

Popper and Hayek on the Principle of Unintended Consequences

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Thesis Abstract

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The use of the principle of unintended consequences has an important place to legitimize or deligitimize the role of state intervention in the market. The conservative liberal, like Hayek, uses the principle of unintended consequences to indicate the dangers of state intervention due to its damaging effect on society and market. Hayek, at the background, implicitly stresses the beneficial aspects of unintended consequences, since he believes that problems will be solved favorable to all in the self-regulating market.

Contrary to Hayek, Popper used the principle to indicate dangers of both market and state actions but asked for democratic state intervention. He suggested the unintended harms give state a legitimate moral reason to intervene in the market and solve social problems. Importance of the principle is that it can be used to maintain the *status quo* or to solve social problems. Hayek's usage of the principle serves the first and should be rethought in an age when many social problems, such as poverty and unemployment are seen to be insoluble without doing harm to the market.

The potential risks involved due to negative unintended consequences of human actions should not prevent the solution of avoidable problems by state. If the principle is used in an ideological way, it produces excuse, leads to irresponsibility, and allows problems to aggregate. A scientific approach, however, try to solve social problems without finding ideological excuses. Therefore, a scientific approach to unintended consequences and rational-scientific use of the principle of unintended consequences can be a good starting point for social problem solving in which state intervention becomes necessary.

Tez Özeti

Popper ve Hayek'te İnsan Davranışlarının Amaçlanmayan Sonuçları İlkesi

Cavit Hacıhamdioğlu

Devletin piyasaya müdahalesine taraf veya karşı olma tartışmasında İnsan Davranışlarının Amaçlanmayan Sonuçları (kısaca İDAS) İlkesi önemli bir rol oynar. Hayek gibi tutucu liberaller İDAS ilkesini devlet müdahalesinin amaçlanmamış, zararlı ve denetim altına alınamaz etkilerine karşı çıkmak için kullanmıştır. Öte yandan, piyasayı da amaçlanmamış ama olumlu sonuçlar doğuran ve kendiliğinden işleyen mekanizmalara sahip olduğu için savunmuştur. Hayek'e göre piyasa söz vermez ama umut verir. Hayek'in aksine Popper, İDAS ilkesini hem devlet hem de piyasadaki eylemlerin amaçlanmamış zararlı sonuçlarını vurgulamak için kullanmış ama demokratik devlet müdahalesini savunmuştur. Bu zararlı sonuçlar devlete, toplumun sorunlarını çözmek amacıyla müdahale için haklı ve ahlaki bir neden sunar. İDAS ilkesinin önemi ya statükoyu sürdürme ya da toplumsal sorunları çözme konusunda ideolojik bir işlev görmesindendir. Hayek'in yaklaşımı statükocu ve bahane bulmaya dönük, Popper'inki ise daha akılcı ve sorun çözüme yöneliktir.

İnsan davranışlarının amaçlanmayan zararlı sonuçları her zaman olasıdır ama bu piyasayı kendi haline bırakmak için geçerli bir neden değildir. Zaten müdahale istenemeyenlerin amacı da, İDAS yoluyla ideolojik bahaneler üreterek amaçlanmadan da olsa topluma verdikleri zararların sorumluluğunu üstlenmekten kaçınmaktır. Bilimsel bir yaklaşım ideolojik bahane değil akılcı çözüm üretir. Dolayısıyla, akılcı çözümler için de Hayek'in kaçınıp, Popper'ın benimsediği demokratik devlet müdahalesi toplumsal sorunların çözümünde ve piyasanın verdiği zararlar ile mücadelede benimsenmesi gereken yoldur.

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INTRODUCTION

That there are unintended consequences of human actions is a fact of human social life and its importance lies in being used as a *principle* in either legitimizing or delegitimizing the role of state intervention in the market. Popper and Hayek used the same Principle of Unintended Consequences (PUC) and arrived at different conclusions. Whereas Hayek opposed state intervention as damaging the effectiveness and virtues of the market, hence freedom, prosperity and liberal democracy, Popper sees state intervention as essential to protect individual freedom, a better world through participatory democratic politics. The main question I would like to answer in this thesis is the following: *How do Popper and Hayek use the Principle of Unintended Consequences so as to arrive at different conclusions as to the role of state in policy making?*

Unintended consequences (UC hereafter) are facts which take positive, negative, or neutral, character from the point of their desirability. Neutral effects are not the concern of this thesis, but positive and negative UC are. Positive UC (also called *serendipity*) are those effects which facilitate the achievement of a given goal. The negative UC prevent the achievement of a goal and hence take the form of social problems. Depending on the nature of social problems, some of them might pose risks ranging from loss of welfare to physical injury and even death. As to the degree of the effect of UC, the effects may be limited to individual level without having any effect on society. Or the effects may have social repercussions or systemic effects, which is my

concern in this thesis. So when I talk about unintended consequences of human actions, I mean unintended *social* consequences.

The negative and positive unintended consequences figure in social and political philosophy as a principle to promote particular worldviews and to exclude certain others. Every political and social philosophy, when carefully analyzed, has something to say about unintended consequences by adopting, denying or ignoring it. The PUC states that human actions have mostly, if not always, have unintended consequences. This principle can

- serve as an analytical framework or ideological tool in either legitimizing or delegitimizing a particular social and political order. For example, state model or market model of socio-political organization, in which one or the other plays more significant role.
- be used as a policy guide to be considered and observed in public policy, institutional design, state action or economic action.

As will be seen in the thesis, both Popper and Hayek used unintended consequences not only as a fact in itself, but also as a principle in their social and political philosophies. By mobilizing the PUC, conservatives react to positive attempts to state initiated solution of problems or attempts to bring about a desired social outcome emphasizing the negative unintended consequences of state action. They emphasize the primacy of spontaneous human actions bringing about positive unintended social outcomes, without any need for deliberate state intervention.

Unintended consequences appear as a principle to be followed indicating either the dangers of state intervention or the limits of state intervention. One can say that

Popper and Hayek used the principle of unintended consequences as a basic policy *assumption* in their arguments for or against state intervention. The emphasis, as I will show in the later chapters, changes and such a difference in emphasis leads the two philosophers to different conclusions about the necessity of intervention. That the principle can be mobilized to arrive at different conclusions show that it is a neutral principle, and that it can be used for conflicting ideological agendas such as conservative liberalism and progressive-social liberalism.

Popper uses the PUC as the starting point of social problem solving process in public policy. Popper seeks the scientific causes and nature of negative UC (social problems) caused by human action. Focusing on *negative* UC, Popper arrives at the conclusion that democratic state intervention is necessary to mitigate the unwanted outcomes of negative UC. Unlike Hayek's concerns, Popper's concerns are more *systematic and scientific* since social science should seek negative UC as objective social problems about which agreeable solutions can be found.

Unlike Popper, Hayek uses PUC in a more *pragmatic* way and emphasizes either negative UC or positive UC depending on how well it promotes free market ideology and prevents state intervention. In some arguments, Hayek emphasizes negative UC when he wants to show that state intervention in the market makes matters worse (emphasis on negative UC of state intervention). In other arguments, Hayek stresses the point that unplanned and spontaneous actions give rise to a desirable social order, namely market order with beneficial outcomes such as prosperity and freedom (emphasis on systemic positive UC of spontaneous actions.)

More specifically, the opposite conclusions of Popper and Hayek spring from the differences in their assumptions about the limits of knowledge and the capabilities of reason. Popper believed that, although human knowledge and reason has limits, this is no obstacle against progress and by progress in knowledge humans can make progress in solving social problems. For Hayek, however, human reason and knowledge is limited, local, fragmented and cannot deliberately bring about large scale social change nor can it intentionally solve social problems. Hayek furthermore contended that since no single mind can understand the complexity of a social institution like market, an attempt to change society would be produce damaging effects, like destruction of freedom. Therefore, Hayek maintained, rather than undertaking the impossible task of understanding and constructing social institutions, it would be better to preserve traditional institutions that proved successful and enjoy its fruits like liberty and prosperity. Popper, by contrast, suggested that human reason is capable of deliberately designing institutions to eliminate undesirable social problems, like poverty and unemployment, as we improve our knowledge. The aim is not to preserve social institutions we inherit but deliberately improve and design institutions that help us solve social problems. The goal of such problem solving action is to live in a better world.

In conclusion, I argue that although negative unintended consequences are facts of human life, they can be tackled with successfully as we advance in science, technology, and rational action more generally. Many examples in history have shown that progress can be achieved in solving social problems using political power democratically. Popper's work enables us to look at the principle of unintended consequences from such a progressive lens. Hayek, on the other hand, tends to be more pessimistic about progress

brought about deliberate state action. Having witnessed the evolution human rights has made, from civil to political and from political to economic/social rights, one becomes optimistic that negative effects of unintended consequences can be tackled, albeit gradually. Civil, political and economic citizenship rights have evolved in such a way that each type of rights solved social problems in their respective spheres, finally enabling a fairer distribution of economic welfare to large sectors of society. This success model gives one hope that large scale social achievements through state action can be pursued.

I. CHAPTER I

POPPER'S CONCEPTION OF UNINTENDED CONSEQUENCES, PIECEMEAL ENGINEERING AND PUBLIC POLICY

“Whatever reason shows to be valid in theory, is also valid in practice.” (Kant [1991], p. 92) Not necessarily. If that was true, we would have no problems in social life and all human activity would be reduced to developing valid theories and apply it successfully to practice. The fact that intervenes between human purposes and actual outcome of actions is unintended consequences of human actions. In the debates about the role of state in free markets, Principle of Unintended Consequences emerged as an ideological tool in policy making. PUC is used in public policy making as a normative tool either justify intervention in the free market to make reform, or to urge non-intervention in the market to enable unrestrained operation of the market. Despite controversies about the position of Popper in the debate about the permissibility and role of state intervention, I consider Popper as using PUC as a starting point for social problem solving and to that end for state intervention. I agree with Popper that PUC should be used to allow for state intervention to solve social problems. However, I argue that Popper's method of incremental/piecemeal problem solving depends on the nature of the problem and does not categorically solve all problems. I suggest that Popper's incremental problem solving method should be complemented with a method that I call comprehensive method, and either piecemeal or comprehensive method should be used depending on the nature of the social problem in hand.

According to Popper, UC are caused by factors like human ignorance, fallibility, irresponsibility, clash of values and interests (Popper [2002], p.167 and Popper [1986], p.116) A good understanding of causes of UC enables us to solve or prevent some problems and adjust our actions accordingly before they become greatly harmful. An appreciation of causes of UC can also enable us to differentiate between UC that are objective and non-ideological, from those distorted by various ideologies. To that end, it is useful to analyze the nature of UC.

