always and everywhere in a sort of tacit, but constant and uniform combination, not to raise the wages of labour above their actual rate."¹⁸ And most famously of all, Smith argues that masters combine to ensure that they can further their own ends by manipulating the market; "People of the same trade seldom meet together, even for merriment and diversion, but the conversation ends in a conspiracy against the public."¹⁹

On this fuller account of rational behaviour, where, as Hayek is at pains to stress, morality has no role to play whatsoever, people are most rational when they seek to gain their own advantage at the expense of others by the use of whatever power they have, be it power to pass laws that benefit themselves at the expense of others, to manipulate parliament, to combine against those they wish to exploit – in short, to use whatever resources they have at their disposal to exploit and dispossess those they seek to gain an advantage over.

If we use this account of rationality in the preliminary stage of Hayek's argument then the resulting rationality of the market is quite different from the

¹⁵ Smith, *Wealth of Nations*, p. 25.

¹⁶ See Rothschild, p. 8.

¹⁷ Smith, *Lectures on Jurisprudence*, p. 540.

¹⁸ Smith, *Wealth of Nations*, p. 99.

¹⁹ Smith, *Lectures on Jurisprudence*, pp. 538-539.

simplistic picture Hayek paints, of agents negotiating freely with each other to secure their advantage. Like Hume's inferior incompetent deity, whose world presents not the best of all possible worlds, but a stupid, ill-made world, a world which presents an "overwhelming spectacle of cruelty, stupidity and suffering", the world whose initial condition is based on a form of selfish rationality that incorporates lies, exploitation, abuse of power and so on in order to secure one's own advantage produces a market which embodies the mechanisms which ensure exploitation and abuse of power.

As Hume showed, what we put in the initial conditions is reflected in the resulting order. And in this case, the fuller specification of economic rationality, based on a conception of self-interest which avoids any moral content which could limit the range of possibilities open to someone engaging in self-interested behaviour, produces a market which is a site, not of free exchange between equals, but a site of exploitation based on the differences in power between the participants. Adam Smith is not unaware of how this imbalance of power operates, and says "What are the common wages of labour, depends everywhere on the contract made between those two parties, whose interests are by no means the same. The workmen desire to get as much as possible, the masters to give as little as possible. The former are disposed to combine in order to raise, the latter in order to lower the wages of labour".²⁰

For Hayek, the difference between freedom and *un-freedom* consists not in the ability of people to choose what they do, but in the origin of the market, the operation of selfish material interests, irrespective of differences in power and unhampered by moral restraints. As Jessica Whyte points out, the market compels the weak to submit to the strong, and it is the attitude of submission which Hayek and von Mises see as the proper attitude of those who have bring nothing to the market other than their labour.²¹ And where the poor will not submit to the powerful, "the state, the social apparatus of coercion and compulsion... employs its power to beat people into submission solely for the prevention of actions destructive to the preservation and the smooth operation of the market economy."²²

This fuller account of economic rationality, the selfish pursuit of one's own interests unconstrained by moral considerations, and which incorporates the realities of differences in power and the various mechanisms by which those with power exploit their advantages, seems to me a far better explanation of the realities of history. It accounts for such things as the slave trade, colonialism, and the conquest, subjugation and even genocide of indigenous peoples. As von Mises says, when European countries want access to resources in the underdeveloped world, "it is illusory to assume that the advanced nations will acquiesce in such a state of affairs. They will resort to the only method which gives them access to badly needed raw materials; they will resort to conquest."²³ Conquering and enslaving indigenous peoples may be the perfect expression of Hayekian rationality.

²⁰ Smith, *Wealth of Nations*, pp. 83-84.

²¹ Jessica Whyte, 'The Invisible Hand of Friedrich Hayek: Submission and Spontaneous Order'.

²² Von Mises, *Human Action*, p. 157, cited in Hill and Montag, p. 320.

²³ Von Mises, *Human Action*, p. 502, cited in Hill and Montag, p. 324.

This is a world governed by *necro-economics*, where the operation of the market leads to death for some and grants life to the powerful.

