

**MARX'S VALUE FORMS AND HAYEK'S RULES: A  
REINTERPRETATION IN THE  
LIGHT OF THE DICHOTOMY BETWEEN *PHYSIS* AND *NOMOS***

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This paper argues that both Marx and Hayek objected to the dichotomy between *physis* and *nomos*, and offered concepts which integrate, or mediate between, the two. Marx's value forms and Hayek's rules aim to grasp something neither purely natural nor purely artificial or social, but "socially natural". Value forms and rules are natural in the sense that they pre-exist the agents and are taken by the agents as given. On the other hand, forms and rules are social in that productions relations or spontaneous order are reproduced as the unintended consequences of the agents' using forms or following rules. Thus value forms and rules stand as links between agents and production relations or spontaneous order.

*Key Words:* Marx, Hayek, Keynes, value forms, rules

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The dichotomy between *physis* (the natural) and *nomos* (the artificial) has been one of the predominant ideas in the Western thought. This dichotomy can be traced back to pre-Socratic era. Ancient Greek philosophers, including Plato and Aristotle, offered various accounts of relationships between *physis* and *nomos*. Roughly speaking, *physis* stands for human nature and material nature, whereas *nomos* denotes artifices, convention, norms or legislation.<sup>2</sup>

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<sup>2</sup>) It is to be noted that Aristotle's concept of *physis* denotes much more than natural properties or essence, and his system built more on *physis* than did Plato's. His concept of *physis* embraces such notions as birth/growth/death, change and movement. Thus, in his system, *physis* contains internal power of motion and purposefulness, whereas *nomos* does not (Aristotle, 1955, pp. 348-9; Kaulbach, 1971, p. 421). Moreover, he seems to have endeavoured to base ethics on *physis* (Aristotle, 1906, p.

According to Schumpeter and others, this dichotomy is, via Aquinas and other scholastic doctors, closely linked with the notion of natural law which lays the foundations for social sciences and economics (Schumpeter, 1981, pp. 107-8; Brown, 1984, pp. 1-23; Milberg, 1993, pp. 255-6). More specifically, as Meikle (1995) points out, the dichotomy was incorporated into the economic thought as the distinction between use value and exchange value which provided the point of departure for most value theories of the 19th century.

This paper attempts to reinterpret Marx's value forms and Hayek's rules in the light of the dichotomy. The basic contention of this paper is that both the concepts of value forms and rules are constructed to overcome the dichotomy. These concepts aim to grasp what is neither purely natural, nor purely artificial or social, but what might be dubbed "naturally social" or "socially natural". Thereby these concepts serve to demarcate the domain of study of Marx's political economy and Hayek's socio-economics.

In this paper, first, I shall discuss Marx's value forms, centering on their role as the linkage between economic agents and production relations. Second, I shall examine Hayek's rules and price, focusing on their role as the linkage between economic agents and spontaneous order. I shall also show that, for Marx and Hayek, money encapsulates the concepts of forms and rules. Third, I shall explain the significance of value forms and rules so as to establish some similarity between Marx and Hayek. Fourth, I shall compare the methods of Marx and Hayek with those of other economists. Finally, I shall draw a few implications.

### 1. Marx's value forms and production relations

In general, Marx conceived economic relations and economic categories as relatively independent of (, though embedded in,) both natural elements and legal or political processes (Marx, 1967, p. 38, 47, 57, 89; Bhaskar, 1989, p. 52). This calls for elaboration.

First, Marx insisted that capitalist exchange/production relations are neither generated nor reproduced by natural elements (e. g. weather conditions or geographical zones) or by innate human nature (e. g. self-interest). In similar vein, his basic categories such as value, money or capital are not founded upon natural properties of things (e. g. their colors) or upon universal human nature. For this reason, relying on the concept of commodity fetishism, Marx refuted various kinds of naturalism which pretended to explain socio-economic phenomena by natural factors. This feature of his thinking may be construed as a disapproval of *physis*.

Second, Marx made it clear that socio-economic relations are neither generated nor reproduced by social agreement between agents nor by politico-legal processes. Moreover, economic entities, in his system, are created, and economic categories

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77). This encourages the view that, in Aristotle's writings, *physis* and *nomos* are not so clearly separable as is implied in this paper.

However, I would argue that the rough definition suggested in this paper does not greatly deviate from that of Aristotle. Among other things, this paper relies upon Hayek's reading of Aristotle. Hayek criticised Aristotle for holding a stationary view of society and argued that 'the Aristotelian tradition knows nothing of evolution' (Hayek, 1988, pp. 143-6). Besides, according to Nussbaum's recent exposition (1995), Aristotle treated human nature as the basis from which ethical principles are derived, only in so far as he conceptualised it as inseparable from human experiences and social practices.

are constructed, relatively independent of (, though embedded in ,) politico-legal processes. This implies that a capitalist society has the inherent tendency to reproduce itself, which is not basically affected by politics, government policies or regulations. This also accounts for his objection to contractualism, legalism, or statism. In fact, Marx did not accord primacy to state intervention on any level - legislative, administrative and judicial. This feature may be seen as a denial of *nomos*.

These points, taken together, imply that Marx did not accept the dichotomy in his analysis of capitalism. A step further, these seem to encourage the idea that Marx attempted to replace the dichotomy with what might be called "the naturally social" or "the socially natural". To anticipate, the idea of the naturally social can be defined as a dialectical combination of the natural and the social.

It is value forms and production relations which are central to Marx's system that embody the idea of the socially natural or the naturally social. It is to be clarified in what senses value forms and production relations are *natural* and at the same time *social* in Marx's system.

First, there are three different senses in which both value forms and production relations may be defined as natural. And, in one sense, value forms can be deemed natural, but production relations cannot. In none of these senses are implicated the primacy of natural properties of things or of universal human nature.

(1) Value forms and production relations are natural in that they are *necessary* consequences of historical development and class struggle. However, lay agents do not know and do not have to know 'that'. That knowledge can be acquired only by means of scientific inquiry on the part of economists or social scientists.

(2) There exist varieties of value forms and various aspects of production relations in a capitalist economy. For Marx, all the forms and aspects are inherent in capitalism and inextricably *interrelated* or institutionally inter-locked. Thus any given form or aspect of relations is natural to capitalism in the sense that it is intrinsic to capitalism, or that it does not stand apart from the rest. For example, capitalism is monetary by its very nature, since capitalist production relations necessitate money.

From (1) and (2), it should be evident that one cannot, in Marx's view, bend and twist value forms and production relations at one's will, as long as capitalism persists. Nor are human reason or government policies able to alter or destroy forms and relations. Put simply, value forms and production relations cannot be chosen arbitrarily. Seen in this light, value forms and production relations are not artificial. It is thus confirmed that Marx did not accept *nomos*.

(3) Ontologically, production relations and value forms are given and pre-existent to individual agents. Moreover, relations and forms are enduring, though they are transmutable. Epistemologically, since lay agents cannot trace the origins of the forms, they regard the forms as not only enduring but also ahistorical and immutable. The agents would even conceive the forms as if they were part of the natural environment. Roughly speaking, the agents cannot, and do not have to, distinguish between changes in prices and changes in temperature.

Hence value forms, together with production relations, constitute a quasi-natural environment for economic agents. It should be emphasised that Marx's concept of commodity fetishism does not merely represent a naturalistic misconception about value forms and production relations on the part of lay agents and bourgeois economists. It also entails that production relations and value forms themselves create this misconception.

In this quasi-natural environment, social relations between humans are "fragmented" in such a way that they take the form of natural properties of things or of relations between humans and things. The apparent relations between agents and things may be of various types: relations between consumers and goods, between entrepreneurs and money or assets, or between agents and capitalist rules.

All economic agents have to do in the course of their everyday life, faced with value forms, is to make use of the forms (or of changes in money prices) in accordance with their self-interest (Marx, 1973, p. 84). In fact, it is essential to the identity or existence of the agents to use the forms as their means (cf. Khalil, 1999). This is made evident, if the 'form' aspect of value forms is highlighted and thus the forms are simply understood as quoted exchange ratios, specific quantities of money, or particular rules of conduct. It should be noted that value forms are not just given from outside to the agents, but already 'internalized' in the agents (and in the commodities) as their norms or moral. For this reason, one could say that in a capitalist economy economic agents are almost *naturally*, enabled as well as coerced, to make money.