From the point of their desirability UC can be categorized as *positive* and *negative*. UC have a positive nature as in the case of serendipity, which facilitate rather than obscure pursuit of human goals. An example of positive UC given by Popper is human language. Language has initially fulfilled the function of communication, but at later stages of its development, unintentionally albeit positively language enabled the development of human rationality and science by enabling rational argumentation.(Popper [1985], p.69) However important positive UC might be, what concerns public policy is not the indirect and welcome outcome of human actions, but those UC which present concrete risks, problems and harm to social life and welfare, both at present and in the future. As Popper observed “an action which proceeds precisely according to intention does not create a problem for social science.”(ibid. p,350) Nor does it create a problem for social life. Negative UC are undesirable consequences of actions that create problem(s) for social life. Negative UC occur when the negative consequences of actions prevents our goals from being achieved. An example that Popper provides is a man appearing in the market to buy a house, unintentionally raises the price of the house, which goes contrary to the intention of buying the house cheaper. (ibid. p,

352) Negative UC constitute problems that should be solved and their harmful effects be minimized. Public policy should concern itself with negative UC because their neglect would harm people in various ways, degrees and forms.

Positive and negative UC, being facts of social life, give rise to a debate about their ideological function. That function is fulfilled by The Principle of Unintended Consequences. PUC asserts that since public policy actions will have unintended consequences, a policy should consider UC in all stages of its design, evaluation and implementation. The ideological function of PUC steps in when it is used as a guideline in policy making which has been used to legitimize or delegitimize the role of state in the solution of social problems by intervening in the market. PUC is used by conservative liberals, like Hayek, to assign only minimal role to the state for the solution of social problems. By contrast, what can be called social or progressive liberals, like Popper, mobilized PUC as the starting point of state intervention in the market. Hence, PUC is a *neutral* principle and can be used to promote diverse, and even conflicting ideological agendas, as in the debate over whether free markets should be restrained or not.

Defenders of unrestrained free market argue that state intervention has the unintended consequence of making matters worse.¹ (Hirschman [1991], p.83). In other words, for a conservative liberal, state intervention creates more social problems than it manages to solve and it destroys past achievements. For instance, economic growth and individual liberty are frustrated because the welfare state forces people to pay higher taxes. In the hands of conservative liberals, PUC becomes an ideological instrument to deny any state substantial role to tackle with negative UC or social problems. If state has to solve

¹ Hirschman calls this view “Jeopardy Thesis”, of which Hayek is a representative. (Hirschman, [1991],p.83)

problems, it should do it without damaging the efficient operation of the market and should intervene only to protect the market system. When market is left to its own operation without state intervention, a balance would be achieved and social problems in the process would be solved within the market mechanism. For Popper, however, reverse is the case. In line with progressive social liberalism, Popper's PUC started with negative UC or problems, and the existence of negative UC should give the state intervention a rationale to solve social problems, like unemployment and poverty. Therefore, Popper used PUC not to defend unrestraint free market but as a starting point for the solution of social problems by state intervention. State intervention is necessary to solve problems by binding institutions rather than expecting unbinding market institutions to find a solution by themselves. The method and nature of the state intervention is what Popper calls Piecemeal Social Engineering (PE hereafter).

PE is a method of state intervention or reform making in which problems are tackled incrementally rather than holistically. In Popper's formulation, piecemeal engineer (or policy maker) when changing society "...tries to achieve [his ends] by small adjustments and re-adjustments which can be continually improved upon...he will make his way, step by step, carefully comparing the results expected with the results achieved, and always on the look-out for the unavoidable unwanted consequences [negative UC] of any reform; and he will avoid undertaking reforms of a complexity and scope which make it impossible for him to disentangle causes and effects, and to know what he is really doing."(Popper [1961], pp.66-7) In Popper's judgment, as the scope of reform expands it becomes more difficult to control the negative unintended consequences and large scale damage ensues. A policy should always consider the negative UC that harms

society. In order to do that, a policy should always eliminate those proposals which create possible negative UC or problems, and gradually solve the existing problems, which is the task of piecemeal engineering. Incremental problem solving either minimize the effects of present problem(s) or prevent the occurrence of predicted future problem(s). Since human actions will have negative UC, Popper used piecemeal engineering to minimize the harmful effects of negative UC and assigned state the role to solve social problems.

Nevertheless, Popper admits state intervention and PE conditionally rather than categorically. The condition under which state intervention is justified is that it should aim to solve a problem that is democratically agreed on. The other condition under which state intervention is allowed is called Negative Utilitarianism (NU hereafter). NU is a principle that gives state intervention moral legitimacy. It is the principle which establishes the connection between PUC and PE. Negative Utilitarianism maintains that state can intervene if society is harmed and individuals are suffering from concrete problems, like unemployment, poverty, pollution. NU therefore guides public policy with a view to solve concrete problems and minimize/ eliminate suffering in society. Popper illustrates this point when he assigned public policy and state the duty to “fight against definite wrongs, against concrete forms of injustice and exploitation, and avoidable suffering such as poverty and unemployment.”(ibid., p.91) NU leaves the choice of virtuous conduct, happy and good life to the individual since those are difficult to agree on. However, negative UC or suffering of people can be agreed on since their concreteness make consensus on them easier. Hence, NU deals with the second type of values, which Popper calls “public values” and gives state the legitimacy to intervene

with a view “to protect freedom and to avoid damage.”(Popper [nd.], “Public and Private Values”,p.9) At his point two questions come to mind: What makes a problem urgent? For whom is the problem urgent? A problem is urgent, Popper contends, when its negligence will incur great risks and damage to society, ranging from physical injury to death. For instance, poverty, unemployment and pollution are such problems. Following the logic of Negative Utilitarianism, Popper urged state to solve the problems of those who suffer. Who belongs to that suffering category? The category of suffering people may depend on the context. In some cases it is those who are unemployed and living in poverty, in others like in a famine it may be the whole society, still in others it may be a local community suffering from air pollution. What does not depend on the context is the message of Popper’s Negative Utilitarianism: It is the message to state, politics and legislation to solve problems of those people who lives in miserable conditions. Contrary to the conservative liberal, who claim that markets should be completely free and state should be given basic, minimal roles, Popper entertained the idea that state should have enough power to solve certain social problems, especially those problems which cannot be left to the arbitrary decision of the market forces or powerful individuals. In an article of his late years, after criticizing the unrestrained free market idea he contended that “we must replace the ideological principle of the free market with a different principle: namely, that freedom should be restricted only where there are compelling reasons why it is necessary.”(Popper [1999], p.102) So, according to Popper, if social problems occur then the state should intervene to solve it.

In exposing the flaws of PE, I will use a framework of analysis developed by G. Irzik. In an article on Popper’s PE, Irzik argues that PE is both a method of obtaining

scientific knowledge and changing society. (Irzik [1985] , p.2) In both cases PE follows two methodological rules: First, change as few variables as possible. Second, make small changes. In the first case, changing few variables is necessary if we want to figure out which cause leads to which effect. In this way, we can obtain reliable causal knowledge. In the second case, by introducing small, incremental changes to reform society, we can avoid large-scale harm. The two methodological rules are needed because of PUC. Since every human action has unintended consequences, some of which can be unforeseen and undesirable, introducing big changes is likely to have big negative consequences that may harm people. Therefore, the second rule aims to prevent harm to people. Having these considerations in mind, I will now reveal the flaws in Popper's PE and explain why PE would not work in certain cases.

Popper's method of reform or intervention is incremental problem solving. Holism is the exact opposite of PE in that in reforming a society it preaches the introduction of both big changes and many changes all at once. Popper is of the opinion that the greater holistic (large-scale) the scope of the reform is, the greater the negative UC we will face. To that end Popper contends that "In practice, the holistic method turns out to be impossible; the greater the holistic changes attempted, the greater are their unintended and largely unexpected repercussions, forcing upon the holistic engineer the expedient of piecemeal *improvisation*." (Popper [1961], p.68) Contrary to Holistic Engineering (HE) method, he urged piecemeal engineering to minimize the negative UC of policy action by taking incremental steps. Popper argued that, whether the problem is small or large-scale, we should unconditionally apply piecemeal method so that we can avoid large scale damage in case we face a negative UC.

PE admittedly has its advantages over HE. To name one advantage of PE, we can learn from our mistakes and modify our actions. To name another, when we face negative UC in a piecemeal method we can correct our mistakes with negligible or little damage. Popper's critique of holistic engineering is also right in the sense that if we are applying large scale policies without considering the possible harmful effects, it may be too difficult to correct mistakes without incurring great damage. Be that as it may, the success of PE depends on the nature of problem society faces. In some problems it works, in others it does not.

Despite the advantages of PE over HE it also has some drawbacks. Popper worries that large scale plans inflict large scale damage by failing to consider negative UC and damaging outcomes. Although this is true in some cases, sometimes a negligibly small cause may bring about tremendous effect(s). In chaos theory, this phenomenon is called "butterfly effect." The famous example is "a butterfly stirring the air today in Peking can transform storm systems next month in New York." (Gleick [1987], p. 8.) The moral of butterfly effect theory is that negligibly small causes may bring about large scale outcomes. Those outcomes may be positive or negative. If we consider that science and its technological applications are very important tools to tackle such large scale problems, many small-scale factors leading to positive developments can be found. For instance, a seemingly small-scale change, like the introduction of steam engine, has facilitated the lives of many people by enabling transportation from one place into another, which in turn increased social and physical mobility, interaction and integration between people. In other words, contrary to Popper, not all large-scale changes inflict a proportionate harm. A small scale-cause might bring about a large-scale positive outcome.

Just the reverse applies as a criticism of PE as well. That is, a large-scale change can be brought about and avoid harm at the same time. As Irzik points out “There are cases in which the most could be learned by manipulating the variables considerably without much harm being done.” (Irizik [1985],p.5) The question then arises: What kind of cases count as harmless large-scale changes? The answer to that question leads us to the view that we can only decide about the scope and magnitude of change after making risk-analysis. That is, the method of changing society depends on the nature and seriousness of the problem.

In that connection, the third flaw of PE is that PE loses its original meaning, which is to minimize negative UC, if the problem is *large scale, risk-incurring and urgent*. PE aims at reducing harm by means of *incremental* steps. Even if the problems are large-scale and urgent, PE neither attempts to solve them nor can solve them because of its obsession with incremental solutions. Therefore, the harm given by the urgent problem is due to PE’s failure to recognize the distinctions between different types of problems such as urgent and non-urgent problems. One such type of problem which PE is likely to fail is Global Warming. It is an environmental problem which is predicted to have disastrous consequences for humanity if preventive measures are not taken. The problem is that release of carbon gases into the atmosphere beginning with industrialization, combined with some other factors like depletion of natural resources and environmental pollution caused the global temperature to warm up. The predicted problems range from direct physical harm like death, to more indirect problems like climate migrations, wars due to lack of adequate water resources and new forms diseases. Global warming has been initiated by human actions directed towards other ends, like

achieving high-level economic production, heating the houses and so on. To name one negative UC of global warming for today's societies is environmental hazards like the Hurricane Katrina, which devastated the entire city of New Orleans.

Given that global warming is a fact of modern societies, what do ideologies that use PUC as a guide in policy making say about the problem of global warming? The conservative liberal argues that in fact global warming is *not* a result of human actions, it is a *natural* phenomenon. The world has undergone such climate changes many times. Another response is that private initiative will solve problems better than state initiative. What the current US government, backed by big business, suggests is an ideological distortion of PUC to promote the conservative liberal ideology. The argument the conservative uses is takes the form of what Hirschman calls "Jeopardy Thesis." Taking state action to solve a social problem, global warming in that case, will harm the US's economic interests (Watson [2003], p.1925). This means that state intervention in the market will unintentionally damage the economic interests of people conducting business, and hence indirectly society as well because state intervention restricts individual freedom and levy taxes on social policies.