Returning to Staten's question, "Consider all the rest of human history, including most of the planet at the present moment. What are we to say about this overwhelming spectacle of cruelty, stupidity and suffering? What stance is there for us to adopt with respect to history, what judgment can we pass on it?" Part of the answer is that we should recognize that this overwhelming spectacle of cruelty, stupidity and suffering is, as Hayek and von Mises believe, something which is intrinsic to their conception of human rationality and free markets, and is integral to neo-liberal economics. This spectacle of cruelty, stupidity and suffering forms the theoretical underpinning of what Hill and Montag call a necro-economic world, which can only be regarded as the best and most rational of worlds if one accepts their account of rationality as crude self-interest unconstrained by any conception of morality, and equate the word "best" in *best of all possible worlds* with "rational" in the neo-liberal conception of rationality as unrestricted selfishness. In that sense of rationality, the neo-liberal world is the most rational of all possible worlds, and hence the best of all possible worlds.

Hume, morality and the best of all possible worlds

When Hume launched his attack on the theological argument purporting to show that our world is the best of all possible worlds, he made clear the distinction between the best of all possible worlds, in a moral sense, and best in the sense of most rational. "The attempt to prove the moral attributes... from intelligence must appear vain, when we consider that these qualities are totally distinct and separate. Reason and virtue are not the same, nor do they appear to have any immediate connection in the nature of things... Whether the author of nature be benevolent or not can only be proved by the effects, and by the predominance either of good or evil, of happiness and misery in the universe."²⁴

The Hayekian argument that neo-liberalism produces the most rational of all possible worlds is vulnerable to a suitably secularized version of this Humean consideration. "Reason and virtue are not the same, nor do they appear to have any immediate connection in the nature of things." So even if one were to concede to Hayek that unrestricted selfishness is the most rational form of behaviour, and that free markets, as the institutional expression of unrestricted selfishness, produced the most rational of worlds, one would have done nothing to show that this did not produce an immoral world. (The question of the relationship between rationality and morality is addressed in the final section).

As Hume shows, the origin of the Universe in reason tells us nothing about its moral qualities, "as a sound understanding and a hard heart are very compatible". The moral qualities of the maker of the Universe can best be evaluated by the distribution of good and evil within it, not by knowing how the Universe arose. One must assess "the predominance of either good or evil, of happiness or

²⁴ Hume, 'Fragment on Evil', in *Dialogues concerning Natural Religion and Other writings*, p. 109.

misery, in the universe. If good prevail much above evil, we may, perhaps, presume that the author of the universe, if an intelligent, is also a benevolent principle. If evil prevail above good, we may draw a contrary influence.”²⁵

Hayek at no point attempts to show that in his rational economic world, good and happiness predominate over evil and misery. It is hard, as Hume says, to know how one could attempt to prove that. And even if one could, that would still fall far short of proving that the world was the best of all possible worlds – that no improvement in the existing distribution of happiness and misery was possible. This latter proposition, that no improvement in the existing distribution of happiness and misery is possible, would need to be true in order to prove that we do indeed live in the best of all possible worlds. One does not need to accept Statten’s claim that human history is little more than an “overwhelming spectacle of cruelty, stupidity and suffering”. One simply needs to believe that, for example, if the slave trade was the result of rational economic activity, then the world would have been better without this kind of rational economic activity.

Hayek can only sustain his claim that his conception of free markets will produce the most rational of all worlds if he denies both that morality has any rational foundations, and that economics needs to take account of morality. Attempts to impose restrictions on the operation of free markets which rely upon moral considerations must inevitably be, for Hayek, completely irrational.

The division of labour

Hill and Montag trace an affinity between Agamben’s use of the concept of *Homo Sacer*, the person who stands outside the realm of law and may be killed with impunity, and *le malheureux*, the person “who may, with impunity and without consequences, be exposed to starvation and allowed to die, slowly or quickly, in the name of the rationality and equilibrium of the market... a category necessary to any notion of the market as the sole rational form of human cooperation— that of *laissez mourir* or letting die.”²⁶ This is the basis of their conception of necro-economics – the economics of determining who dies and who lives.

For Hill and Montag, it is famine which assigns some people to *les malheureux*, the category of those who can be allowed to die with impunity. However, I think we should see this category not as representing an exception in the way that Agamben sees *Homo Sacer* as representing the operation of a state of exception, but as simply being the point at which the normal processes of the market reach their limit.

The Hayekian market is based on the rational exploitation of the weaker by the stronger. Rather than being divided into the weak and the strong, this system of exploitation forms a continuum, with the strongest at the top, and beneath them the next strongest and so on until at the bottom of the system of

²⁵ *Ibidem*, p. 110.