Only in the eighteenth century, in 'civil society', do the various forms of social connectedness (*die verschiedenen Formen des gesellschaftlichen Zusammenhangs*) confront the individual as a mere means towards his private purposes, as external necessity (Marx, 1973, p. 84; also quoted in Dumont, 1977, p. 163).

However, the agents do not (have to) know that, as the social consequence of their being guided by value forms, economic relations and social structure reproduce themselves. In a sense, it looks if economic agents lost their memory of the essential fact that their activities are embedded in social relations and institutions (cf. Anjos Jr., 1999).

(4) Of greater importance is that there is a sense in which value forms are deemed natural, but production relations are not.

Not merely economists but also lay agents are aware of the existence of prices and rules. More specifically, value forms make their appearance in certain quantities of money, individual market prices or particular rules which leave no trace of social relations. For this reason, the agents can easily perceive the forms through their senses, although the agents on their own cannot conceptualise the forms. This leads us to argue that value forms are not only natural, but also simple and 'concrete'. The simple and concrete aspects of value forms constitute 'the exoteric' (in Marx's own terms).

By contrast, as for production relations, the agents are not aware of their existence, although economists are able to lay them bare by means of a scientific investigation. In other words, lay agents can observe value forms by their sense perception, but they cannot detect production relations. It follows that value forms and production relations differ in that the former are concrete and simple, whereas the latter are not. In this specific sense, value forms, as distinct from production relations, can be regarded as natural.

Second, as to the 'social' aspect of the socially natural, production relations are social, simply because they are comprised of exchange relations and exploitation relations between humans. The social nature of value forms does not look so evident. However, on reflection, it turns out that not only production relations, but

also value forms are social in two senses.

(1) Socio-economic reproduction takes place via economic agents, even though they are not conscious of it. That is, actions of the agents who are propelled and guided by value forms result in the reproduction of capitalist production relations.

For instance, a capitalist develops a new technique in order to gain more profit. The advantage of a new technique secures the capitalist a higher rate of profit for a while. But competition forces other capitalists to come up with still better techniques. As the better techniques spread in the economy, the initial extra profit tends to disappear. As a result of this competitive process, values and prices of wage goods are lowered. As for Marx, this means that the social rate of exploitation becomes higher through the method of relative surplus value. The upshot is that individual capitalists unconsciously reproduce exchange/exploitation relations by their profit-seeking activities.

This is more clearly revealed, if the 'value' aspect of value forms is focused upon and thus the forms are taken as esoteric, as counterpoised to exoteric.<sup>3</sup> It is to be reminded that for Marx, value does not primarily represent (socially necessary) labour time, but socio-economic relations (Hong, 2000, pp. 88-9).<sup>4</sup> Given this, it can be deduced that Marx did not draw upon *physis* for his analysis of capitalism.

Interpreted in this way, value forms are also complex and 'abstract' in the sense that natural properties of things are not constitutive of value forms, and thus value forms are neither immediately conceivable through common sense nor fully comprehensible in daily experience (Marx, 1967, p. 83). According to Marx, interest-bearing capital and finance capital are the most complex and abstract amongst value forms.

So far no chemist has ever discovered exchange-value either in a pearl or a diamond. The economic discoverers of this chemical element ... find however that the use-value of objects belongs to them independently of their material properties, while their value, on the other hand, forms a part of them as objects (Marx, 1967, p. 83).

(2) Value forms and production relations are social in another sense: that they are historically specific to the capitalist mode of production. Marx asserted that value forms and capitalist production relations are not detected in the pre-capitalist modes of production. Moreover, they will allegedly evaporate in the socialist mode of production. In the last analysis, value forms and production relations are enduring and yet they are also transformable and transmutable.

On the basis of the above discussion, it should be noted that value forms are abstract (and complex) as well as concrete (and simple). The concreteness of value forms is expressed by their *natural* appearance as quantities or ratios, whereas their abstractness lies in their *social* being as quality. To be sure, economic agents do know how to use changes in money prices and thereby to make money, given capitalist rules. But the agents cannot abstract value forms from individual prices

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<sup>3</sup>) The esoteric and the exoteric are, respectively, defined as 'the intrinsic connection existing between economic categories', and as 'the connection as it appears in the phenomena of competition' (Marx, 1968, II, pp. 165-6).

<sup>4</sup>) Marx's labour theory of value, if interpreted from a quantitativistic standpoint, bears little resemblance to Hayek's problematic. But Marx's concept of value should not be construed as aiming to determine exchange ratios.

and particular rules. To elaborate, they have no conception that their activities which are enabled and constrained by value forms bring about the reproduction/transformation of production relations. Nor do they have any idea about the process through which value forms came into being.

It is only by means of scientific inquiry on the part of economists that value forms are conceptualised as social and abstract. As will be explained later, the 'social nature' of value forms is recovered or reconstructed, when the relations between an agent and things are found to be embedded in, or encompassed by, the relations between humans.

Viewed in this way, value forms stand as links between economic agents and production relations or social structure (as hierarchical complex of various types of relations). Or value forms forge links between exoteric and esoteric in Marx's system. On the one hand, value forms are linked to economic agents through their natural, concrete and simple aspects. On the other, value forms are connected to economic relations and social structure through their social, abstract and complex aspects.

The foregoing exploration allows us to argue plausibly that both value forms and production relations are naturally social. It is also to be acknowledged that *value forms* (price and money) are the most typical among 'socially natural' categories, because value forms, as distinct from production relations, are simple and concrete. Some textual evidence may be adduced.

In his discussion about commodity fetishism, Marx said that commodities are sensibly insensible things or sensibly social things (*sinnlich bersinnliche oder gesellschaftliche Dinge*) (Marx, 1967, p. 72). More importantly, he identified value forms of a commodity as its socially natural properties (*gesellschaftliche Natureigenschaften*). In this regard, value forms give expression to the concept of the "second nature" which suggests that capitalism has the inherent tendency to objectivate the social into the natural (Lukacs, 1968, p. 63, 86).

It is price and money which encapsulate the concept of value forms. Money prices guide daily decisions and activities of economic agents (e. g. sale or investment) in such a manner as to reproduce/transform production relations. Moreover, the existence of money makes agents possessive, as is required by capitalist social structure. It should be underlined that Marx's agents are already social in that they are able to follow capitalist rules of game.

Among other things, Marx thought that the origin of money as a form of value has little to do with natural properties of precious metals, nor with legislative acts or administrative policies. Stated otherwise, the emergence of money is neither purely natural, nor purely artificial. According to Marx, money originates *naturally* from the capitalist *social* relations.<sup>5</sup>

More concretely, Marx claimed that money commodities appear in the form of natural things with particularly social property (*die Form von Naturdingen mit sonderbar gesellschaftlichen Eigenschaften*) (Marx, 1967, p. 82). Or, according to him, when two commodities are exchanged, their social value property is separated from their sensible use-value property (p. 73). For this reason, Marx took pains to demonstrate how a commodity becomes money by monopolizing the *socially natural* property of *direct exchangeability* (*unmittelbare Austauschbarkeit*).

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<sup>5</sup>) Or one might say that money is not only a social relation, but also 'a reality as unyielding to an individual's will as any natural phenomenon' (Foley, 1987, p. 519).

Moreover, money is natural, simple, and concrete, while it is, as a specific quantity, circulating in day-to-day economic life. On the other hand, money is social, complex, and abstract, insofar as its origin or its social consequences are concerned.

## 2. Hayek's rules (and price) and spontaneous order

In a similar fashion to Marx, Hayek offered the naturally social or the socially natural as the object of economics and social sciences. In fact, Hayek was more explicit about his intention to reject the dichotomy than was Marx.

However, at first glance, Hayek's position seems self-contradictory. On some occasions, Hayek defined the object of economics 'negatively', by stating that it is neither natural nor artificial or social. But, on other occasions, he defined it 'positively', by contending that it is both natural and social. This apparent contradiction is not resolved until it is understood that he was trying to get at the naturally social.