According to a second approach, of which Popper is a representative, PUC is not an excuse to discourage governmental activity to solve social problems, but gives state a legitimate reason to tackle social problems. In this approach, state is an instrument of problem solving and when damage arises state can intervene to solve the problems. Popper struggled with the idea of a free market, that is market free of intervention, and used PUC not as an excuse to prevent state intervention but as a motivating force to intervene. Popper rightly challenged the free market ideology by saying that "it is

perfectly true that some problems -air pollution, for example- may require special legislation. There are ideological worshippers of the so-called 'free market' (to which we naturally owe a great deal) who think that such legislation limiting market freedom is a dangerous step down the road to serfdom. But that is an ideological nonsense" (Popper [1999], p.101.) Applying the message conveyed in this quotation to global warming will make it clear that if there is a problem incurring damage, Popper would certainly urge state intervention and regulation. However, Popper urges piecemeal intervention and due to the evolving nature and magnitude of the global warming problem, incremental solutions would be ineffective. To understand why PE would be ineffective, it is worth looking at the causes and suggested solutions of global warming. Global warming is caused by factors like deforestation, rapid depletion of natural resources, intensive use of oil and coal, and deleterious gases etc. The predicted outcomes are natural disasters like hurricanes, sea level rise, desertification of land, pollution of air and water resources, famine, draught, food shortage, climate migrations, and may be wars to control water resources. PE would be ineffective to solve global warming problem, because of the nature of the global warming problem. This reveals another flaw of PE, which is its suggestion of introducing small steps without considering the *threshold* effect. As Irzik observed, the thresholds include "cases in which although small increments in the independent variable do not produce any change up to a certain point, they suddenly bring about a drastic one in the dependent variable after passing beyond threshold point." (Irizik [1985], p.5) To apply the threshold effect to global warming case, the failure of PE is due to the fact that incremental and partial solutions like afforestation, using environmental friendly fuel like ethanol, would take too long a time to make a

considerable difference. The problem would not be solved unless all individuals and institutions act optimally to solve the problem. For instance, the effects of global warming could be prevented from reaching the threshold point (also called no-return point), by vast majority of people using public transportation, environmentally friendly fuel and avoid using deleterious gases to mention just a few. In short, the solution of a large scale problem like global warming depends not on piecemeal attempts but on the *comprehensive* reduction or minimization of factors causing the problem. The failure of the PE is mainly because it attacked the causes of the problem incrementally and partially rather than comprehensively.

Generalizing from the global warming example, PE becomes either ineffective or fails to cope with the problem, if the problem:

- is large scale and comprehensive
- incurs large scale, serious and concrete risk/damage to society
- aggregates (evolves) faster than incremental solutions
- is likely to incur large-scale and concrete damage if preventive action is not taken
- is urgent or requires urgent solution.

(The list can be extended. What is important is to show that PE cannot cope with the sort of problems that has all the characteristics listed above.)

Failing to solve problems is against the aim of PE, which is originally designed to solve social problems by minimizing harm. If PE cannot identify the nature of the problem right, PE would be responsible in case people are harmed. In that regard the responsibility of PE would be as heavy as like the inaction approach of the market, and total change approach of HE. Therefore, the most crucial point is that applying PE

unconditionally to a problem that requires *urgent* action is suicidal. This is because while we are deeply reflecting on the possible negative UC of our solutions, the problem can evolve to become more dangerous every minute we spend either with inaction or ineffective action (PE in that case). As to global warming instance, a respected climate scientists J. Houghton said that “the longer we delay taking action, the larger the problem becomes and the more difficult to solve.”(Houghton [1997], p.144) Popper’s PE either delays action until we complete scientific studies, or in case it takes action, PE proceeds with small steps to control the negative unintended consequences of our actions. But PE proceeds so slowly that in case we face an urgent, large-scale and risk-incurring problem, it cannot prevent harm, which is against its original intention. What we can conclude from these considerations is that PE cannot apply to all problems categorically without any qualification. The first thing to do before considering the appropriateness of PE is to determine the nature of the problem. A good summary of deficiencies of PE has been given by Irzik. He wrote: “If a group or an entire society is in a *desperate* situation, that is, if the problem is too serious and the solution too urgent, then the logic of the situation may dictate a strategy other than piecemeal planning. Consequently, the choice as to which strategy is best depends, once again, totally on the nature of the problem.”(Irzik [1985], p. 8)

The alternative method that I offer is Comprehensive Method (CM), which claims to avoid the deficiencies of PE as well as Holistic Engineering (HE). CM is a method that aims at solving especially large-scale, urgent and risk-incurring problems with a view to reduce or eliminate social risks involved. It does so by eliminating the deficiencies of PE and HE, and adopting their favourable aspects.

I have already criticized the point where PE fails to cope with problems due to its negligence of distinction between types of problems. CM aims to fill that void created by PE as a problem solving method. On the other hand, CM agrees with Popper's PE and differs from HE in that it is human action and their embodiment in institutions, not "inexorable laws of historical development" and formal laws of progress that solve social problems. It also agrees with PE in that negative UC of human actions should be observed, and if possible, prevented or eliminated before any serious damage occurs. On the other hand, CM agrees with HE and disagrees with PE in focusing attention on large-scale problems and in emphasizing the urgent need to solve them. Ideological distortions of using PUC should be avoided so that individuals can be held responsible for their action. For instance, when a solution fails and harm ensues, it is not impersonal forces like laws of development that should be blamed, but humans that fail to take appropriate actions.

CM is an alternative to PE in that CM promotes comprehensive state intervention if the scope and risk of the negative UC are also comprehensive and urgent. The point of PE is to avoid large scale action and negative UC by solving social problems incrementally. However, unless we identify the nature of the problem, we cannot tell in advance which method to use. The concern of CM is that the solution to social problems should depend on their nature, such as their scope and risk involved. Despite the recurrence of comprehensive negative UC in social life, like global warming, Popper dislikes the idea of comprehensive method. Following this line of thinking, he expressed the view that "we must refuse to be rushed into blindly accepting ready-made solutions, *however great the urgency of the hour.*(my emphasis)"(Popper [2002], p.453) This means

that even if we are facing a crisis situation, we must use piecemeal method and solve problems incrementally rather than comprehensively. “In such a case” as Irzik points out “PE ‘would be like trying to save a sinking ship by experimenting in a bucket of water.’ Since there is simply no time to look out for consequences, the only thing to do is to take a quick and radical measure.”(Irzik [1985], p. 8) Probably, Popper’s mistake was to assume that our solutions are more likely to cause harm due to negative UC than the problem already existing. In other words, if we take the wrong measures and apply the wrong method we can make matters worse. As a result of these considerations Popper suggests controlled and incremental change.

In conclusion, I share Popper’s sensitivity to eliminate avoidable negative UC and the necessity of state intervention to pursue the solution of problems. His underlying moral principle, namely, Negative Utilitarianism in the solution of social problems also prepares a moral agenda for intervention. Although Popper wants to minimize negative UC with Piecemeal Engineering, he fails to consider the shortcomings of PE. The main failure, as I argued, is to consider the nature of problems and adopt a more appropriate method in urgent large-scale problems. If applied to such problems, contrary to the intention of PE, it proves to have disastrous consequences. PE can be a tool in the hands of conservative liberalism, to maintain the *status quo*. As the global warming example shows, the conservative liberal invokes PUC to show the harm comprehensive solutions will give to the economy. If Popper’s PE is to avoid being used as an ideological tool by the conservative, it should welcome alternative methods, such as the comprehensive method, to contribute to the solution of large-scale and urgent problems. Otherwise,

Popper's criticism of free-market ideology would lose its meaning, since PE would fail to solve social problems and market will be free of state intervention.

II. CHAPTER II

POPPER ON THE PRINCIPLE OF UNINTENDED CONSEQUENCES, THE STATE AND SOCIETY

The kind of society in which state protects individuals from harm and fosters their freedom is what Popper calls the Open Society (OS). By constantly improving the knowledge of negative UC and preventing their damaging effects, the Open Society can provide individuals the social niche, in which they are set free. In Popper's political philosophy, one of the important guiding norm or principle which gives state action its direction is the Principle of Unintended Consequences. The principle gives state an active role in tackling, solving and, if possible, eliminating social problems through application of piecemeal social engineering informed by progress in scientific knowledge and by moral duty to cooperate in social problem solving. Such a state is social democratic, which promotes progress, justice and freedom in society.

According to Popper, one of the main causes of UC is human mistakes and mistakes come out of ignorance and fallibility. Human fallibility cannot be eliminated, but ignorance can be conquered by progress in knowledge. If we do not know what effects our actions will have, it is not possible to avoid the negative UC. This is more so especially in cumulative and systemic social effects of human actions since capability to predict consequences of human actions require knowledge of complex human action and society. For Popper, we study unintended consequences "either because of our scientific curiosity, or because we want to be prepared for them; we may wish if possible, to meet them and prevent them from becoming too important. This means, again, action, and with it the creation of further unwanted consequences." (Popper [2002], p.167) In other words,

our focus should be on negative UC (social problems) that harms people. Second, if problems are avoidable, we should not look for ideological excuses for inaction; rather we should use the existence of negative UC as a starting point for state action to solve problems. Popper used the Principle of Unintended Consequences as a policy guide that informs public policy action.

What made Popper's social and political philosophy progressive is his assumptions about the problem solving nature of human action and reason. The arguments which led Popper to portray humans as problem solvers derive from his assumptions about the characteristics of human action and rationality. According to Popper, as the systemic unintended consequences of human action make society more complex, social problems become more complex too. Such complex social problems must be solved, if people are to survive and lead a better life. The pressure of social problems from without and the seeking of solutions from within lead individual to dynamism and activity rather than passivity and rigid stability. Hence, as a result of the attempt to find better solutions Popper observes that individuals "search for a better environment, for a better world...[and] they are constantly preoccupied with problem-solving."(Popper [1992], p.16) Such a problem-solving view of human action is a step towards Popper's understanding of human rationality, which in turn underpins his political and social theory. Individual action as directed towards problem solving led Popper to qualify rational actions and distinguish them from irrational actions. To that end, Popper ascribed certain characteristics to rational human action. Among those characteristics are its being purposive/intentional, conscious, informed by more rational theories and values. Unintended consequences are not the result of spontaneous and

unconscious actions, but the outcome of “intentional or purposive”, that is, rational human actions. So, the intentionality or purposiveness of human actions are preconditions for human rational action since it orients action and enables it to find appropriate means to pursue the given goal. The purposive, deliberative and conscious nature of rational human action is reflected in Popper’s image of social organization as a model of problem solving.