²⁶ Hill and Montag, p. 306, p. 313.

exploitation one finds those with no political power, no social networks which can influence the more powerful and no marketable skills – those with only their labour power to bring to the market. The corollary of the Hayekian argument that the exploitation of the weak by the powerful produces the best of all possible worlds is that some lives are more valuable than others. Those with more power are more valuable, and those with the least power of all are the least valuable. Their role in the system of the economy is to ensure that the wants of those with more power are satisfied, and they have a value only in so far as they are able to fulfil this role. When a life has no economic value and cannot sustain itself, then it is simply on the lowest rung of the ladder of exploitation. This isn't an exceptional state, merely the lowest point on the scale of exploitation which is the basis of the system. This is where, for Hill and Montag, the necro-economics of famine operate, bringing starvation to those with no resources.

As Lisa Hill points out, the manufacturing system and division of labour that was in operation in Smith's time had a deadening effect upon workers, and the wealth and prosperity of the rich depended upon the sacrifice of any opportunity for a rich and satisfying life for the worker.²⁷ In his discussion of the division of labour Smith points out that the labour of the worker in a factory is reduced to one or two simple operations, which inevitably mean that the labourer loses the good part of his cognitive capacities. The worker is reduced to "a kind of automaton, who is not only 'as stupid and ignorant as it is possible for a human creature to become', but is soon bereft of any capacity to exercise his or her moral sentiments or to judge of his or her own best interests".²⁸ In the end, the division of labour employed in the factory system to extract the maximum production from the labourer, "deadens the moral sentiments to the point where 'all the nobler parts of the human character may be obliterated and extinguished' altogether".²⁹ For those at the bottom of the system of exploitation, those without any political power, or without skills, who have only their labour power to barter with in the market, their function within society is to maintain the rich in ease. "The labour and time of the poor is in civilized countries sacrificed to maintaining the rich on ease and luxury."³⁰ Smith's colleague and sometime friend, Adam Ferguson, elaborated this point, "Many mechanical arts ... require no capacity; they succeed best under a total suppression of sentiment and reason ... manufacturers prosper most where the mind is least consulted, and where the workshop may ... be considered an engine, the parts of which are men".³¹ The majority are forced to labour for the benefit of the few, "the genius of the master is cultivated while that of the inferior workman lies waste", and the minds of those who occupy "the more liberal stations of life" are permitted to "profit by exemption from inferior cares and anxieties."³²

²⁷ See Lisa Hill, 'Adam Smith, Adam Ferguson and Karl Marx on the Division of Labour', for a clear and extensive discussion of this, on which this section draws heavily.

²⁸ Smith, *Wealth of Nations*, pp. 781-782.

²⁹ *Ibidem*, pp. 783-784.

³⁰ Smith, *Lectures on Jurisprudence (A and B)*, (B), p. 340.

³¹ Ferguson, *An essay on the History of Civil Society*.

³² *Ibidem*, p. 229, p. 175, and Ferguson, *Collection of Essays*, p. 144.

This conception of the poor as being fit for no better a role than being the flexible parts of a machine whose purpose is to generate the capital providing a life of leisure which enables the rich to cultivate their ‘genius’ makes it clear that some lives are more valuable than others. The lives of those who labour, those who are the interchangeable human parts of the machines that create wealth, are of less importance, have less value than those who enjoy the benefits of that labour. The market assigns those with no greater resources than their labour the role of providing through their labour a life of leisure for those with more power and assets. The market, as envisaged by Hayek, produces labourers “as stupid and ignorant as it is possible for a human creature to become”. Their lives do not matter, except in that they are the creators of the capital that sustains the leisure and “genius” of those who do not labour. On this account, death by famine does not represent a state of exception. It represents the limit point of a system which attaches less and less value to those closer and closer to the bottom of the system of exploitation. When those at the bottom of this system have no role to play within the system, either through unemployment or because they are unable to obtain the money they require to feed themselves, then they can be allowed to die, just as in times of normality they have been allowed to waste their lives labouring for those who do not labour. Death from famine, Hill and Montag’s necro-economics, is not so much a state of exception, but rather marks the limiting point of a system that sees some lives as more waste-able than others, and in the market, system as envisaged by Hayek and von Mises, the limiting point of a waste-able life is that the market allows one to die.³³ When a famine occurs and, for the poor, death from starvation results, the situation may be exceptional, but the processes involved are simply the normal processes of Hayekian capitalism. No exceptional processes are involved. In a Hayekian system, there is no human right to subsistence. There is only the market.³⁴