First of all, Hayek emphasised, time and again, that one cannot rely upon the dichotomy to define the proper object of economics or social sciences (Hayek, 1967, p. 96, 1988, Appendix A; Witt, 1994, p. 180). In similar vein, he refuted the usual dichotomy between genetically determined capacities and learned activities or between nature and nurture (1978b, p. 291). The negative determination advocated by Hayek disposed some interpreters to argue that social order, as conceived by Hayek, is neither artificial nor natural (Streit, 1993, pp. 246-7).

But it has its sources in a much older erroneous dichotomy which derives from the ancient Greeks .... This is the misleading division of all phenomena into those which are 'natural' and those which are 'artificial' (Hayek, 1967, p. 96).

However, Hayek also contended that there is no better expression for rules and spontaneous order than 'natural' (Hayek, 1988, pp. 97-8). Notably, he deplored the fact that legal positivists denied the existence of natural laws (Hayek, 1988, p. 104; Galeotti, 1987, p. 290). Moreover, although Hayek was very careful about using the term 'social' or 'societal', he conceded that the term could be used, insofar as its scope was restricted to the 'order of human relationships which had developed spontaneously' (Hayek, 1967, p. 241, 1976a, pp. 78-80).

The positivists no longer understood that something might be objectively given although it was not part of material nature but a result of men's actions; and that law indeed could be an object for a science only in so far as at least part of it was given independently of any particular human will (Hayek, 1988, p. 104).

From all this one may conjecture that, in Hayek's view, the object of economics is constituted by a third between *physis* and *nomos* (1988, p. 145).<sup>6</sup> In fact, he

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<sup>6</sup>) In one place, Hayek redefined '*nomos*' as socially natural, in distinction from Aristotle's *nomos* (1978b). Here Hayek also highlighted the contrast between *cosmos* and *taxis* (kinds of order), between *nomos* and *thesis* (kinds of rules), and between *nomocracy* and *teleocracy* or between *catallaxy* and *economy* (orders based on rules). In Hayek's redefinition, Aristotle's *nomos*

declared that there exist custom, tradition, culture or morality 'between instinct and reason' (1976a, Vol. 3, p. 154, 160, 1988, ch. 1, p. 10, 21, 60, 70).<sup>7</sup> Moreover, he called this third "a second endowment", which seems akin to the Marxian concept of the second nature (1988, p. 52).<sup>8</sup>

More specifically, according to Hayek, rules and spontaneous order, conceived as the result of human action but not of human design, comprise the proper object of economics (Hayek, 1966, ch. 6, pp. 96-7, 1967, ch. 6; Vaughn, p. 996). In fact, Hayek seems to have admitted that he shared with Marx the concept of the result of human action but not of human design (Hayek, 1988, p. 100, n. 12).<sup>9</sup>

Culture is neither natural nor artificial, neither genetically transmitted nor rationally designed (Hayek, 1976a, Vol. 3, p. 160).

It is artificial only in the sense that in which most of our values, our language, our art and our very reason are artificial; they are not genetically embedded in our biological structures. In another sense, however, the extended order is perfectly natural; in the sense that it has itself, like similar biological phenomena, evolved naturally in the course of natural selection (1988, p. 19).

by relying on the self-ordering forces of nature, but not by deliberately trying to arrange elements in the order that we wish them to assume .... In order to induce the self-formation of certain abstract structures of inter-personal relations .... (1988, p. 83).

These points combine to suggest that Hayek's rules and spontaneous order are both natural and social. Hayek's rules and spontaneous order can be regarded as natural and social in the senses similar to those in which Marx's value forms and production relations are so.

First, rules and spontaneous order are natural in the following senses. Again, in none of the senses is implicated the primacy of natural attributes of things or of natural properties of humans.

(1) Rules and order are created, selected, and reproduced by repeated actions of individual agents in the real world (Hayek, 1976b, pp. 59-60, 1978b, pp. 67-8, 1988, p. 19, 83; Barry, 1994, p. 146). Individuals do not know, and do not have to know, "that" process, since this evolutionary process goes on, regardless of their intentions. This means, from Hayek's standpoint, that most rules and spontaneous order do not originate by social contract or legislative acts.<sup>10</sup>

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corresponds to taxis, thesis, teleocracy or economy. whereas Aristotle's *physis* finds no counterpart. However, what is at issue is not Hayek's terminological change, but what his quest was for.

7) In similar vein, Hayek accorded primacy neither to senses nor to reason concerning human perception (cf. Streit, 1993, p. 225; Burczak, 1994, p. 39).

8) However, as will be discussed later on, Marx's 'nature' is specific to capitalism, whereas Hayek's 'endowment' is (, as the term itself connotes ,) more universal.

9) Hayek disagreed with Popper merely on the latter's claim that Marx was the first one who adopts the concept.

10) Marx identified social contract theory and idealism as variants of bourgeois ideology, and acknowledges no fundamental distance between those and utilitarianism. By contrast, Hayek evaluated social contract theory and utilitarianism as varieties of constructivism. What concerns us in this paper is that Marx and Hayek both were critical of contractualism.



While in the former sense cultural phenomena are clearly not natural, in the latter a particular cultural phenomenon may clearly be part of the nature of, or inseparable from, certain cultural structures. .... Though there can be no justification for representing the rules of just conduct as natural in the sense that they are part of an external and eternal order of things, or permanently implanted in an unalterable nature of man, or even in the sense that man's mind is so fashioned once and for all that he must adopt those particular rules of conduct, it does not follow from this that the rules of conduct which in fact guide him must be the product of a deliberate choice on his part; or that he is capable of forming a society by adopting any rules he decides upon; or that these rules may not be given to him independent of any particular person's will and in this sense exist 'objectively' .... It is sometimes held ..... that everything which is specific to a particular society can therefore not be regarded as such (*an objective fact*) (Hayek, 1976b, pp. 59-60).

(2) Many kinds of rules and various aspects of spontaneous order are institutionally interlinked. 'Universalizability' that Hayek attributed to a rule reflects this feature (Hayek, 1976, vol. II, pp. 27-8; Streit, 1993, p. 243, n. 22). More generally, if order O necessitates rule A, A is natural to O. Or, if rule A should be accompanied by another rule B, B may be deemed natural, given A. In this respect, Hayek was foreshadowed by Mises who stressed that market order is monetary by its nature (Mises, 1981, p. 41).

(1) and (2) suggest that, in Hayek's opinion, rules and spontaneous order cannot be chosen or changed arbitrarily. This confirms that rules and spontaneous order are not artificial.

(3) Rules preexist agents. For this reason, rules are taken as objectively given and followed blindly by the agents. Moreover, rules are enduring, although they may be transmutable. This carries a suggestion that the agents are not conscious of spontaneous order that they generate and reproduce by their rule-following.

In other words the agents accept the rules as self-evident and natural. More broadly speaking, in the eyes of economic agents, rules and order are barely distinguishable from their physical environment. Obviously this does not entail that the agents themselves are natural beings. They are civilized and socialized enough to recognise and follow the rules.

(4) Rules are simple and concrete in the eyes of economic agents, whereas spontaneous order are not. More specifically, economic agents can easily recognise what they are asked to do by particular rules, and can immediately observe quoted prices and specific amounts of money through their senses. By contrast, spontaneous order is not observable. In this sense rules are natural, whereas spontaneous order is not.

To take an example, a traffic signalling system makes it a simple and concrete *rule* for you to stop your car, when red light is on. But you may not be able to figure out the *order* which is generated by the system. In similar fashion, price system makes it a *rule* for you to take account of (expected) changes in market prices in order to stay in business. But you may not be able to grasp conceptually what kind of *order* is reproduced by the system. In this specific sense, spontaneous order is *invisible* to economic agents, whereas rules are *visible*.

Second, rules are social in that they govern social relations between humans and

function to reproduce the social order. The agents reproduce spontaneous order by their rule-abiding actions, irrespective of their intentions. Besides, the order and the rules are abstract by which Hayek seems to mean two things (1976a, vol. 2, p. 11, 143).

(1) It hardly need to be recalled that Hayek's spontaneous order is open-ended, and that his rules are end-independent. Spontaneous order and rules do not specify a concrete end or content, and consequently they do not assign specific things to specific persons. Intermittently, he seemed to call this feature 'generality'. However, this feature is not crucial for present purposes.