Against this background of human action and rationality, Popper made it explicit that he founded his model of Open Society upon his vision of rationality and progressive science.(Popper [2003], Vol.1, p.163) Life is a problem solving activity. So is organizing social and political affairs. The best solutions, Popper contends are brought about by rational theories and actions, as well as creating the social and political conditions that make freedom possible and science flourish. For Popper, the ideal type society which enables such an advanced level socio-political organization is the Open Society. In Open Society, social problems are dealt with by scientific and technological means. In the process of social problem solving, the task of social science “is the discovery of the difficulties which stand in the way of social action [negative UC or social problems]- the study, as it were, of the unwieldiness, the resilience or the brittleness of the social stuff, of its resistance to our attempts to mould it or to work with it.”(Popper [1985], p.351) In other words, social science should aim to predict as well as to understand the nature and causes, and enables prediction of social problems in the form of negative unintended consequences. Once we understand the causal mechanisms that underlie negative UC, we can prevent them from occurring by taking preventive measures. In this way, we minimize the damage which is the main goal of social technology. Many reforms have

successfully been carried out in the open society due to the deeper understanding of such unintended consequences with harmful effects. The OS is thus a society in which progress in the solution of social problems could be achieved through the advancement in knowledge.

The Open Society can best be understood by contrasting it to the closed society. In the closed society, since science was neither esteemed nor developed, the occurrence of social problems would be attributed to supernatural and mystical forces. When a positive unintended social outcome emerged the closed society would interpret it as a work of gods' grace, mother nature's favor or would explain it by miracles. Similarly a negative UC would be attributed to the anger of or disfavor of mystical, inexplicable and uncontrollable forces. Since the diagnosis is wrong so is the prescription. Popper goes on to say that solutions of social problems in the closed society, would be sought in irrational traditions, ossified taboo and magic. Hence bringing about purposive social change would be impossible or, if at all, very difficult.

What makes the significant shift from irrational solutions of closed society to rational solutions of open society is the advancement in science and technology. Both open and closed society experience negative UC of human action. But, only the Open Society succeeded in solving complex and seemingly intractable social problems rationally. Popper is optimistic about progress that science can facilitate, unlike the case with the closed society. As Popper remarks in a critical passage "today [in the open society], things may begin to be different, owing to our slowly *increasing knowledge of society*, i.e. owing to the study of the unintended consequences of our plans and actions; and one day, men may even become the *conscious creators of an open society*, and

thereby *of a greater part of their own fate...*[emphasis mine]” (Popper [2003], Vol 2. p,94) This passage is critical in the sense that it gives a clear idea of how Popper approached the unintended consequences of actions and what knowledge can do about it. Since one crucial reason for unintended consequences is our ignorance of predicting such consequences, the advancement in knowledge can enable us to predict them before they occur and take action before they do harm. At the institutional level, social engineering has to grapple with social problems. The main goal of social engineering is to predict the negative social unintended consequences of human actions and prevent them before they inflict harm. Social engineering fulfills the problem solving function through the means of institutions and their use to improve social conditions. Popper is well aware of the limits of human knowledge and reason in attempting to solve social problems by social technology. After all, no *panacea* or cure all solution is possible. However, we can hope for progress in proportion to the advancement of our knowledge. To that end Popper points out that the limitations of human knowledge make the success ambitious and large-scale social plans almost impossible. The limitation of knowledge would for a time limit our ability to achieve our goals. As Popper maintains “at present, the sociological knowledge necessary for large-scale engineering is simply non-existent.”(‘ibid., Vol 1, p.161) This statement gives us a very important clue as to how Popper understands the limits of intervention. For Popper, his objection to large scale social engineering is not a matter of principle, but due to the practical difficulty of attaining its objectives with little knowledge. Hence, the limit of intervention is drawn by the limits of knowledge. The limit of intervention has not been determined by economic concerns such as protecting the virtues of the market. The more knowledge we have, the larger the scope of

intervention becomes. In other words, *when* sociological knowledge is available then large-scale, rather than piecemeal, social engineering is possible. The *present* limits of knowledge cannot be a reason for finding ideological excuses against intervention. This is because, Popper goes on to say, “for many things have been realized which have once been dogmatically declared to be unrealizable, for instance, the establishment of corresponding institutions for securing civil peace, i.e. for the prevention of international crime within the state.”(ibid., Vol.1, p.161) For humans can develop complex knowledge, values and theories as they face complex problems, there is the hope that large-scale social engineering is possible in the Open Society. So, the advances made in scientific knowledge and social technology prevents damage as UC are predicted.

The potential of the open society to initiate social change through social engineering is a distinguishing feature of it. Such progressive and dynamic quality of open society can be contrasted with the stable nature of closed society. In a closed society uncritical adherence to tradition and resistance to social change leads to conservatism. Social change should both be promoted and controlled in a free and open society. In the closed society what makes deliberate and planned institutional change so difficult relates to lack of knowledge and accompanying values and mindset to bring about institutional solutions. As a result, “for the closed society...the conscious design of institutions is a most exceptional event” (Popper [1985], p.350) Hence the closed society deals with social problems with traditional methods, like magic and inherited institutions, like religion. What makes deliberate or conscious design possible in the Open Society, by contrast, is the pivotal role scientific knowledge and human reason play in organizing social affairs and tackling with constantly changing social relations.

One important question at this point is what role reason and knowledge plays in constructing institutions. There are two major philosophical approaches to the question. One group of scholars, like Hayek, argues that human reason can neither fully understand nor construct naturally evolved institutions, like the great society or the market. Such social institutions emerged not as a result of design using reason, but as an outcome of unintended consequences of spontaneous human actions. Popper, on the other hand, accepts the emergence and evolution of most of the institutions as a result of unintended consequences; however, he believes that human reason can deliberately construct social institutions if it is guided by progressive scientific knowledge and rational action. He wrote: “by the use of reason [including all its powers like being purposive, deliberative and intentional] we can change the world.” (Popper [2003], Vol 2., p.198) Humans, both at the individual and the institutional level, constantly make plans and evaluations, decision and deliberations to bring about social changes. They evaluate the living conditions in their search for a better world, and when negative unintended consequences block them from achieving their goals, they face a problem. They then make plans, develop theories, appeal to the values to solve it. What enables reason to design institutions possible is partly due to its own capacity, and partly due to the dynamic nature the open society. Within such a model of social change, Popper likened the Open Society and its social institutions to a machine, rather than to an organism.(Popper [1961], p.65) As we can design a machine and improve its functioning where it does not enable us to achieve our goals, we can gradually change social institutions by social engineering. The fact that social institutions are machine-like in the sense that reason can model certain features of them and give it a certain direction does not mean that

institutions can fulfill all their goals and function without problems. There will always be negative UC of human actions, hence social problems. The important question is not their existence, since they are facts of human life. Rather, the real challenge is what we can do to grapple with social problems. Popper already showed in his theory of Open Society that gradual improvement of social conditions is possible by institutional design supported by the advance in science and rationality.

As an extension of debates as to whether society can be changed by deliberate plans and institutional design, one important question figures about the nature and capacity of human rationality in fulfilling that function. In my discussion of the issue, rather than using Popper's own terminology of critical rationalism², I prefer to use an important terminological distinction made by R. Dahrendorf. According to Dahrendorf two types rationality has been assumed in the debates over the organizing principles of society and state, and in the solution of social problems. The first type of rationality is "market rationality", which is a "quasi-economic" term indicating solution of problems through market mechanism by allowing markets to regulate themselves and reach equilibrium situation where problems will be solved favorable to various groups of society. People in the market, or economic agents, orient and coordinate their actions according to the rules and procedures set out in the law. Market rationality urges political passivity since political interferences in the market destroys freedom and prosperity, the basic values of the market. Dahrendorf contrasts market rationality to "plan rationality" and says that "[defenders of plan rationality] ...urge that powers of human reason be

² I avoid using the term "critical rationalism" because both Popper and Hayek uses the same term, which hinders their differences in what they mean by the term. Dahrendorf's distinction between "market and plan rationality" enables a nuanced analysis of Popper's and Hayek's views and their differences, as I shall contrast in Ch. 4.

applied to the task of designing and building the just society, or more modestly solving certain social problems. To [the advocates of plan rationality,] rationality consists in the consideration of every step along the way from a problem to its solution, and in the creation of suitable organizational conditions for keeping problems under control. Solutions do not come about by themselves, but only as a result of controlled and controlling action.” (Dahrendorf [1968], p. 218) Plan rationality fits very well to Popper’s rationality model in solving social problems and in designing institutions if we emphasize UC as limiting human capacity to pursue deliberate goals. Also Popper has no goal of pursuing a just society, if understood as offering a positive conception of justice. That is to say, the values and norms such as justice, good, happiness are left to individual choice. The state and politics does not deal with such problems, which is largely subject to subjective evaluations. The state, however, deals with negative conception of justice that concerns society and welfare. That is, if people are being treated unfairly, to solve that social problem is a matter of public policy. For instance, if certain groups of people are suffering from poverty, the state cannot remain indifferent but do something to solve that problem.

Apart from these reservations expressed in Dahrendorf’s formulation of Plan Rationality, Popper’s theory leaves no room for spontaneity and lack of plan in organizing affairs of society and state. Nor does he neglect social problems to solve economic problems, as market rationality seems to do. Plan in social and state affairs is indispensable: “social engineering is the construction of social institutions according to plan.” (Popper [1961], p.73) That is, just as a rational action should have a purpose, an institution should be constructed to achieve a particular aim. That particular aim which

state action aims should be solution of social problems, such as elimination of poverty and unemployment. Therefore it is not spontaneous action or order that brings about general outcomes via the mediation of positive UC, like the market order of Hayek. It is purposive actions or plans that aim at eliminating negative UC, not natural forces or spontaneous orders. One can immediately ask: doesn't planning endanger freedom and lead to authoritarian regimes? According to Hayek, state planning brings freedom to an end, since freedom is only possible in a market mechanism that operates spontaneously and in an unplanned way. For Popper freedom and planning are not contradictory but complementary. As he writes, "only by planning, step by step, for institutions to safeguard freedom, especially freedom from exploitation, can we hope to achieve a better world." (Popper [2003], Vol 2., p.143) This assertion makes it clear that Popper denies the classical (economic) liberal view that a planning state endangers freedom. It is rational planning, not the lack of plan, that brings about freedom. The question then remains: What kind of an institution will bring solutions to complex social problems? What would be its nature? It is liberal democratic state, the basic social institution of the Open Society which promotes freedom, equality, a more humane and rational society where problems are gradually solved to live in a better world.