Bio-politics, life and human nature

As we saw, Foucault takes the view that neo-liberalism constitutes an ideological structure which provides the kind of authoritative discourse within which what counts as truth is defined. It sets the boundaries within which thought is recognized as rational, and outside of which lies the irrational or the irrelevant. For Foucault, establishing a discourse as normative, as a paradigm that establishes the limits within which rational thought can take place, is never unconnected with power. Power is central to the operation of neo-liberal economics – both the hard economic and political power that von Mises speaks of when he talks about the power of the state to beat people into submission, and the ideological power which normalizes the existing distribution of goods, opportunities and power, and leads people to accept the existing order of things as perfectly normal, and thereby implicitly accept Hayek’s explicit argument that neo-liberalism represents the best of all possible economic worlds.

³³ See Hill and Montag, p. 317.

³⁴ Von Mises, *Human Action*, p. 839. See on this point Hill and Montag, p. 317 *passim*.

However, Hayek cannot accept Foucault's account. Hayek cannot accept that what he takes to be "rational behaviour" is merely "behaviour that counts as rational given the boundaries set by the prevailing neo-liberal paradigm". Because this leaves open the possibility that there are other kinds of rational behaviour – rational moral behaviour, for example. Rational moral behaviour would, on a similar Foucauldian account of moral rationality, simply be "behaviour that counts as rational given the boundaries set by the prevailing moral paradigm".³⁵ If we have competing accounts of rational behaviour, then the question arises of which paradigm to adopt when the two paradigms deliver incompatible assessments of behaviour. What is economically rational may be morally irrational, and vice versa.

Hayek avoids the problem of relativizing rationality to a paradigm, to the neo-liberal hegemonic discourse, by arguing that rational economic behaviour is not merely "behaviour that counts as rational given the boundaries set by the prevailing neo-liberal paradigm", but is rational *simpliciter*, rational for all time and for all people. Selfishness is, for Hayek, the prevailing motivation for human beings, in the past, in the present, and in the future. It overrides all other motivations, and cannot be constrained by any other motivations. Only with such a strong claim can Hayek maintain that markets embody the kind of rationality that he claims for them, that they represent the best of all possible forms of economic organization.

In this sense, Hayek's theory of rationality is a claim about the nature of humanity. If bio-politics is about the governance of life, Hayek's theory puts limits on how life can be governed, limits which arise because of mankind's nature. Foucault's account of neo-liberalism recognises the idea of limits on how life can be governed, but Hayek's claim is not the same as Foucault's. Foucault's claim is that from within the hegemonic discourse of neo-liberalism, the nature of human rationality means that the possibilities for effective action by the state are subject to limitation. Hayek's claim is that neo-liberalism is not merely a hegemonic discourse putting forward a particular conception of rationality. Hayek's claim is that the neo-liberal account of rationality is true *per se*, true no matter what hegemonic discourse one adopts.

This is a very strong claim about human nature – that human nature is essentially individualistic, self-centred and materialistic, with a set of preferences, aiming at optimizing marginal utility when exercising its choices, and is unconstrained by moral considerations. Rationality is simply behaving in this way. As we saw, there is no place for ethics in this conception of human rationality. What makes this a very strong claim is that it runs counter to 2,500 years of human thought, and if nothing else, it requires that competing conceptions of human nature and of rationality be shown to be false.

One different conception of rationality which has become increasingly significant is virtue ethics. Having its origins in Aristotle, it takes the view that

³⁵ From a Foucauldian perspective, John Rawls' account of rational choice in *A Theory of Justice* would be such an alternative conception of rationality, as it is based on the idea of the sort of world it would be rational to choose to live in. Rationality lies at the heart of Rawls' conception of social justice. Rawls' idea of rationality is clearly incompatible with Hayek's conception of rationality. Rawls, however, would not accept the idea that he is offering merely an alternative account of rationality.

