

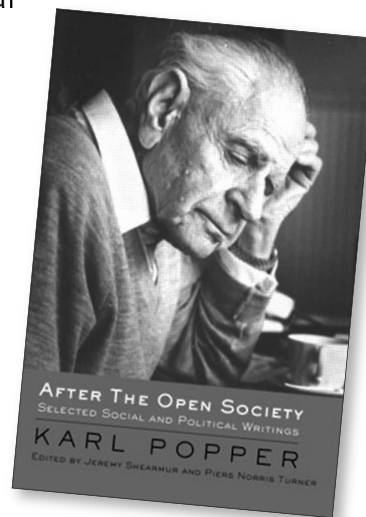
# POPPER'S CRITIQUE OF 'FREE-MARKET IDEOLOGY'

Popper's views on the role of government in a free society do not always fit easily within the classical liberal tradition, writes **Jeremy Shearmur**

## **After the Open Society: Selected Social and Political Writings**

by Karl Popper  
edited by Jeremy Shearmur and  
Piers Norris Turner

Routledge, 2008  
US\$90.00, 528pp  
ISBN 9780415309080



**E**arlier this year, a large collection of Karl Popper's previously unpublished and uncollected papers on social and political themes was published under the editorship of Piers Turner and myself. The contents were obtained from archives in the United States, Austria, and New Zealand, and a great deal of work was involved in the identification of references and clarification of the history of various papers. The fact that it is now finally published gives me the opportunity to step back and reflect on what the resulting picture is of the relations between Popper and classical liberalism.<sup>1</sup>

At one level, what is going on in Popper's work has now become clearer—although much could have been spotted through a diligent reading of his *The Open Society and its Enemies* and other previously published work.

## **The evolution of Popper's thought**

In the chaos and financial upheavals of post-World War I Vienna, Popper, in his mid-teens, became attracted to Marxism and worked briefly in the headquarters of the Austrian Communist Party. As he has often recounted, he became disillusioned when a demonstration organised by the Communists resulted in the deaths of some of those involved. Popper initially remained a socialist, and a supporter of the Social Democrats. But he became increasingly restive about the problems of the Marxist-influenced policies that

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they were pursuing, and also by what seemed to him the risk that socialism was leading to power being placed into the hands of an unresponsive bureaucracy. Popper gradually dropped his socialism and—as shown by *The Open Society*—came to embrace a radical humanitarianism.

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Popper is well-known for his critical engagements with Plato and Marx. But what were his positive views at this time? There were two main themes. First, he favoured an ethical individualism. What counted, for Popper, was the well-being of the individual, and that individuals should be protected from injustice and exploitation. This strand in Popper's thought might be called liberal.

There were also what, today, we can identify as strong 'republican' influences stemming from Kant. Popper stresses the role of the state in creating laws to protect each individual (as distinct, say, from natural law or utilitarianism). Not only are negative rights protected (such as the protection of a person and their property from interference by others) but also freedom from economic exploitation. Thus, Popper favours the idea of a guaranteed tax-derived income so that people are not forced to take up employment under unreasonable conditions.

Second, given persistent disagreement on ideological issues among those who were reasonable and democratic-minded, Popper proposed a distinctive approach. He suggested that while it might not be possible to resolve issues—between liberals, socialists, utilitarians, and Christians—as to what would make for a good society, it might be possible to get a good measure of agreement if they were asked what stood in need of remedy. Clearly, things that concerned some of these people might not be acceptable to the others. But Popper thought that if people were asked to nominate important examples of human suffering, injustice and so on, one would discover a broad basis for agreement—and that this could then form an agenda for government action.

This 'negative' agenda for government action should take place through what Popper referred to as 'piecemeal social engineering.' His view was that there should be discussion (implicitly, among specialists) of how problems might be addressed (but in ways that did not compromise the protection of the individual). These should then be tried out, bearing in mind that knowledge is fallible and that government action might give rise to unintended consequences. Here, Popper stressed the need for critical feedback—and that ordinary people, not just an elite, might have pertinent information. What about positive ideals? These, in Popper's view, should be the concern of individuals and their friends, and the subject of private, voluntary action.