The main duty and purpose of liberal democratic state is to protect the freedom of the citizens. It is not merely negative freedom, understood as absence of state coercion, that brings about freedom but also positive freedom, understood as creating institutional and social conditions for freedom.³ Negative freedom is merely the absence of state

³ In a letter to I. Berlin, Popper expresses his discontent with putting too much stress on negative freedom. He asks Berlin "[M]ay not the search for truth- *sapere aude*-be part of a positive idea of self-liberation?" (Popper to Berlin, 276/10) As the title and arguments in Popper's article "Emancipation Through Knowledge" suggests, Popper believed that the search for truth -*sapere aude*-, rationality and

coercion. The less state coerces, the more free individuals are. Although Popper thinks that negative freedom prevents arbitrary coercion of state, taken by itself, it is not a sufficient condition of freedom. What complements negative freedom is positive freedom, freedom understood as state providing the citizens social and institutional conditions that facilitate the solution of their problems. Therefore, the state not only protects all citizens from exploitation but also provides social services that render them free individuals. The state protects freedom of its citizens on the basis of a principle which Popper calls “humanitarian theory of justice”. Popper explains this notion as follows: “The humanitarian theory of justice makes three demands or proposals, namely (a) the equalitarian principle proper, i.e. the proposal to eliminate ‘natural’ privileges, (b) the general principle of individualism, and (c) the principle that it should be the task and the purpose of the state to protect the freedom of its citizens.” (ibid., Vol I. p.100)

Citizens having equal rights share both the burden and benefits of their being member of the society. This implies that if some group of society is facing a social problem it is the duty of state to help them solve it. Such a protectionist duty of state also implies that no group of individuals in the society has to suffer from avoidable problems, for instance those problems that come as a result of market failures or externalities of economic actions. Hence individual freedom understood as the absence of state coercion is insufficient because the poor, the unemployed etc. will not be able to exercise their freedoms, unless they are empowered socially and economically. Hence Popper goes on to say state should not only protect but also promote freedom of all citizens since state has a moral duty to solve social problems of its citizens. The public policy should be

scientific knowledge brings about positive freedom and “self-liberation.” (In Search of a Better World, p.137-41) For similar views, see also Shearmur, 1996, p.33 and Boyer, 2002

concerned with social problems, many of which take the form of negative UC. So, Popper proposed his own to the effect solution that state should deal with “socialization of misery” including “starvation, pain, humiliation, injustice, exploitation.”(Popper [nd.]“Public and Private Virtues”, p.1) Socialization of the misery does not lead one to think that Popper asks for an all powerful state that will solve all problems and bring heaven to earth. Popper is defending a “negative view of justice” (Espada [1996] ,p.48) or “humanitarian theory of justice” that requires state intervention only when problems occur or to prevent their damage. The state should protect the freedom of all citizens because it is not only the duty of state but also the rights of citizens to expect institutional solutions for structural problems. The state even has an extra duty to distribute freedom as equally as possible through social services. This is necessary because if state does not provide social services as equally as possible, citizens cannot exercise their rights and freedoms by themselves, and democracy becomes threatened. For instance, if a citizen does not have enough education due to lack of material means, they may not participate in politics in an informed way. So, the citizen cannot defend and fight for her rights. For concerns of equal rights and liberties, Popper suggests that state has to provide free social services for all citizens, such as education. In order illustrate Popper’s equalitarian view Magee provides a good example. Rather than improving the standards of the wealthy or better-off institutions, the state should help solving social problems, especially those people suffering from the problems. Magee wants us to think a policy maker to maximize equal opportunity for the children in education. Rather than investing in building new schools or improving the standards of the well-off schools, social policy should concern itself with the improving the standards of the worst-off schools. Magee suggests that such

a problem solving approach “directs its attention to the most underprovided schools- those with the worst staffing problems, the most overcrowded classes, the slummiest buildings, the least or worst educational equipment- and makes doing something about them the first priority.” (Magee [1975], pp.84-85) In order to provide such social services, state has to intervene in the market, by levying taxes for instance. However, state intervention brings to surface many ideological encounters between philosophers with liberal orientations. Some liberals see state intervention dangerous (Hayek), others see it necessary (Popper).

The conservative liberals like Hayek argue that if the state intervenes in the market in order to bring justice, it will make matters worse due to the unintended consequences. Hence the state’s aim to bring about social justice will undermine political and civil rights since the less well-off majority will coerce the well-off minority by using the force of the state. Hence, individual freedom is incompatible with majoritarian democracy, since the latter leads to the unjustified coercion by majority and destruction of individual freedom as Hayek sees it. Hayek wrote: “while individualism affirms that all government should be democratic, it has no superstitious belief in the omniscience of majority decisions, and in particular it refuses to admit that ‘absolute power may, by the hypothesis of popular origin, be as legitimate as constitutional freedom.’ ...[and that] we must accept as true and binding for future development the views of the majority.”(Hayek [1948], p.29) Unlike Hayek, Popper does not conceive of any incompatibility between democracy and freedom. He argues that what he calls “democratic interventionism” promotes both liberty and democracy, not undermine one or the other. Nor Popper thinks that the economic and social rights destroy civil and

political rights. On the contrary, they reinforce each other. The majority does not have to lead to tyranny as Hayek thought, since many reforms have been carried out by what Popper calls “democratic interventionism.” Popper maintains that “democratic interventionism has made immense advances, and the improved productivity of labour -a consequence of the accumulation of capital-has made it possible virtually to stamp out misery. This shows that much has been achieved, in spite of undoubtedly grave mistakes, and it should encourage us to believe that more can be done. For much remains to be done and to be undone. Democratic interventionism can only make it possible. It rests with us to do it.”(Popper [2003], Vol 2., p.204) As Popper emphasizes, state intervention to bring about some welfare measures, or to protect people’s freedom through economic rights, does not threaten civil or political rights. At this point, Popper stresses the priority of a political power over economic power. Both the revolutionary socialist and classical liberal speaks with one voice when it comes to economic power’s superiority over political power. They think economic power is superior to and more central than political power. Popper thinks the other way around and says that “political power is the key to economic protection.” (ibid., p.126) He is optimistic in that democratic state intervention can bring about desired changes through the design of new social institutions, when necessary. So, unlike the destructive aspects Hayek sees in political power, Popper evaluates it positively since it can bring about positive social outcomes if it is rational and realistically used.

Popper’s other response to conservative (economic) liberals complaining about state intervention is that non-intervention is impossible. Writing a constitution to protect the market from being interfered is a way of intervention, though indirect. Popper

expresses his discontent with the anti-interventionist approach by saying that “I must admit that I am certainly out of sympathy with this ‘passivist’ view, and that I even believe a policy of *universal* anti-interventionism is untenable- even on purely logical grounds, since its supporters are bound to recommend political intervention aimed at preventing intervention.”(Popper [1961], pp.60-1) The main question for Popper is not whether intervention is desirable or not, but what would be the aim of the intervention and given the means available, and whether we can achieve our goals or not. Popper is never pessimistic about the positive changes that state power can provide. So neither the market system or nor the state can improve unless humans take rational action. This is why Popper is not a conservative or traditionalist, since he believes in the power of rational political actions and the positive changes it can bring about.⁴ Popper has already made his allegiance with the progressive Enlightenment approach to society and politics at the outset of *The Open Society*. He spoke of the Enlightenment movement as “...the greatest of all moral and spiritual revolutions of history, a movement which began three centuries ago. It is the longing of uncounted unknown men to free themselves and their minds from the tutelage of authority and prejudice. It is their attempt to build up an open society which rejects the absolute authority of the merely established and the merely traditional while trying to preserve, to develop, and to establish traditions, old or new, that measure up to their standards of freedom, of humaneness, and of rational criticism. It is their unwillingness to sit back and leave the entire responsibility for ruling the world to human or superhuman authority, and their readiness to share the burden of responsibility for avoidable suffering, and to work for its avoidance. This revolution has created powers

⁴ The claim that the late Popper has become a conservative and hence has moved away from his earlier progressive arguments will be discussed in Ch.4.

of appalling destructiveness; but they may yet be conquered. ”(Popper [2003], Vol 1., p.xiii) This significant passage shows that Popper followed the Enlightenment approach in his emphasis on progress in science and in the conduct of social affairs, the belief in the power of rational human action and democracy to bring about positive social change. This passage also shows that there is no emotional commitment to traditions, as seen in conservatives, and we can change them when they do not fulfill their main function, namely to solve social problems. We should try to bring about change rather than rest content with unexamined traditional solutions if we want to solve more complex social problems. If traditional institutions and modes of action cannot tackle with the complex problems, we should neither dogmatically preserve them nor show emotional attachment to them. In that regard, Popper contends that dogmatic adherence to traditions obscure progress because they prevent new ways of solutions and experiences. Even if we assume that the market system operates better without state intervention, individual rights and freedom cannot be sacrificed just to enable successful operation of the market institutions. Popper’s concern is not to maintain some particular institutions, like the market or even the state, but to use them as instruments to arrive at a better world for humans to live in. Institutions are only *instruments* that should serve for humans to live in a better world. They do not have a value in themselves, but have only instrumental value. That value is to enable solutions of social problems. Unlike institutions, individuals are worthy of respect by virtue of their equal human dignity. So the elimination of an institution, if it cannot fulfill its function, would not be a problem. As Hachohen accurately observed, Popper “always distinguished between the survival of theories and people. The “market” was allowed free operation with regard to the first, but not the latter. Freedom,

too, required planning. Competition of ideas was no cure-all.”(Hacohen [2002], p. 352)

Therefore, Popper never accepts the argument that market is a neutral instrument and that the economically weak should face the consequences of their miserable condition. Both his theory of rationality and that of problem solving suggests that humans should be active problem solvers both at the individual and the institutional level, that should strive to create favorable socio-political conditions for solutions of problems. Popper does not accept the argument that in a free/liberal society some people have to pay the price of living in miserable conditions or has to suffer if freedom is to exist and flourish. As an answer to such claims, Popper maintains that “we must construct social institutions, enforced by the power of the state, for the protection of the economically weak from the economically strong. The state must see to it that nobody need enter into an inequitable arrangement out of fear of starvation, or economic ruin... We must demand that unrestrained capitalism give way to an economic interventionism.”(Popper [2003], Vol.2., p.125) One may ask if a liberal can make such a proposal and still remain a liberal. If we do not equate economic non-interventionism (or *laissez faire*) with liberalism, a progressive social-liberal can perfectly make such a proposal. So did Popper. His liberalism therefore focuses its attention not on problems of economy such as efficiency, success and economic growth. The social problems are at the locus of Popper’s liberalism, those problems which harm individuals in various forms. So, Popper perceives of state and politics as means of institutional improvement and in order to arrive at a better social world. In that regard, Popper suggested that “liberalism... believes in searching for ever better standards, especially in the field of politics and of legislation”(ibid., p.444) It shows that Popper is not obsessive for the preservation of

market at any costs to society. His political vision focuses on the solution of social problems of concrete individuals, not on the solution of problems of abstract institutions like market. Therefore, one can say that Popper's ideal human is not *homo-economicus* but *homo-problematicus*. *Homo-economicus* bases his actions on concerns such as efficiency, productivity, competitiveness, allocation of scarce resources, and so on. *Homo-problematicus* focuses its attention on social problems, contribute to their solutions by deliberation, participating in social and political life, using reason to learn from his mistakes. Since problems, like rationality and knowledge, belong to humans and it is humans who should solve them to live in an open, free and civilized society. The social problems or negative UC occur to due the limits of human reason and knowledge. But this should in no way be an excuse to accept the problems and wait for their self-disappearance. In Popper's thinking, the gap between the facts (social problems) and standards (our solutions) will show not only the seriousness of the problem but also our problem solving capacity and civilization level. That is, the higher the gap between expectations or solutions, and the reality or the problem, the more it is likely that the latter will cause damage. Therefore, indifference to social problems both individual and institutions level is unacceptable, "for an essential part of [the liberal] tradition is the recognition of the injustice that does exist in this world, and the resolve to try to help those who are its victims. This means that there is, or that there may be, a conflict, or at least a gap, between facts and standards; facts may fall short of right (or valid or true) standards- especially those social and political facts which consists in the actual acceptance and enforcement of some code of justice."(ibid., p. 392) So the *homo-problematicus* focuses on problems and take action for their solution. It is not indifferent

to social problems, nor do institutions of Open Society remain neutral to the social problems, unlike the classical liberalism assumes for the market. It uses all available knowledge and technology, informed by a moral duty to alleviate suffering. The existence of problems like poverty or unemployment, is not a condition of despair but a motivation to develop solutions (standards) like designing a new institution to tackle with problems. The fact that each action has a potential for a negative unintended consequence does not constitute sufficient reason to assume that being indifferent or remaining neutral will solve the problem. It is action not inaction that solves the problem.