(2) More important, being abstract seems to denote that order and rules are incomprehensible or opaque to economic agents. In particular, Hayek adhered to the view that rules remain unarticulated. This goes well with his allegation that rules and prices are impersonal and abstract (1976a, Vol. 3, p. 162, 1978b, p. 61; Witt, 1994, p. 179).<sup>11</sup> Thus it is perhaps right to point out that Hayek's rules are not merely social, but abstract and complex.

The greatest change .... came with the transition from the face-to-face society to .... the abstract society, a society in which no longer the known needs of the known people but only abstract rules and impersonal signals guide action towards strangers .... (Hayek, 1976a, Vol. 3, p. 162).

The point to be emphasized is that a rule may effectively govern action in the sense that from knowing it we can predict how people will act, without it being known as a verbal formula to the actors. Men may 'know how' to act ..... without their explicitly 'knowing that' the rule is such and such (Hayek, 1978b, p. 81).

.... by obeying certain rules of conduct that we never made, and which we have never understood in the sense in which we understand how the things that we manufacture function .... (1988, p. 14).

the only appropriate word, 'transcendent' .... it does concern that which *far surpasses the reach of our understanding, wishes and purposes, and our sense perceptions*, .... (1988, p. 72).

More specifically, the abstractness of rules and price stems from the agents' ignorance of the historical origins and of the social consequences of the rules and the price system (1978b, p. 81). That is to say, the agents have no conception about how the rules and the price system came into being, and how their rule-following and price-utilizing activities reproduce the spontaneous order (1988, p. 14, 31, 46). Yet the agents do not have to know that market order is reproduced through their money-seeking activities.

To illustrate, entrepreneurs can gain extra profit, if they adopt new techniques. But the extra profit tends to disappear, when better techniques are introduced later by other entrepreneurs. In virtue of this interactive competition among entrepreneurs, prices of consumer goods go down. Consumers who do little on their own benefit from the price fall and the economy flourishes. The upshot is that entrepreneurs unintentionally contribute to the economy, and thus reproduce the market order.

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<sup>11</sup>) It is notable that, according to a Marxist interpretation, homogeneity and abstractness of law are derived from universality and abstractness of labour (Pashukanis, 1978, pp. 120-2).

In the quasi-natural environment (as outlined above), rules may remain unarticulated for a long time, even while they are being followed by individual agents in the course of their everyday life. The reason is that social relations between agents appear as relations between agents and things, ontologically as well as epistemologically. This has the implication that rules and prices cannot be conceptualised by means of common sense, but by means of truly scientific investigations and only partly at that. What scientific investigations purport to do is to resurrect the "social nature" of the relations between humans and things by revealing that the relations between humans and things are essentially anchored in the relations between humans.

The foregoing exploration shows us that rules are most typical of socially natural entities in Hayek's system. To elucidate, Hayek suggested that there are three layers of rules: 'the solid, little changing foundation of genetically inherited, 'instinctive' drives, the traditions acquired in the successive types of social structures, the rules deliberately adopted or modified to serve known purposes' (Hayek, 1976a, Vol. 3, pp. 159-160; Witt, 1994, pp. 181-2). For Hayek, the second layer, as it constitutes the middle ground between *physis* and *nomos*, is most critical for the maintenance of a society. More specifically, this layer is comprised of rules (and institutions) concerning private property, tort, contracts, which place constraints upon, and enable, the actions of economic agents in their day-to-day life.

That economic agents unintentionally reproduce the spontaneous order by following unarticulated rules brings about another logical consequence: that Hayek's rules are linked to economic agents, on the one hand, and to the spontaneous order, on the other. Looked at from the side of their linkage to the agents, rules are simple, concrete and natural, whereas, viewed from the side of their linkage to spontaneous order, rules are complex, abstract and social (Lavoie, 1986, p. 226). Therefore, rules are simple as well as complex, concrete as well as abstract, and, most important, natural as well as social.<sup>12</sup>

Indeed, maintaining communication within the order requires that dispersed information be utilized by many different individuals, unknown to one another, in a way that allows the different knowledge of millions to form an exomatic or material pattern .... (Hayek, 1988, p. 84).

This abstract character of the merely instrumental value of means also contributes to the disdain for what is felt to be the 'artificial' or 'unnatural' character of their value .... (Hayek, 1988, p. 97).

his distinction between "scientific knowledge" and the "knowledge of the particular circumstances of time and place" ... While the former is general, abstract and timeless, the latter is specific, concrete and of only fleeting validity and interest (Lavoie, 1986, p. 226).

One might cast doubt on the argument that Hayek's rules are concrete, although they are indisputably abstract and social. In fact, Hayek denied explicitly that rules

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<sup>12</sup>) Caldwell (1988) focused on Hayek's transformations: from static equilibrium to dynamics and from dynamics to an evolutionary view of institutions. Moreover, Caldwell (1998) claimed that Hayek laid emphasis on knowledge, not information, and on a competitive market process. However, Caldwell did not place unarticulated rules and spontaneous order in the foreground of Hayek's system.

which lend stability to 'catallaxy' are concrete in the sense that they do not assign specific things to specific persons or ends. Moreover, he stressed that many rules cannot be articulated.

However, as used in this paper the term 'concrete' does not imply that rules are end-dependent or articulated. Instead, it merely denotes the plain fact that a rule, articulated or not, takes the simple form, "Do (not do) y in situation x", so that every agent can easily recognise what (s)he is asked (not) to do by the specific rule. As an example, when red light is on, all you have to do is to stop your car without much reflection. It is almost self-evident that economic agents must know "how" to abide by the rules.<sup>13</sup> In this specific sense, it is justifiable to argue that Hayek's rules are concrete.

All this gives support to the conjecture that the idea of the socially natural or the naturally social is at the heart of Hayek's system. More specifically, Hayek attached the same significance to *rules* (and price) as that which Marx attributed to *value forms*.<sup>14</sup> Moreover, *spontaneous order* in Hayek's system has the same status as *production relations* in Marx's.<sup>15</sup> Just as value forms stand as links between agents and production relations, rules and price mediate between agents and spontaneous order.

The common significance of Marx's value forms and Hayek's rules seems to be that they constitute concepts 'designating a point of contact between human agency and social structures' (Bhaskar, 1989, p. 40).<sup>16</sup> Or, mixing Hayek's terms with Marx's, one may claim that 'order consists in the *forming of form* chronically repeated in routine cycles of social conduct' (Cohen, 1989, p. 87). Hence the idea of socially natural may be seen as an attempt to surmount the social scientific dilemma between voluntarism and reification (Bhaskar, 1989, pp. 27-37).

Hayek's rules, like Marx's value forms, can be exemplified by money.<sup>17</sup> Hayek stated that the abstractness of rules and order increases as money emerges and financial system develops (1988, p. 101). Moreover, he pointed out that what, among other things, escapes immediate perception with the emergence of money is 'abstract interpersonal processes'. By making these points, Hayek came close to

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<sup>13</sup>) Hayek's careful distinction between know-how (*know-how*) and know-that (*wissen*) is to be recalled (Hayek, 1967, p. 44).

<sup>14</sup>) There seems to be a slight asymmetry between Marx and Hayek. Marx thought of value forms as embracing every social realm, so that legal forms or (, to borrow Hayek's terms, ) rules constituted a specific type of value forms (Pashukanis, 1978, p. 42, 55; Hollis, 1994, p. 18). Accordingly, unlike Hayek, Marx did not have to distinguish capitalist rules from price. It follows that rules and price in Hayek's system, taken together, correspond to value forms in Marx's.

<sup>15</sup>) Obviously, besides value forms, Marx had another crucial concept of surplus value. The concepts of surplus value and classes (related therewith) are not considered in this paper.

<sup>16</sup>) It is also notable how Giddens conceived rules. He thought of rules as structural properties which are 'made manifest only when institutional practices are reproduced', and at the same time 'must be irreducible without remainder to individual situations' (Cohen, 1989, p. 43).