Politically, Popper's views are difficult to place. I think that he can only be called a liberal if one also notes the strong Kantian and 'republican' tenor of his thought. In *The Open Society*, and particularly in the years immediately following World War II, Popper stressed the significance of trying to develop common ground between liberals and democratic socialists (and urged Hayek to invite some socialists to join the Mont Pelerin Society).

After Popper had formulated his ideas along these lines, Rudolf Carnap—a former member of the Vienna Circle, who had known Popper as a fellow socialist in Vienna—asked him if he was still a socialist. Popper responded that both liberalism and socialism are too simple and naive. In particular, he argued that it was naive to think that socialism is a kind of cure-all, and suggested that under socialism there could be bigger income differentials, and worse exploitation, than there were currently. At the same time, he did not rule out experiments with socialisation. Popper had—albeit on rather different grounds—come to make criticisms of then-contemporary ideas about social planning, which were similar to those developed by Hayek in his book *The Road to Serfdom*.

As Popper became older, his views became a little more conservative. In particular, he came to defend the achievements of modern Western societies against their critics on the left (and in the New Left). Although he remained a vigorous advocate of reform, he became increasingly critical of those who were dismissive of what had been

achieved in the West—not just materially, but also in terms of people's freedom.

In his old age, Popper saw the collapse of the Soviet Union. While he took the view that Russia needed to introduce a free-market economy, what seemed to him most pressing was that it introduced a viable legal system, with independent judges and the rule of law. He suggested that Russia might learn from Japan's introduction of a Western legal code as part of its process of modernisation.

### Misgivings about 'free-market ideology'

There is much else of interest in *After The Open Society*. I would like to concentrate on one particular theme: in one of his papers, written when he was eighty-nine, Popper offers a criticism of what he calls 'free-market ideology.' This usefully sums up some of the misgivings about economic liberalism found in his writings over the years.

Popper indicates that he is an advocate of, and an admirer of, free markets. But he suggests that some proponents of free-market ideology see any interference by government as a threat to freedom, and refers to *The Road to Serfdom*. Popper then goes on to argue that markets need a state-provided legal system that not only secures people against theft, but that can decide which contracts are enforceable. In addition, he argues that other kinds of state intervention are needed to safeguard customers: when the properties of things cannot be discerned simply by inspecting them (he contrasts apples or carrots with a washing machine); to ensure the welfare of the general public if dangerous products are sold; and, beyond that, in the face of possible damage to the environment.

Popper then makes a more general point: in such cases, there are typically interests (and argument) on each side, and the state is needed to determine and enforce a reasonable compromise. He concludes by arguing that all freedoms can be misused. Given the likelihood of continuous and increasing misuse, we may have to resort—however reluctantly—to restrictive legislation imposed by the state.

What is one to make of such criticism? While Popper's concerns are reasonable enough, it seems to me that the argument he develops to address them is problematic.

All proponents of free markets who are known to me take the view that markets need a system of law and law enforcement. However, they typically make two points that contrast with Popper's approach. First, they distinguish between a well-formed system of law and particular government interventions in the market. Second, they usually insist that while law is, today, often provided by government ('often,' because of the significant role of private arbitration systems and so on), historically there is no necessary connection between a legal system and governmental provision. (See, for example, the extensive writings of Bruce Benson surveying various alternatives here, and some interesting work by Stephen Davies on non-state law enforcement.)<sup>2</sup> This suggests that, while a functional legal system plays a vital role in a market-based society, we should not necessarily assume that it, or all parts of it, are best provided by the state. We should keep an open mind, and learn from history and piecemeal experimentation.

What of Popper's second and third arguments concerning the need for particular interventions to secure health and safety, and so on? Here, there are at least three approaches within the classical liberal tradition that contrast with Popper's approach.

Markets need a state-provided legal system that not only secures people against theft, but that can decide which contracts are enforceable.