One of the main conclusions of this chapter is that, in Popper's philosophy, unintended consequences have been used as organizing principles of society and politics. The principle is always at the background, and never made very explicit. However, a careful reading of Popper's arguments will reveal that he used PUC to support his theory of Open Society and his progressive liberal democratic state. It is not used as a principle that leaves the solutions of social problems to the supposedly self-regulating market or to the spontaneous coordination of individual actions. The principle has been used as a background assumption of a social and political philosophy that urges planned and institutional solution of social problems informed by science and morality. The risk that institutional action can bring about large scale damage is for Popper no excuse for preventing state intervention. No individual can be sacrificed due to risks involved in social engineering. Popper believes in the power of state and how it can solve problems protecting both democracy and freedom. Problems can be solved and progress in solution of problems can be achieved. What should be done is to avoid irrational ways of thinking and acting, such as the dogmatic adherence to traditions, which prevents progressive

solution of problems. The solutions should be sought not in ideological excuses that prevent social problems from being solved, but in rational theories and actions whose traditions and values are to be modeled after science. The principle of unintended consequences has become a principle or a standard to be observed when solving social problems at institutional level. The real question of PUC is not finding ideological justifications to maintain status quo. The real question is: what do we do given the existence of negative UC? Popper's answers are always realist but optimist: Don't look for excuses to ignore avoidable problems. Develop better solutions by rationally designing, organizing and coordinating institutions as well as actions. Humans have achieved so many things through rationality and science, and a qualified optimism will enable us to live in a better world. In the solution of problems perfection is not possible but progress is very much so. In my opinion, one of the first things to make progress is to develop arguments that reveal the ideological misuse of principles such as unintended consequences. That way we can distinguish ideological way of thinking from scientific way of thinking. Only in this way we can discover the real causes, nature and significance of facts as well as the use or misuse of principles such as PUC. The intellectual significance of principle of unintended consequences is that it can be both used to promote status quo conservatism, and to guide human actions for progress in solving social problems. Among the two alternatives between a conservative and a progressive one I definitely side with Popper's usage of the principle which serves more humane and progressive ends, and for a better world.

III. CHAPTER III

HAYEK ON THE PRINCIPLE OF UNINTENDED CONSEQUENCES, THE STATE AND SOCIETY

In this chapter I shall argue that Hayek used the principle of unintended consequences as an ideological tool either to defend the market society or to point out the alleged dangers in state intervention. My view is that Hayek's use of unintended consequences is one-sided and self-serving since he used them *pragmatically and ideologically* rather than in a principled and consistent way.

Hayek's ideal society is the great society, which is organized around economic concerns and in which human relations take the form of economic transactions to a large extent. State intervention destroys the great society and all its accompanying values due to negative unintended consequences. For state intervention requires complete knowledge of society, which no one can possess, so the attempt to change society in a desired direction via state initiative makes matters worse.

Hayek used the principle of unintended consequences as an ideological tool for legitimizing non-intervention and defending the market society against contesting views. In his works he employed the PUC in various ways; at times he invoked perverse effects and at others he appealed to the jeopardy thesis. In all of these, there is one unifying ideological objective: to prove that intentional actions of statesman and politicians bring about primarily and almost exclusively negative unintended consequences and destroy the spontaneous order of society and the market system.

To illustrate one usage of the PUC, Hayek claimed that “is there any greater tragedy imaginable than that in our effort consciously to shape our future in accordance with high ideals, we should in fact unwittingly produce the very opposite of what we have been striving for?” (Hayek [1986], p.4) Hayek's point is that intentional or deliberate change, especially large-scale ones, produces perverse effects leading to failure.

According to Hayek, one important cause of unintended consequences is ignorance. It is the ignorance of the complexity of human interactions that gives the social order its spontaneous character and makes a free society possible. The individual cannot understand the naturally evolved social institutions like the market. This is because human mind, due to its limitedness, cannot understand a thing that is greater than itself. Human reason and knowledge by their nature are subjective, local, limited, fragmented and dispersed through individual minds. The individual “cannot know more than a tiny part of the whole society and that therefore all that can enter into his motives are the immediate effects which his actions will have in the sphere he knows.”(Hayek [1948], p.14) Thus, the limits of human reason make it impossible to deliberately design social institutions and bring about large scale social change because of the inevitable ignorance of the complex social situations and conditions. The social institutions, like market, came about not as a result of any deliberate design, but as a result of UC of people’s actions individually pursuing their personal agenda. It is the spontaneous coordination of separately acting individual efforts that make a market society possible.

Although human reason has limits to understand society, it can nevertheless undertake some particular tasks such as making sense of the “rules of just conduct” and

designing institutions to protect the market and society. Similarly, human reason can understand the general rules which guide the unintelligible institutions like market. Such rules can be learned by ordinary, day-to-day experience rather than intellectual deliberation or abstract theorizing. For instance, if all people in the market are acting with the motive to profit, the individual should also follow that general rule in order to be successful. Otherwise, the individual will go bankrupt. Therefore, although it is not possible to understand the institutions of the market society, it is possible to understand what rules lead to more efficient operation of them. Once such rules are understood, humans can deliberately construct institutions, like a constitutional court, to protect the market system and prevent any other mechanism, like the state, from interfering with its operation. To that end, Hayek suggests that “our submission to general principles is necessary because we cannot be guided in our practical action by full knowledge and evaluation of all consequences.” (Hayek [1948], p.19) The general principles or rules may be understood, not in theoretical terms, but in their practical significance. That is, the individual can try out and see if following a general, abstract principle makes her successful in practice. Hayek insists that submission to general rules is necessary for the success of individuals and the maintenance of society, and that submission should be done blindly and even irrationally since a theoretical understanding is simply impossible.

Starting by the limits of human knowledge and the rule following actions of individuals, Hayek is heading towards justifying the spontaneous order and the market system. He claims that the ignorance of the indirect systemic effects will adjust individual’s actions against each other without anyone intending it. The outcome of such a process can be positive or negative since market is purposeless. The problems at the

grand scale are solved not by deliberation but through spontaneous coordination of individual actions. In the spontaneous order the system is adjusted *from within*, that is within the market order without any intervention from outside, that is from the state.

The society in which individuals freely pursue their self-interests and personal agendas is what Hayek calls the great society⁵. The institutions and traditions of the great society have not been designed by anyone. They have emerged and evolved out of the unintended consequences of human actions. The impersonal character of the institutions and the operation of the great society are not directed by any human purpose or design since it is an “endogenous (self-generating) order.” (Hayek [1973], p.37) By virtue of its being self-generating, it cannot be controlled by a deliberate design since the great society does not have any definite limits, and its functioning is more complex than any human can understand. The great society and its institutions have not been designed, but evolved as a result of spontaneous and the unintended consequence of human actions. The central concern of the great society is to maintain the values and modes of conduct that make it the society it is. Among the core values of such a society are freedom, efficiency and wealth generation. These values, being central to the great society, clearly show that Hayek modeled his social image upon the concerns of economy. In the great society, the individuals pursue whatever particular ends they have, as long as they follow the rules of conduct and obey the law. The great society is a grown order which generates, regulates, organizes and coordinates itself as an organism does. Hayek’s social image therefore perceives society as an “organism” (ibid.,p.37) rather than as a machine. Like an organism, the great society or spontaneous order tackle problems without any

⁵ Following Hayek, I use the “great society” interchangeably with “market order, spontaneous order, market society, liberal society, catallaxy and extended order of cooperation”.

deliberation, consciousness and purpose. Solutions to problems come along spontaneously and as being adjusted against each other. This is not to say that problems such as poverty and unemployment will always be solved in this way, but that any outside intervention will make matters worse. Thus, whatever problems emerge, they are the price to be paid for the great society. We cannot understand, construct and change society in its entire complexity. What we can do is to create the conditions under which the great society and its core values can flourish. The features of the great society are thus its being natural, growing, complex, organic, self-generating and purposeless.

Hayek contrasts features of the great society with those of the state. Unlike the great society or spontaneous order, which is an institution, the state is an organization. That is, the state is artificially designed/constructed by humans. The order of the state, unlike that of the great society, is coercive and hierarchical. Hence, the state becomes a threat to the free order of society if its powers are not restricted by law and kept to a bare minimum. Among those functions, the state in the great society has an important coercive function to maintain the society and the market order. That is, “coercive functions in which government [state] enforces rules of just conduct...[this coercive function] provides an essential condition for the preservation of that overall order.” (ibid., p.48) Therefore, the state can only coerce the individuals to comply with the rules and laws of the order of the market society rather than arbitrarily prescribing them what to do with a preconceived idea. After all, if the state forces people arbitrarily on the basis of a conception such as social justice, welfare, good, right and the like, such a state becomes coercive and destroys freedom.

Freedom as the predominant value of the great society, according to Hayek, means the absence of state coercion, hence negative freedom. Hayek contends that this sort of freedom “rests chiefly on the recognition of the inevitable ignorance all of us concerning a great many of the factors on which the achievement of our ends and welfare depends.” (Hayek [1960], p. 29) Each individual has limited knowledge which he should use for her own purpose. If an organization such as the state imposes conditions that prevent the individual from using her limited knowledge, then it destroys her freedom. Hence, freedom contrasts with arbitrary coercion, both personal and organizational. Freedom enables the individual to pursue its own goal without facing arbitrary obstacles. The state can set legal limits to individual freedom to the extent that freedom complies with the abstract rules of conduct and with the preservation of market order.