<sup>17</sup>) At first glance, it seems desirable to categorize price as constituting a telecommunication system, as distinct from rules of property or contract (Fleetwood, 1995, ch. 9). But this categorization becomes somewhat blurred, once it is remembered that price is inseparable from money, and money is as much an institution as is law or language. This suggests that price and money may better be considered as various rules of the market order (cf. Galeotti, 1987, p. 291). In fact, Hayek himself stated that 'the variability of initially customary prices' is an important change in the rules of conduct (Hayek, 1976a, Vol. 3, p. 161).

Marx. Especially, these points call to mind Marx's concept of commodity fetishism which allegedly culminates in capital fetishism created by the existence of interest-bearing capital. Similarity between Marx and Hayek would have been reinforced, if Hayek had explicitly added that money makes economic phenomena not only more abstract, but also more concrete.

those most abstract institutions of an advanced civilization ..... which, though indispensable for the formation of an extended order, tend to veil their guiding mechanisms from probing observation: money and the financial institutions based on it. The moment that barter is replaced by indirect exchange mediated by money, ready intelligibility ceases and abstract interpersonal processes begin that far transcend even the most enlightened individual perception. Money, the very 'coin' of ordinary interaction, is hence of all things the least understood ..... Thus we reach the climax of the progressive replacement of the perceivable and concrete by abstract concepts shaping rules guiding activity (Hayek, 1988, pp. 101-2).

Hayek's view of money may be confirmed by the reference to the texts of his two forerunners, i. e. Menger and Mises,<sup>18</sup> probably because Hayek inherited their thoughts on money (Hayek, 1976b, pp. 30-4, 46-49, 1997, p. 83, 109; O'Driscoll, 1994, p. 127).

Menger accused contemporary theorists of their reliance on *nomos* for the explanation of the origin of money (Menger, 1950, pp. 315-7). In broad terms, Menger, like Marx, did not conceive the emergence of money as primarily dependent upon natural properties or upon legislative acts (Hong, 2000, pp. 92-3). As is well-known by now, Menger conceptualised money as the typical result of human action but not of human design. To elaborate, Menger clarified how a commodity turns into money as it monopolizes the *socially natural* property of *marketability (Absatzfähigkeit)* through an evolutionary process. Moreover, Mises, extending Menger's insights, underlined the social nature of the value of money (Mises, 1981, pp. 117-8).

It is thus ascertained that money, for Austrian economists, is neither natural nor artificial, but socially natural. Hayek, like Marx, held that money is a *social* consequence and *socially* reproduced. Moreover, from the standpoints of Marx and Hayek, capitalist production relations or spontaneous order require money by their very *nature*, and money is *naturally* given to economic agents.

This line of thought is bound up with the Austrian position on methodology. On the one hand, Menger was convinced that economics can be as scientific or theoretical as natural sciences. Due to his conviction, he repudiated legalism and historicism upon which the German historical school rested. For the same reason, Menger was also critical of contractualism or *contractualism*. In line with Menger's position, Hayek was opposed to state intervention on the legislative and administrative levels, although he was much more tolerant of courts and lawyers.

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<sup>18</sup>) Menger, like Marx, had in mind the concept of value forms or exchange value (Hong, 2000, pp. 90-1). Hayek lost sight of the value-price duality around 1945, although he has inherited basic insights from Menger (Desai, 1994, pp. 48-9). Hayek seems to have replaced Menger's value forms with price and rules. The reason for Hayek's replacement may presumably have something to do with the imperfections in Menger's concept of value form which I pointed out in my previous paper. Despite this difference, I suspect that Menger was, like Hayek, in search for the socially natural.

On the other hand, Menger and subsequently Hayek placed strong emphasis on the distinctive nature of economics and social sciences in terms of method and object. In particular, Hayek repeatedly argued that the object of social sciences, i. e. complex phenomena, should be differentiated from that of natural sciences, i. e. simple phenomena (Hayek, 1967b; Streit, 1993, p. 230; Caldwell, 1994b, p. 309). His opposition to naturalism and scientism was rooted in this distinction. On this point, Hayek may have distanced himself from Popper.<sup>19</sup>

### 3. Some similarity between Marx and Hayek

From the discussion set out in the preceding sections, one can deduce that neither Marx nor Hayek endorsed the dichotomy between *physis* and *nomos*.<sup>20</sup> In this section, the idea of the socially natural or the naturally social is elucidated in order to distinguish Marx and Hayek more sharply from those steeped in the dichotomy, focusing on Marx's value forms and Hayek's rules. Along the way, similarity between Marx and Hayek will be firmly established.

First, what is the difference between naturally social and purely social? The 'naturally' social has little to do with political consensus among citizens or with agreement between economic agents, whereas the purely social or *nomos* does so. The naturally social rests upon social praxis and persistent social relations which are necessitated historically and structurally. To repeat, for Marx and Hayek, money is not the product of general will or agreement, but the consequence of repetitive praxis and enduring human relations. This crucial feature enables Marx and Hayek to demarcate socio-economic phenomena from purely political or ethical phenomena.

Second, what is the difference between socially natural and purely natural? For Marx and Hayek alike, the 'socially' natural does not relate to physical properties of things, nor to innate or genetically transmitted human nature, whereas the purely natural or *physis* may do so. For this reason, being socially natural, unlike being purely natural, does not imply being immutable. Moreover, being socially natural denotes that socio-economic phenomena presuppose intentions, volitions and judgements of humans, and, among others, social relations between humans, whereas being purely natural does not (Mocek, 1990, p. 508). In other words, both Marx and Hayek were adamant that 'social objects are irreducible to natural objects' (cf. Bhaskar, 1989, p. 20).

It seems that the idea of the naturally social is indispensable for Marx and Hayek to conceptualise in a way which is distinct from the way social philosophers or natural scientists conceptualise. For Marx specifically, exchange value or money price is socially natural, whereas use value may be purely natural. In similar vein, one may suggest that, whereas Walrasians would regard price and market order as purely natural, Hayek thinks of them as socially natural.

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<sup>19</sup>) It is controversial how much Hayek's methodological position was influenced by Popper's critical rationalism. I am, in sympathy with Caldwell (1994a, p. 127), of the opinion that Hayek has been stubborn.

<sup>20</sup>) This also accounts for the fact that not only Marx but also Hayek was critical of Mill's famous distinction between production and distribution (Marx, 1967, ch. vii; Hayek, 1988, pp. 92-3; Gray, 1984, p. 102). Mill's distinction directly embodies the dichotomy, as it supposes that laws governing production are purely technological or natural, whereas laws determining distributive shares are purely legal or artificial.

Looked at from the viewpoint of the dichotomy, Marx and Hayek can be regarded as endeavouring to develop *physis* into something socially natural, on the one hand, and to reformulate *nomos* into something naturally social, on the other. Their endeavour require demonstrating that *physis* is socially embedded and that *nomos* is naturally grounded. If successful, their endeavour would bring about the consequence that the social and the natural are inextricably intertwined.

Hence the basic task which Marx and Hayek have to fulfill in order to establish the idea of being naturally social or socially natural may be composed of two parts: (a) showing that *essentially* social relations are transformed into *apparently* natural properties of things or into *apparently* natural relations between agents and things, and (b) revealing that *apparently* natural properties of things or *apparently* natural relations between agents and objects are *essentially* social.

As to the part (a), capitalist rules which are stipulated as do's and don't's, and money prices which take the form of specific numbers, are, as already argued, concrete and simple in the eyes of economic agents. Presumably value forms or rules and money prices, once introduced into the economy, seem to simplify and concretize socio-economic relations by "fragmenting" the relations into relations between economic agents and external objects (or "nature") (cf. Dumont, 1977, p. 5, passim, 1980, p. 233; Pashukanis, 1978, p. 113, 122-5). This process could be likened to a change from social relations between humans to relations between a natural scientist and objects of his inquiry.

As a consequence, social relations between individual agents are replaced and superimposed by a series of relations between an individual agent and things, which are moulded and constraint by rules and price. In fact, in the course of everyday life of the capitalist economy, the relations between man and things are really dominant over the relations between man and man.<sup>21</sup> Economic agents are related to external objects in various ways, depending on the types of the objects. Agents may be related to products via their labour, to consumer goods via their needs, or to financial assets via their desire for monetary gains.