The first is that the common law, and its development, takes care of such problems. For example, if people are damaged by goods they purchase, they can sue. Awards made under common law may then prove an effective deterrent in the future. A well-known case occurred when a woman was burned by scaldingly hot coffee served at a McDonald's drive-through facility.<sup>3</sup>

Second, private companies may provide assurance services for commercial products: for a fee, they may test and then issue a certification of the quality of products (a certification that producers may then use in their advertising).

Daniel Klein has discussed examples of this in his important collection *Reputation*.<sup>4</sup> Not only is this approach effective, it also indicates how, for example, consumer concerns about the use of child labour,<sup>5</sup> genetically modified products, and so on can be addressed without government playing a role.

Third, as Hayek was to argue at length in his *The Constitution of Liberty*, if one thinks that government action is essential, there may be ways in which one can insist that it acts so that it does not place us on the road to serfdom.<sup>6</sup>

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The reader might wonder: what is the point of all this? First, with due respect to Popper and the republican tradition, our moral ideas, including how we should treat one another, are independent of the state. The idea that we should see the state as a prime source of morality, and more generally as a humanising influence, seems little short of grotesque.

Law—and particularly, in British-influenced countries, common law—plays an important role in relation to liberty, as do those aspects of state action carried out in an impartial manner and with procedural integrity. But it is vital that we do not confuse our ideals with the often messy realities of government processes. Just what is taking place—and what, for example, the ideas of leading public servants are about viable policy options—is often open to no public scrutiny at all. Meanwhile, the practical operation of government often seems to amount to a procedure through which the powerful use government as a tool with which to rob ordinary citizens.

Clearly, Popper's political ideals require a degree of redistributive taxation. But it is by no means apparent that 'piecemeal social engineering' is best undertaken by government agencies. The argument for this is simple. Popper stresses our

fallibility, and the importance of learning when we are wrong. But as things currently stand (and it is not clear that there is a better model available) this is not something at which government is particularly competent. Politicians—at least until they have retired—seldom admit that they have ever made a mistake (compare, here, the typical memoirs of an entrepreneur and a politician). Nor is it clear that government departments, and the processes of consultation that are open to them, are effective as systems of learning by trial and error.

There is undoubtedly a case for part of our political system to operate as a public forum in which the merits of government policy come under closer examination. But in Australia, the House of Representatives seems almost a waste of space as far as this is concerned, while all governments seem to resent the Senate when it functions (at times) in this manner, and they do everything they can to avoid its scrutiny.

All told, Popper's political ideas—and *After the Open Society*—are both interesting and thought-provoking, but they seem to me weakened by his over-optimistic view of the state.

## Endnotes

- <sup>1</sup> This piece thus serves to complement my *Karl Popper's Politics* (Sydney: CIS, 1995), and *The Political Thought of Karl Popper* (London: Routledge, 1996).
- <sup>2</sup> See, for example, Bruce L. Benson, *The Enterprise of Law* (Oakland: Pacific Research Institute, 1990), and Stephen Davies' discussion in David Beito and others (eds), *The Voluntary City* (Ann Arbor: University of Michigan Press, 2002).
- <sup>3</sup> See *Liebeck v. McDonald's Restaurants, P.T.S., Inc.*, No. D-202 CV-93-02419, 1995 WL 360309 (Bernalillo County, N.M. Dist. Ct. Aug. 18, 1994). For a brief discussion, see Consumer Attorneys of California, 'The Actual Facts About the McDonalds' [sic] Coffee Case' (1996), [www.lectlaw.com/files/cur78.htm](http://www.lectlaw.com/files/cur78.htm).
- <sup>4</sup> Daniel Klein (ed.), *Reputation* (Ann Arbor: University of Michigan Press, 1997).
- <sup>5</sup> See the website of the Rugmark Foundation, which offers such a service: [www.rugmark.org/home.php](http://www.rugmark.org/home.php).
- <sup>6</sup> For discussion of this theme, see my 'Hayek, Keynes and the State,' *History of Economics Review* 26 (Winter–Summer 1997), 68–82.