In Hayek’s thinking, since the society is purposeless and since purposive state intervention will make matters worse due to negative UC, there is no conception of positive freedom. The state has no obligation to make the individuals free in the positive sense by providing them with powers, resources and opportunities to pursue their goals. Thus, the individuals transact and compete with each other within the framework of both an ethically neutral market and an indifferent state. For the occurrence of social problems like poverty or unemployment, neither the state nor the market can be held responsible. In a free market system and in the great society, some individuals have to fail and suffer since that is the price of living in a free society. Hayek expressed this idea when he said that “the extended order arises out of a competitive process in which success decides...In this [competitive] order the advance of some is paid for by the failure of equally sincere and even meritorious endeavors of others.”(Hayek [1988], p.73) The state should not

interfere when some people fail due to others' actions, since this presupposes a positive conception of freedom. Whether the effects of people's actions on others are positive or negative, the state and market are indifferent to such considerations. To that end Hayek suggests that individual freedom "...demands that it be accepted as a value in itself, as a principle that must be respected without our asking whether the consequences in the particular instance will be beneficial...no considerations of expediency can be allowed to limit it." (Hayek [1960], p. 68) Considerations of expediency requires notion of positive freedom, which in turn invites state intervention. State intervention brings about more harm than good since, for Hayek, if the state intervenes in the market to provide freedom to its citizens, it will destroy the spontaneously operating market order. Hence, if the state is to protect liberty, it should only ensure that citizens obey rules of just conduct as set out in law. The state has no obligation to correct the situation if individual freedom is distributed unequally due, for instance, to the lack of opportunities. Nor the state should embark upon bringing about particular social conditions, such as equal outcomes in the form of, say, income distribution. For Hayek, the necessary and sufficient condition of freedom at the institutional level is not the particular circumstances brought about by state. They are rather the equality of people before the law and the equal treatment of them by the state. Hayek writes: "there can be no freedom if the government is not limited to particular kinds of action but can use its powers in any ways which serve particular ends." (Hayek [1948], p.19) For instance, if the state decides to improve the living conditions of a particular social group, according to Hayek, such a decision will destroy freedom. The state can only undertake limited functions to cope with social problems. The particular actions which government can undertake in the great society are

to design institutions so as to ensure protection and maintenance of the market, and to provide social assistance to those in need. As we shall see later in this chapter, Hayek dropped even the second task he assigned to the state in his final work.

Hayek would even consider “democratic” piecemeal interventions as destructive of freedom and of the values of market society: “Freedom is almost certain to be destroyed by piecemeal encroachments.”(Hayek, [1960], p.68) Hayek’s criticism of piecemeal state intervention already hints at his arguments about the limits of state action and the proper task of the government. This is because piecemeal intervention in the market will damage the working of the entire system due to the ignorance of complexity of all the possible consequences of human actions. As a result, Hayek ends up denying not only government planning, but also piecemeal planning that aims to solve social problems incrementally. He maintains that even “piecemeal engineering...suggests to me too much a technological problem of reconstruction on the basis of the total knowledge of the physical data, while the essential point about the practicable improvement is an experimental attempt to improve the functioning of some part without a full comprehension of the structure of the whole.” (Hayek, [1976], p.157) When the state intervenes in the market, whether with an ambitious or with a modest agenda, it has to coerce individuals arbitrarily and thus take away their freedom.

Hayek gives two arguments against intervention. The first is that state intervention destroys individual freedom. For the state has to coerce individuals to act in a certain way or to bring about a particular social condition, such as eliminating poverty. In order to do so, the state has to levy taxes on individuals, especially the better-off. Such a policy will have many negative unintended consequences since the state undertakes the impossible

task of solving social problems with limited knowledge. The main aim of a liberal state, in Hayek's view, is to protect the (negative) freedom of individuals. The state, if it undertakes tasks which aims to provide positive freedom, it coerces certain individuals to transfer their resources to make other's free. This would rob certain individuals of their economic freedom and prevent them from pursuing their own ends. Hayek opposes state intervention due its threat to freedom. As he says, "freedom requires that the individual be allowed to pursue *his own* ends...Common concrete ends are replaced by common abstract rules. Government is needed only to enforce these abstract rules, and thereby to protect the individual against coercion, or invasion of his free sphere, by others."(Hayek [1988], p.63) As this quotation shows, Hayek gives priority to private sphere, free choice and pursuit of ends. He sees the pursuit of social policies for improving the living standards and hence for providing positive freedom as a threat to negative freedom since the former invites coercive measures.

It is precisely the negative conception of freedom that leads Hayek to praise selfishness and the pursuit of individual ends through competition as superior to that of common social purposes achieved via collaboration. Freedom requires that the individual is responsible for the outcome of her actions and her condition in life. The market is the most free institutional framework in which one can pursue whatever ends she wants to pursue. If someone is poor, it is not the responsibility of the state to enable her to live a contented life by providing welfare services. Nor can market do anything to correct inequalities. Both the state and the market are neutral in that sense. In the market system, Hayek maintains, "continued obedience to the command to treat all men as neighbors would have prevented the growth of an extended order." (ibid. p,13.) Hence, the pursuit

of personal goals would promote the growth and the extension of market society. The growth of the market society and the promotion of its core values become possible only when the state does not meddle with them and when the market is allowed to operate freely. Government becomes a threat to freedom if it forgets its essential task of protecting individual liberty understood in the negative sense.

Hayek's second argument as to why state intervention is destructive of market relates to the alleged conflict between intervention and liberal democracy, or, more precisely, between majoritarian democracy and freedom. In Hayek's view, democracy is the regime by which individuals can protect their civil and political rights against majority rule, and these rights are threatened if the state coerces the individual arbitrarily. Majoritarian democracy, if bolstered by social and economic rights, so goes Hayek's argument, destroys civic and political rights that aim to protect individual freedom. He expressed this point when he said that "...the old civil rights and the new social and economic rights cannot be achieved at the same time but are in fact incompatible; the new rights could not be enforced by law without at the same time destroying that liberal order at which the old civil rights aim." (Hayek [1976], p.103) This implies that a political action aiming at equality or social justice has the indirect negative effect of restricting freedom. This is because, in order to bring about social and economic equality the state has to restrict, rather than enlarge, the scope of individual freedom. The state has no task, in Hayek's view, to bring about a particular social condition, say, to solve the problem of a particular group of people through policies like income redistribution. Thus, for Hayek even democratic intervention is a threat to freedom and market system. (Hayek [1948], p.18) It becomes a threat to the spontaneous order because the system, by its very nature,

works on the basis of limited knowledge and even ignorance of complex particular facts. Any attempt to bring about particular results by purposive action is doomed to failure due to negative unintended consequences. Hayek claims that state intervention is bound to fail because it is deliberately made to bring about particular social circumstances by assuming sufficient knowledge of those circumstances, whereas market operates on the assumption of ignorance of them and the indeterminacy of the results of human actions.

Against such bleak prospects of intervention, Hayek promotes a self-regulating spontaneous order in which freedom and prosperity are supposed to flourish. He points to the limits and dangers of intervention by saying that “most defects and inefficiencies of such spontaneous orders result from attempting to interfere with or to prevent their mechanisms from operating, or to improve the details of their results. Such attempts to intervene in spontaneous order rarely result in anything closely corresponding to men’s wishes, since these orders are determined by more particular facts than any such intervening agency can know...Deliberate intervention...risks damaging the working of the whole.”(Hayek [1988], pp.84-5) Intervention in the spontaneous order would destroy all the things that make it a preferable system. Even deliberate piecemeal meddling with the market system harms the operation of it, because a small reform effecting one part of the system may cause a large-scale damage to the market. Moreover, predicting the consequences of social policies is difficult because man can only know the immediate effects of his actions around him and his knowledge is insufficient to undertake societal level actions. So, Hayek maintains that if these considerations are forgotten, then using state power to bring about a particular social situation, say a certain redistribution of

income, will destroy the spontaneous and efficient operation of the market. Hence such an intervention would destroy virtues of the market.

In Hayek's philosophy, the market does not offer any blueprint, make promise or provide solution. What is primarily important is to recognize that state intervention does harm due to negative UC of human actions. According to Hayek, even when the state does not intervene with the operations of the market, the latter does not always bring about favorable solutions. Having no purpose, the market does not promise to solve particular social problems or always bring about positive results. There is a price to live in a free society. Some will gain, say by being rich, and other's will fail, say by being poor.

Now, my main criticism of Hayek's use of PUC is that it is one-sided and ideological. Hayek always emphasizes *negative* UC in arguing against state intervention. He is blind to positive UC that state intervention often or sometimes brings about. Furthermore, I argue that although he never talks about *positive* UC of our actions, he implicitly relies on them when he praises the market system and the great society. It should be clear, even on the basis of Hayek's own overall thinking, that the market system emerged not as a result of deliberate design but as a result of UC of human actions. Since Hayek praises the market, its emergence must be a *positive* UC of our actions. But Hayek never recognizes that our actions may have not only negative, but also positive consequences. By ignoring the latter and always emphasizing the former, he uses PUC in a one-sided, ideological way to grind his own axis.

Furthermore, the particular actions of individuals bring about positive UC which benefit even disadvantaged in market society. This is the contention of Hayek, when he

maintained that “...in the catalaxy men, while following their own interests, whether wholly egoistical or highly altruistic, will further the aims of many others, most of whom they will never know, that it is as an overall order so superior to any deliberate organization: in the Great Society the different members benefit from each other’s not only in spite of but often even because of their several aims being different... it is indeed true that the chief common purpose of all its [Great Sociey’s] members is the purely instrumental one of securing the formation of an abstract order which has no specific purposes but will enhance for all the prospects of achieving their respective purposes.”

(Hayek [1976], p.110) The question we should ask Hayek is this: if the Great Society has no specific purpose how can it enhance for all the prospects of achieving their respective purpose? In my opinion, Hayek implicitly assumed *positive* UC to answer that question.

Although market is purposeless and does not guarantee any positive results, it enables individuals to pursue their goals better than any other system does. Positive unintended consequences make such adjustments of individual actions against each other possible, although nobody planned the total outcome of those actions. Hayek illustrates this point with the following example: “If on an international scale even major inequalities may be of great assistance to the progress of all, can there be much doubt that the same is also true of such inequalities within a nation? Here, too, the over-all speed of advance will be increased by those who move fastest. Even if many fall behind at first, the cumulative effect of the preparation of the path will, before long, sufficiently facilitate their advance that they will be able to keep their place in the march. Members of a community containing many who are rich enjoy, in fact, a great advantage not available to those who, because they live in a poor country, do not profit from the capital and experience supplied

by the rich...Those forces which at first make inequality self-accentuating thus later tend to diminish it.” (Hayek [1960], p.48) My conjecture is that those forces “which at first make inequality self-accentuating thus later tend to diminish it” are nothing but positive UC. Inequality between rich and poor at first sight, according to Hayek, is something negative. However, the positive UC of inequality leads to greater prosperity for the whole of society and diminish inequality between rich and poor in the long run benefiting the latter.