Once this happens, individual agents turn into Robinsonnades who have some endowment or property at their disposal. At the same time, agents can safely use particular rules and (changes in) individual prices without caring about the social consequences of their actions. Here it is affirmed that rules and prices are objectively or naturally given to individual agents. That is to say, rules and price are directly or explicitly natural, although they are indirectly or implicitly social.

Concerning part (b), Marx took recourse to the method of reconstructing agents and objects into socio-economic entities. For this method, his concepts of value and value form were crucial (Hong, 2000, p. 94). Characteristically, Austrian economists in general are prone to be more emphatic on the social nature of agents than on that of objects. Keeping in line with this characteristic, Hayek seems to have been intent on reconstructing agents as socio-economic beings. As a result, he presented economic agents not as primitive men who are under the sway of their instincts or their innate propensity, but as socialized men who are able to follow rules and to make calculation on the basis of price data.

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<sup>16</sup> Although Dumont (1977) is right to postulate this primacy as the outstanding feature of the mainstream economics, he is not justified in suggesting that this is also valid for Marx. His fallacy is made out of two claims about Marx: the right one that production is the core of the economy, and the wrong one that production is based on the relation between man and things. His second claim holds for Mill, as noted, but not for Marx.

In short, Marxian and Hayekian agents are already social even before they enter into transactions in the market. That economic agents (and objects) in themselves are social in Marx's and Hayek's systems entails that relations between the agents (and between objects) are more likely to be internal than external (cf. Lawson, 1997, pp. 164-6).

Adopting similar scientific methods, Marx and Hayek alike attempted to show that the relations between an agent and things are embedded in the relations between humans. This is how Marx and Hayek recovered or reconstructed the 'social nature' of the relations between agents and things. It means that they entertained, in common, the idea that the relations between an agent and objects are not only (apparently) natural, but also (essentially) social.

It should be noted that Marx and Hayek did not strip away the natural appearance of value forms or rules as false consciousness or illusion. To the contrary, both Marx and Hayek treated their natural appearance as ontologically real. Their appearance is real, precisely due to the fact that the forms and rules are socially reproduced and sustained. Borrowing some insights from Giddens' structuration theory, one may argue that structural properties such as value forms and rules not only serve as the media of reproduction, but also are reproduced as the outcome of the reproduction (Cohen, 1989, p. 46).

That the appearance is real is evidenced by the fact that economic agents cannot carry out their routine activities, unless they remain entrapped in their "naturalistic" frame of mind. Specifically for Marx, if the agents break out of this frame of mind and become class-conscious, their actions may no longer be channeled towards the reproduction of a capitalist society. In this way, the natural and the social aspects of value forms or rules are inseparably interrelated.

Since the natural and the social are presumably the opposites, they cannot exist side by side at a certain point of time. It may well be the case that the natural and the social are, alternatively, *actual* and *potential* in the course of economic processes. This point can be illustrated by Marx's explanation of the functions of money.

Money, while it is circulating, may be deemed "actually social and potentially natural", in the sense that, even though money is currently mediating exchanges, it will soon leave the circulation in the form of capitalist profit, etc. The obverse side of the coin is that, as long as money is being hoarded, it is "actually natural and potentially social". This expression denotes that, even if money as hoard appears to be no more than a metal or a thing, it will sooner or later go back into circulation as a medium of exchange.<sup>22</sup>

It deserves a mention that this methodological or meta-theoretical similarity between Marx and Hayek does not conflict with their well-known opposition as regards theory and practice. For Marx, value forms (and production relations) are natural almost entirely in capitalism, whereas, for Hayek, rules (and spontaneous order) are more universally natural.

Since Marx believed that value forms, like capitalism itself, have their historical limits, he refuted as commodity fetishism the bourgeois conception which misconstrued the socially natural as purely natural and consequently as universal.

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<sup>22</sup>) It should be added that Marx's and Hayek's ideas of the socially natural are similar to the conception of culture as a process, which is designed to overcome the agency/structure dichotomy (Jackson, 1993, p. 454). Their ideas may also be seen as attempts to criticize the notion of the excluded middle which is based on Cartesian dualism (Dow, 1990, p. 144).



In his view, there is no universal human nature or social structure. By contrast, Hayek castigated as constructivist those who denied the more universally valid culture and tradition. It is also beyond doubt that Hayek drew upon such concepts as rules and spontaneous order to attack Marx. Marx would, on his own, have criticized Hayek for his bourgeois ideology. Therefore, the ideological gap between Marx and Hayek seems unbridgeable.

However, on the methodological level, Marx and Hayek had much more in common than has been usually maintained. The two thinkers were alike in their proposal of the socially natural or the naturally social as their central idea. It should be borne in mind that, even for Marx, value forms are too natural and inveterate to be bent or twisted by the will or the ethics of individuals, or by government policies. Allegedly, value forms can be destroyed by no less than dialectical analysis and class struggle. Concerning this, it should be noted that the aspect of Marx's thought that capitalism and value forms are transient is not incompatible with its another aspect that value and value forms constitute the natural and objective basis upon which capitalism is predicated. In his view, value forms and production relations are enduring, but not immutable.

We may turn to some recent discussions. Meikle (1995) reinterpreted the history of economic thought in the light of the dichotomy, equating the dichotomy with the distinction between use value and exchange value. What is of paramount importance for his interpretation is whether an economist adheres to the dichotomy or the distinction. By this Aristotelian criterion, Meikle thought highly of Marx, and charged neoclassical economics with fusing exchange value into use value via utility.

Yet for all his precious insights, Meikle seems too Aristotelian to put Marx into perspective (not to mention, Hayek, whom he did not deal with). As was argued in the previous sections, Marx not merely distinguished between *physis* or use value and *nomos* or exchange value, but he also endeavoured to overcome the dichotomy.

In his endeavour, Marx reconstructed exchange value as a value form. Exchange value, once reconstructed, was not purely artificial or social, but naturally social. Relatedly, whereas, for Aristotle, money was purely artificial or social, it was naturally social for Marx. Stated otherwise, Aristotle was not aware of the natural aspect of money, unlike Marx. Nowhere is this contrast between Aristotle and Marx more clearly revealed than in the polarity between their judgements about usury or interest-bearing capital. Aristotle viewed usury as most unnatural (1952, p. 29), whereas Marx (and presumably Hayek) treated interest-bearing capital as the necessary culmination of fetishism (and abstraction) and consequently as most natural in capitalism.

Moreover, exchange value as a value form, is no longer a purely economic or purely ethical concept, but perhaps an economic concept which is embedded in ethics or social philosophy. In this respect, Fleetwood's comment on Meikle that 'economics and ethics are not necessarily competitive over the same ground' may be relevant (Fleetwood, 1997, p. 742). This also carries a suggestion that it may be misleading to characterize Aristotle and Marx alike simply by their essentialism, since this characterization may be losing sight of the distinctive feature of Marx's thought.

Marx's position on Aristotle's theory of value and exchange may also lend support to this line of argument. Marx pointed out in his major work that Aristotle was the first thinker who explored every kind of form (Marx, 1967, p. 59).

However, Marx also maintained that Aristotle could not come up with the concept of value because he was living in a slave economy (p. 60). Moreover, it is noteworthy that Marx did not cite Aristotle in connection with abstract and homogeneous labour, but in connection with value forms (Marx, 1967, ch. 1).

Piecing together these points, one may suspect that, in Marx's interpretation, Aristotle's difficulty does not primarily concern homogeneous labour or commensurability per se, nor the value concept itself, nor forms in general. His major difficulty seems to lie in his blindness to *the value aspect of value forms*. Relying on the discussion set out above, it can be inferred that the obstacle with which Aristotle was faced revolves around the "social" aspect of the socially natural.

In a nutshell, partly because of the dichotomy, Aristotle neglected either the social aspect or the natural aspect of the socially natural. This confirms that Marx's value problematic stands outside the dichotomy. On this point, Meikle's Aristotelian interpretation seems vulnerable to a critique.