it is rational for humans to try to flourish. Over the past 50 years it has proved to be one of the most fruitful areas of ethical research.³⁶ It is far from easy to specify what counts as human flourishing, but virtue ethics starts from the assumption that a flourishing life is a social life, and that living an ethical life is essential to human flourishing. This characterization of virtue ethics leaves a lot of philosophical work still to be done, but even with this minimal characterization, it is possible to see that what counts as Hayekian rationality would count as a wasted, 'irrational' life from the perspective of virtue ethics. A Hayekian rational life could not be a flourishing life. Philippa Foot implies that the kind of life that Hayek presents as a rational life would be a totally wasted life. She stresses that human life itself has value, but not just any kind of life has value. Only those lives have value which are grounded in "what is deep in human nature, and fundamental to human life, such as affection for children and friends, the desire to work, and love of freedom and truth."³⁷ When someone lives a life that is not grounded in what is deep in human nature, we are able to see them as having wasted their life, irrespective of how materially successful they are, and even irrespective of what their own subjective perception of the value of their own life is. For Foot, it is quite plausible to say of someone who devoted their life to building a successful business empire at the expense of a rich emotional and intellectual life, that they wasted their life – a thought which makes no sense to a Hayekian, as it would require the admission that there is a perspective which lies outside economics which offers ways of evaluating the preference set of desires that lies at the heart of the neo-liberal conception of human nature. As Foot stresses, "we must be able to handle the thought of false values if we are to say what is wrong with a society such as ours."³⁸ Foot clarifies her thoughts in this way, "It isn't true to suppose that human beings can flourish... [when they are] isolated, despised or embattled, or without courage or hope... Communities as well as individuals can live wisely or unwisely, and this is largely the result of their values and the codes of behaviour that they teach. We do not have to suppose that it is just as good to promote pride of place and the desire to get an advantage over other men as it is to have an ideal of affection and respect. These things have different harvests and unmistakably different connections with human good."³⁹

Like Hayek, the proponents of virtue ethics believe that they are offering an account of human nature and human flourishing that is valid for all times and places. They do not think that they are merely offering an alternative paradigm, which is incommensurable with the neo-liberal paradigm, and that there are no rational grounds for choosing between the paradigms. The account of human nature and human flourishing which virtue ethics offers is intended to be true *simpliciter*, not as simply true within a particular paradigm or a form of discourse.

Foucault sees the contemporary world as being characterized by the shift from the bio-political paradigm to the neo-liberal paradigm. For Hayek, who

³⁶ See, for example, Philippa Foot, *Moral Dilemmas and Other Topics in Moral Philosophy* and David Wiggins, 'Truth, Invention and the Meaning of Life', *Proceedings of the British Academy*, vol. 62, 1977.

³⁷ Philippa Foot, 'Moral Relativism', in *Moral Dilemmas and Other Topics in Moral Philosophy*, p. 35.

³⁸ Foot, *Ibidem*, p. 35.

³⁹ Foot, *Ibidem*, pp. 33-34.

thinks not quite in terms of paradigms and paradigm shifts, this shift represents a shift from a mistaken conception of human nature to an accurate conception of human nature, a shift from irrational ways of organizing society to a rational form of social organization. The term *bio-political* has, for Foucault, a variety of meanings, but when used in the sense of the *bio-political paradigm*, Foucault means the broad shift in how the relationship between the state and the population is understood, with the health of the nation, conceived of as the totality of its members, being the object of political governance. Sanitation, public health measures, disease control and similar measures fall within this conception of bio-politics. In order to implement them, the state has to interfere in the operation of the free market, which according to Hayek represents a restriction on the operation of individual rationality.

Foucault is concerned with governance, the power relationship between those who govern and those who are governed, and the change in that relationship which occurs when the bio-political paradigm gives way to the neo-liberal paradigm. Virtue ethics is concerned with human flourishing, and the bio-political state, seen not as concerned with the *governance* of life, but with *providing the conditions for a flourishing life*, may well appear to be the form of the state which best enables people to live rationally. But if one conceives of human nature as having an essential quality, a core which is invariant between paradigms, as virtue ethics does, then one is less concerned with governance than with ways of organizing the state which create the conditions which make human flourishing possible. The criticism that virtue ethicists make of neo-liberalism is that a neo-liberal state is inimical to human flourishing, it denies people the opportunity to pursue their own flourishing which is the goal which it is rational for all people to pursue, and as such, it is an 'irrational' state, a state which denies the very possibility of even trying to attain the goals which it is rational to pursue. The charge levelled by virtue ethicists against neo-liberalism is exactly the same charge which neo-liberals' level against the bio-political state, that it is irrational. But in the case of virtue ethics, it seems to me that the charge has far more force, because it offers a picture of human nature and human rationality that embraces a fuller, a richer and a more plausible picture of what it is to be human than the implausible, crude, mechanistic materialism of Hayek and neo-liberalism.

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