The position advocated in this paper is partly supported by Dun's interpretation of Hayek, although his interpretation did not refer to the dichotomy. Among other things, Dun made it clear that, from the standpoint of Hayek, social order is neither artificial nor natural (1994, p. 271). More important, what Hayek was looking for is allegedly 'rational' natural law, that is, natural law which is not derived from the divine will. Presumably rational natural law may be a way of conceptualising the socially natural, when law, rather than the economy, is at issue.<sup>23</sup>

#### 4. Comparison of Marx and Hayek with other economists

Not many economists are explicitly aware of the dichotomy. But even those economists who rely, explicitly or implicitly, on the dichotomy, presuppose, unlike Marx or Hayek, that *physis* and *nomos* can coexist without being integrated or mediated. As a result, they either fall into naturalistic fallacy or into legalistic fallacy. However, political economy, since its inception, has been intent on expelling politico-juridical processes from its domain of inquiry. For this reason, the history of economic thought is more replete with naturalistic fallacies than with legalistic fallacies.<sup>24</sup> These naturalistic cases, though adumbrated in the preceding sections, may be classified as follows:<sup>25</sup>

(a) Socio-economic phenomena are explained by natural factors. A case in point is Malthus' theory of population. It relies upon human instinct, and upon the shortage of food supplies which is caused by naturally diminishing fertility of land. Another case is Ricardo's model of capital accumulation which also draws on the diminishing fertility of soil. Besides, Jevons's sunspot theory of business cycles may be mentioned.

<sup>23</sup>) For a comparable Marxist point of view, see Pashukanis (1978, p. 95, 112).

<sup>24</sup>) As might be expected, the idea of the purely artificial or social have been more popular in the field of political philosophy. For instance, Hobbes described Leviathan as 'an artificial man' (Hobbes, 1985, p. 81, 226; Hollis, 1994, p. 133).

<sup>25</sup>) According to Bhaskar (1989, p. 2, 18), there are two kinds of naturalism: reductionism and scientism. Most of the cases enumerated here commit the fallacy of reductionism rather than that of scientism.

- (b) Economic agents are posited as natural beings on the ground that they are endowed with some innate nature, as presupposed in Smith's explanation of exchange.
- (c) Socio-economic entities are treated as if they were natural things, either by ascribing their origins (or their existence) to their natural properties or simply by ignoring their origins and taking them as given. To illustrate, mercantilists almost equated money with precious metals. Classical economists, in contrast with Marx, did not draw a clear distinction between different senses in which use-value and exchange value are "natural".
- (d) Social relations between humans are reduced to physical relations between things or relations between an agent and things. For instance, Walrasian economists are prone to (mis)interpret exchange relations between agents as relations or ratios between things, or to redefine relations between agents as relations between an agent and things.
- (e) Social relations are assumed to be purely external. Walrasians tend to imagine that two agents not known to each other encounter in the market and enter into exchanges.

Against this backdrop, I shall concentrate on Keynes, who is widely acclaimed as a harbinger of another alternative to the perspective of mainstream economics.

Keynes seems to have proposed the purely social rather than the naturally social or the socially natural. The discussion made so far shows us that, whereas most social theorists adhered to the dichotomy between *physis* and *nomos*, Marx and Hayek proffered some integration of, or a third between, the two. In comparison, Keynes seems to have relied on *nomos* with little reference to *physis*. This conjecture may be substantiated by his conception of convention and his theory of money.

It is almost evident that Keynes, concurring with Marx and Hayek, depicted the capitalist economy as full of uncertainty and allowed for the ignorance of economic agents. Moreover, all three admitted that there are unintended consequences of human actions: reproduction or breakdown of production relations (Marx), self-renewal of spontaneous order (Hayek), or unemployment in monetary production economy (Keynes). For this reason, it is also clear that Keynes is much closer to Marx and Hayek than to Walrasians.

Considered in this light, Keynes's *convention* corresponds to Marx's *value forms* and Hayek's *rules* (cf. Burczak, 1994, p. 34; Runde, 1997, pp. 182-3).<sup>26</sup> Convention, like value forms and rules, contributes to stabilizing the economy. Just as economic agents rely, for their decision-making, on value forms in Marx's system and on rules (and price) in Hayek's, the agents draw upon convention for forming a long-run expectation in Keynes's (Keynes, 1936, ch. 12). Moreover, Keynes's *monetary production economy* corresponds to Marx's *production relations* and Hayek's *spontaneous order*.

However, Keynes does not keep company with Marx and Hayek all along. What sets Keynes apart from Marx and Hayek is that Keynes's convention is not grounded as objectively or solidly as are value forms and rules (Keynes, 1936, p.

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<sup>26</sup>) Hayek correctly pointed out that the term "convention" which has been supposed to represent *nomos* is too ambiguous. For present purposes, the term cannot serve to distinguish between *nomos*, Marx's value forms, Hayek's rules and Keynes's convention (Hayek, 1967, p. 97, n. 3). Meikle's argument seems to conflate these (Meikle, 1995).

154; Parsons 1996).<sup>27</sup> Obviously, since Keynes's convention is no more than 'tacit agreement', it is not as enduring as Marx's value forms or Hayek's rules. According to Keynes, changes in long-term expectation which are based on guesses and outguesses of individual agents or mob psychology are conjunctural and volatile, as is vividly described in his comparison to a newspaper beauty contest (Keynes, 1936, p. 156). As Hollis (1994, p. 199) pointed out, 'it is not nature but competition itself which determines the order of prettiness' in the contest.

In practice we have tacitly agreed, as a rule, to fall back on what is, in truth, a convention. .... But it is not surprising that a convention, in an absolute view of things so arbitrary, should have its weak points (Keynes, 1936, pp. 152-3).

Keynes's agents follow convention and opinion, assuming that the existing state of affairs would persist, whereas Marx's and Hayek's agents abide by capitalist rules. In Hayek's own words, Keynes's convention is not founded upon long-term principles or long-period positions, as his bootstrap theory of interest shows (Hayek, 1988, pp. 57-8, 76). In Keynes's system where 'games are external to each player but internal to all players', or 'inter-subjective rather than objective', 'social events are shaped by the shape which social actors expect them to have' (Hollis, 1994, p. 159, 199, 253).<sup>28</sup> By contrast, Marx's value forms and Hayek's rules persist, at least for a while, and provide norms for the long-run tendency of an economy.

Not unexpectedly, convention brings about more uncertain and indeterminate social consequences than forms or rules do. In this context, economic instability typified by Keynesian unemployment is also to be distinguished from reproduction of production relations or of spontaneous order. Put differently, whereas Marx and Hayek were convinced that there are long-term norms in capitalist economy despite the disorder on its surface, Keynes did not seem to believe that there is any enduring "norm" or order on the surface of the economy or behind it, now or ever (cf. Burczak, 1994, p. 45, 49).

Accordingly, Keynes may be understood to hold that monetary production economy is social with little natural basis. This seems to be Shackle's message (Shackle, 1972; Amariglio, 1990, pp. 35-9). This is also consonant with Keynes's social philosophy which could be placed in the middle of the ideological spectrum between Marx and Hayek. In Keynes's view, since neither the current system nor any new one is satisfactory, artificial measures which are carried out by the government are indispensable.

It is tempting to interpret Keynes's conception of money along similar lines. At first sight, linkages between convention and money in Keynes's system are not as straightforward as are linkages between value forms or rule and money in Marx's or Hayek's. However, upon examination, one can trace out some links between convention and money. In Keynes's view, demand for money or liquidity arises

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<sup>27</sup>) It is controversial whether Keynes's convention can be treated as a social structure (Parsons, 1996; Lawson, 1997; McKenna & Zanonne, 1997-8). Taking a middle position, I would argue that convention cannot be identified as a structure or a rule (in its strict sense), but that it is social.

<sup>28</sup>) Hollis' definition of 'convention as a set of mutual expectations' could be a reference point for the comparison between Hayek and Keynes (Hollis, 1994, p. 137). Depending on how *expectation* is interpreted, *convention* could be interpreted as Hayek's rule or as convention in Keynes's sense (Hayek, 1976, vol. 2, pp. 124-5; Lewis, 1968, p. 42).

from the precariousness of convention. More concretely, it is when entrepreneurs can no longer trust the prevailing convention that they tend to postpone investing in any real asset and to adhere to the liquidity of money (Keynes, 1937, p. 116; Davidson, 1996).

our desire to hold money as a store of wealth is a barometer of the degree of our distrust of our own calculations and conventions concerning the future. Even though this feeling about money is itself conventional or instinctive, it operates, ..., at a deeper level of our motivation. It takes charge at the moments when the higher, more precarious conventions have weakened. The possession of actual money lulls our disquietude .... (Keynes, 1937, p. 116).

This implies that money, like convention, lends stability to economic reality in Keynes's system. From this it may be deduced that money can be placed on the same plane as convention in Keynes's system, almost just as money is a value form or a rule in Marx's or Hayek's. It may also follow that just as Keynes's convention is not grounded as solidly as are Marx's value forms or Hayek's rules, Keynes's money is not anchored as firmly as is Marx's or Hayek's money. Understood in this way, Keynes's concepts of convention and money both accord well with a noteworthy definition of convention. According to Lewis, convention is primarily characterized by that 'it bears no trace of its origin' and that it is arbitrary (Lewis, 1969, p. 70, 84, 96). Some evidence is in order.

First, Keynes did not explain the origin of money, unlike Marx and Hayek. Being preoccupied with the difference between money and other assets, i.e. *liquidity*, Keynes did not demonstrate through what process this difference emerges. By contrast, Marx and Menger, the forerunner of Hayek, attempted to explicate how a commodity takes over the *socially natural* property of *direct exchangeability* (Marx) or *marketability* (Menger or Hayek). The plain fact that Keynes was not interested in the origin of money encourages us to conjecture that Keynes conceived the liquidity-premium of money to be merely "conventional" or purely artificial, but not socially natural.

Second, this distinction between Marx and the Austrian economists, on the one hand, and Keynes, on the other, is closely associated with another distinction between them. Whereas Marx and Menger demarcated money strictly from commodities or other assets, Keynes often contended that money and other assets differ from each other in degree, not in kind.<sup>29</sup>

To elaborate, Marx held that money is directly exchangeable, whereas commodities are only indirectly exchangeable. Similarly, Menger maintained that the emergence of money is necessarily accompanied by the reduction in the marketability of commodities at large. In partial contrast with Marx and Menger, Keynes alleged on occasion that money is *relatively* more liquid than other assets (Keynes, 1936, p. 239, 357-8). At least, it may be true that Keynes's thought on

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<sup>29</sup>) However, there seems to be some ambiguity in Hayek's argument. By claiming intermittently that money is different from commodity, not in kind, but in degree, he seems to have diluted the distinction between money and commodity that the Austrian school has cherished (Hayek, 1976b, p. 47). One may elaborate on the context of his claim. Due to his preoccupation with attacking legalism and with advocating denationalisation of money, Hayek was prepared to exaggerate the coexistence of various kinds of money and the spontaneity of money creation.

money is much less essentialist or foundational than are Marx's and Menger's or Hayek's (cf. Kroszner, 1990, pp. 252-6).

Third, Keynes was of the opinion that money cannot be managed by traditional monetary policies, i. e. quantitatively, but by such legal acts as stamping money, i. e. institutionally (Keynes, 1936, pp. 353-358). According to his account, stamping money at a prescribed cost is an 'artificial device' of preventing or mitigating social consequences that money brings about via '*natural* forces' of the market (pp. 234-5). The fact that such an *artificial* device appeals to Keynes tells us that he viewed money as not *natural* in its *social* consequences. This agrees with his subsequent denial of the unique existence of the *natural* rate of interest la Wicksell (pp. 242-3).

This feature opposes Keynes to Marx and Hayek alike who were adamant that money as an institution is too naturally rooted in capitalist economies to be managed or manipulated. Moreover, this opposition is in accord with the finding that money is, for Keynes, a mixed blessing, neither a curse (Marx), nor a pure blessing (Hayek).

Based on the foregoing interpretation, it can be argued that Keynes's convention and money are social with little natural basis,<sup>30</sup> whereas Marx's value forms and Hayek's rules are naturally social.<sup>31</sup> Needless to say, this interpretation is not to deny that Marx, Hayek, and Keynes were equally emphatic on the importance of money in the capitalist economy, unlike Walrasian economists, nor that all three economists were keenly aware of the peculiar status of money in the capitalist economy.

In his lucidly written book, Coates (1996) brings into relief Keynes's reliance on vagueness and common sense. On the basis of his interpretation, it may be claimed that Keynes's distance from analytic philosophy and his emphasis on qualitative, instead of quantitative, social sciences, bear resemblances to the positions taken by Marx and Hayek. Moreover, Keynes's common sense is analogous in role to Marx's value forms and Hayek's rules, and more so than is his convention, since common sense may allegedly embody tacit knowledge (Davis, 1999, p. 504). In this context, Keynes's reliance on common sense may be understood as offering more solid a basis for his system.

However, even with this interpretation, it does not seem to be more justifiable to claim that Keynes's system rests on a natural basis. This interpretation entails that Keynes did not distinguish economic concepts and scientific knowledge sharply from ordinary language and common sense. In this significant regard, Keynes must be marked off from Marx and Hayek who insisted that there is a deeper layer of

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<sup>30</sup>) The conjecture that Keynes's system is not naturally grounded may require careful elaboration, in consideration of Aristotle's more sophisticated definition of *physis*. More specifically, Keynes's system may be deemed as natural, since it presupposes dynamic movement of the economy and perhaps makes allowance for its growth. However, Keynes does not seem to have believed that monetary production economy has its internal purpose. In fact, Marx and Hayek would have been more apt to hold this belief. Nor was Keynes seriously interested in emergence and disappearance of institutions, as noted. Therefore, even according to Aristotle's definition of nature, it is only with serious reservations that one can argue that Keynes's system is founded on a natural basis.

<sup>31</sup>) The distinction between C-M-C (or production for use) and M-C-M' (or production for profit), which Meikle (1995, p. 52, n. 7) correctly supposed that Marx and Keynes shared, cannot account for this difference between Marx and Keynes (cf. Hayek, 1988, p. 194).

reality which is impenetrable to form-utilizing or rule-following agents.<sup>32</sup>

In Marx's and Hayek's views, even though agents simply take forms and rules as given, economists are supposed to delve into them. As for Marx and Hayek, there seems to be a clear line of demarcation between scientific knowledge and common sense. Especially for Marx, it may be surmised that he identifies common sense as part of 'vulgar economics', which he denounces as capitalist ideology pure and simple. Thus, the interpretation offered by Coates does not seem to vitiate the argument advanced in this paper, i. e. that Keynes, in distinction from Marx and Hayek, primarily adhered to the concept of the social with little natural basis.<sup>33</sup>

## 5. Some implications

In this paper, it was argued that Marx and Hayek, rejecting the dichotomy between *physis* and *nomos*, offered the naturally social or the socially natural as the central object of economics. Moreover, it was found that the naturally social is embodied in value forms and production relations (Marx), or rules/price and spontaneous order (Hayek). It was also noted that the significance of value forms and rules is detected most concretely in their theories of money, because money is a value form and a rule. Finally, the idea of the socially natural is hardly found with other economists including Keynes. Some implications may be brought out.

First, the interpretation suggested in this paper may offer another way of confirming similarities between Marx and Hayek (or the Austrian economists in general) along the lines of Lawson (1989, 1996) and Fleetwood (1995). More fundamentally, this interpretation seems to encourage the idea that both Marx and Hayek advocated an anti-positivist naturalism (cf. Bhaskar, 1989).

Second, it is found that Marx and Hayek (or the Austrians) are two major exceptions to the naturalistic tendency which, as Mirowski (1989) claims, runs persistently from Smith to Walrasians. In particular, this interpretation seems to distinguish Hayek more sharply from Walrasians.

Third, this interpretation may help reconstruct Marx's theory of value, perhaps by making it possible to reinterpret the meaning of the forms of value.

Fourth, this has the implication that Keynes and Keynesians, in contrast with Marx and Hayek, tend to overlook the limitations which the economic system sets upon various government policies.

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<sup>32</sup>) It may be fair to make the assesment that Keynes was simply an advocate of a more realistic theory rather than a (critical) realist or a common sense philosopher (Eriksson, 1998).

<sup>33</sup>) It is noteworthy that Aristotle also drew on common sense. But he did so, not for probative, but merely for heuristic, purposes (Kultgen, 1998). Given that a stronger version of commonsensism cannot convincingly be ascribed to Aristotle, it seems hard to find much similarity between Aristotle and Keynes.

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