Hayek’s reasoning, therefore, is that market is likely to bring about positive UC, which is another reason to denounce purposive state intervention and to support self-regulating market system. He furthermore claims that the ignorance of the systemic effects of human actions will lead to favorable outcomes for society. This is because if knowledge is limited, the state activity should also be limited to some basic tasks, to avoid negative UC. This idea is the opposite extreme of the social engineer or the constructive rationalist who claims that it is knowledge that brings about favorable social conditions, not ignorance. Hayek’s understanding of rationality then can best be defined by a term that Dahrendorf calls “market rationality” (Dahrendorf [1968], p.217) “Market rationality”, which is a “quasi-economic” term, solves problems by allowing markets to regulate itself and reach an equilibrium. Economic agents in the market coordinate their actions according to the procedures set out in the law. Market rationality urges political passivity since political interference in the market destroys freedom and prosperity. According to Hayek, the nature of human relations that govern the great society is “economic relations...[and] the striving for the better satisfaction of material needs.”(Hayek [1976], p.112)

Following the logic of market rationality, in his later work, Hayek dropped any hope for interventions with a social agenda such as providing social assistance. The earlier Hayek had at least some notion of social security, in which those in need gets some assistance from the state. As he suggested, “There is no reason why in a free society government should not assure to all protection against severe deprivation in the form of an assured minimum income, or a floor below which nobody need descend. To enter into such an insurance against extreme misfortune may well be in the interest of all; or it may be felt to be a clear moral duty of all to assist, within the organized community, those who cannot help themselves.” (ibid., p.87) In order to provide minimum income the state has to intervene in the market, though prudently. In his final book *The Fatal Conceit*, however, Hayek even gave up hope for piecemeal state intervention with a social agenda such as providing minimum income for the most needy.⁶ He restricted piecemeal social engineering only to areas pertaining to problems related to contract, private property and copyright, all of which aim to promote individual freedom and market interests. Concerning issues which are to be tackled with piecemeal intervention, he wrote: “As examples of such piecemeal engineering, we have mentioned new contemporary studies of copyright and patents. To take another example, much as we owe to the classical (Roman law) concept of several property as the exclusive right to use or abuse a physical object in any manner we like, it oversimplifies the rules required to maintain an efficient market economy, and a whole new sub-discipline of economics is growing up, devoted to ascertaining how the traditional institution of property can be improved to make the

⁶ As I understand it, the shift in the focus of piecemeal state intervention from some minimal social agenda to minimal market agenda reflects the fact that Hayek adopted a wholesale neo-liberal perspective. As one of the forerunners of neo-liberalism, in the *Fatal Conceit*, Hayek only stressed the need to promote

market function better.”(Hayek [1988], p.69) This limitation of the scope of governmental activity relates to unintended consequences in that, whereas the earlier Hayek approved some state intervention to provide minimum income for the most needy in the form of social assistance, the later Hayek denied even such minimal role. Piecemeal state intervention is allowed not to solve social problems, but only to promote the efficient operation of the market and maintain it. Hayek already hinted at this in *The Constitution of Liberty* when he wrote that “what is most urgently needed in most parts of the world is a thorough sweeping away of the obstacles to free growth.”(Hayek [1960], p.398) Of course, the biggest obstacle is the state. For Hayek, the state is a double edged sword. If it protects individual freedom and maintains market values and interest, it is good. If it obscures them through intervention with a social agenda, it is evil.

From what we have said so far, it should be clear that Hayek’s use of the principle of unintended consequences is purely *ideological*. His focus is always on the negative UC of state intervention rather than on the negative UC of economic actions, such as market failures and externalities. He believes that all damage is done by state intervention and that market failures are a price to be paid for freedom. If a positive UC comes out of a non-purposive mechanism, it is due to the fortunes that invisible hand bestows on people. While Hayek makes much fuss about the *negative* UC of state action, he is blind to *positive* outcomes of state action. To take one of his arguments against intervention, Hayek was arguing that civil rights are incompatible with social and economic rights and that if the state intervenes in the market to promote the latter it will make matters worse and will destroy the civil rights and individual freedom. This is not true, since not all state

market interests and to welcome state intervention so long as it preserves and maintains the market *status-quo*.

actions lead to negative UC. On the contrary, much good, like universal suffrage, distribution of unemployment benefits and provision of social services, and so on, has come into being as a result of deliberate state actions, often as a result of long struggles. There is no doubt that these brought about positive social change.

We should also note that the self-regulating market brings about many problems due to market failures and externalities. Hayek does not deny their existence, but he claims that markets cannot be held responsible; such unfortunate outcomes are due to human ignorance. In my opinion, when markets fail the state should intervene without waiting for the market forces introduce self-correction mechanisms such as equilibrium, as this causes much harm to many. Furthermore, the state should distribute both the burden and benefits citizenship as equally and fairly as possible.

In that connection my final criticism of Hayek's use of PUC is that he only restricted freedom to its negative sense. Negative freedom understood as absence of state coercion, is in no way sufficient since equal freedom before law does not always mean equal freedom in real life. The state has to protect and provide freedom in the positive sense as well, by providing people with the means to exercise their negative freedoms. For instance, according to Hayek the law granting equal freedom to all citizens is both a necessary and sufficient condition of freedom. I agree that this is a *necessary* condition, but disagree that it is also a sufficient one. To illustrate my point with an example, it is not enough that citizens have freedom of movement as expressed by law. The sufficient condition to exercise this freedom is that the state should provide infrastructure such as building roads, ferry terminals, railways, subways and airports as well as keeping the ticket fare at a standard such that everybody can afford it.

The problem with Hayek's reasoning is that he trusts market so much that whereas market would bring about freedom, state would destroy it. In fact, contrary to Hayek's contention, in the market freedom cannot be exercised unless one has the opportunities to do so. Since the market does not have any formal mechanisms to ensure positive freedom, it is the task of state to ensure not only the equality of freedom before law, but also equality of freedom in real-life. Otherwise, freedom understood as absence of coercion would be exercised only by those who have better opportunities, not by those who lack them.

In conclusion, Hayek's use of PUC is one-sided and ideological. He did not bother to consider the cases in which state intervention does lead to positive UC. In my opinion, Hayek relied too little on human reason and knowledge as tools of purposive and conscious social problem solving. Hayek has a point in warning that state intervention can lead to disastrous consequences, but he ignored the fact that, based on the increasing knowledge of society, positive outcomes of state intervention can be brought about. Potential social risks involved in state intervention should be no excuse for inaction when markets fail. The existence of negative unintended consequences of human actions should not justify non-intervention; on the contrary, such consequences are precisely what make state intervention necessary, as Popper has forcefully argued.

IV. CHAPTER IV

CONTRAST OF POPPER AND HAYEK ON THE USE OF PRINCIPLE OF UNINTENDED CONSEQUENCES: MARKET MODEL OR STATE MODEL?

My concern in this thesis was not to focus on the ideological similarities between Popper and Hayek. Rather I contrast their views on state intervention, society and politics, and show how they arrive at different conclusions using the principle of unintended consequences. Although they lived their old ages as conservatives, this should not blind us to see the significant differences both in their conservatism and in their worldview. As I hope to make clear in this chapter, the use of unintended consequences renders their differences more obvious. The idea to contrast Popper and Hayek derives from claims about the ideological affinity between the two philosophers: According to scholars like Jeremy Shearmur⁷, Popper in his old age endorsed classical liberal philosophy and, by implication, has become more conservative. What is the importance of figuring out whether Popper and Hayek are both conservatives? And what differences their conservatism would make in terms of their use of unintended consequences? If Popper in his later age turns out to be a conservative liberal like Hayek, then this would definitely be reflected in his use of unintended consequences and, by implication, to his understanding of state and society. This means that, he would endorse traditional institutions and modes of conduct more sympathetically, and stress the need to preserve them against radical change. In my opinion although textual evidences can be found indicating that the late Popper has become conservative, textual evidence can *also* be

found that he maintained his social democratic concerns as well. Therefore, I argue that whereas the late Hayek defended *status quo* conservatism or conservative liberalism, the late Popper kept his progressive liberalism. With regard to PUC , Hayek used it more *pragmatically* emphasizing *both* its positive and negative aspects, whereas Popper used it more *systematically*, emphasizing the need to grapple *only* with negative UC by state intervention.

According to Hayek, unintended consequences derive from ignorance and humans have not much power to overcome this limitation. Knowledge is partial, subjective and local. It cannot be improved. What solve problems, then, is not deliberate human action to bring about particular social conditions, but the invisible hand which balance the negative UC. This distrust in human reason makes Hayek rely on traditional institutions and values for the preservation and maintenance of the markets. Having this Hayekian perspective in mind, Gamble quotes Hannes Gissurarson: “Conservative liberalism is the recognition of the limits of individual reason combined with the acceptance of the extended society, and the consequent search for the system of rules which enable us to overcome the limits of individual reason and enjoy the fruits of the extended society.”(Gamble [1996], p.106) More explicitly, Hayek’s conservative liberalism consists of the central value he attributes to social institutions like family, religion, and local communities. As Hayek himself says, true individualism “recognizes the family as a legitimate unit as much as the individual; and the same is true with respect to other groups, such as linguistic and religious communities, which by their common efforts may succeed for long periods in preserving for their members material and moral standards

⁷ J. Shearmur in his article “Classical Liberalism and Popper” suggests, however, that even though Popper has become a classical liberal in his old age, he retained his interventionist and state centered

different from those of the rest of the population.”(Hayek [1948], p.31) The individual, family, and other communities are all constitutive elements of the great society and their freedoms and interests should be preserved by the state to maintain the market system. So the law must preserve these institutions and order so that outside interventions are difficult to make. This is the other aspect of Hayek’s conservatism, which becomes clear when he assigns the law the task to act merely as the “essential condition for the *maintenance* of a self-generating or spontaneous order [emphasis added].”(Hayek quoted in Freedom, [1996], p.302) Since human reason is limited and deliberate interventions in the market destroy its operation, people should enjoy the fruits of the market, without worrying about how social problems are solved. Social problems will be solved when the economic problems are solved, although nobody can understand how the mechanism works. It is an invisible hand that balances conflicting interests against each other and that bring about prosperity. Hayek talks about invisible hand mechanism in the following way: “self-regulating forces of the market will somehow bring about the required adjustments to new conditions, although no-one can foretell how they will do this in a particular instance.”(Hayek [1960], p.400) Limits of individual reason can be overcome only by understanding the rules of just conduct that make the market work. These “rules of just conduct” can be understood because they can be learned by practice and common-sense. If freedom is to exist and human society to flourish preservation and maintenance of the institutions, such as family and market, and mechanisms, such as invisible hand, is necessary. Such a view makes Hayek a conservative, who perceives of deliberate state intervention in the market a sign of uncivilization and tribalism.

position. See, Shearmur [2001], p.40.

As distinct from Hayek, Popper believed that human reason can make progress both in terms of capacity, knowledge and solving complex problems. Thus the scientific study of unintended consequences takes us beyond subjective knowledge and enable us to develop a more comprehensive understanding of them. As we have scientific knowledge, by the application of piecemeal engineering, we can grapple with negative UC. This belief in progress in knowledge and its power to bring about social change makes Popper a progressive liberal.

Popper's and Hayek's approaches to problems are also informed by their vision of progress and power of human reason to cope with unintended consequences. At the focal point of Hayek's concern was *economic* problems. He differentiated between problems of engineering and economics. In economics problems are solved by mechanisms such as the invisible hand and equilibrium, both of which are instances of positive unintended consequences. When a negative UC occurs at a large scale the best way to cope with it is twofold. First, to keep the state away from the problem since it makes matters worse. Second, to create the conditions under which market institutions regulate themselves and individual freedom flourishes. As Hayek maintains "the increasing preoccupation of the world with problems of engineering character tends to blind people to the totally different character of the economic problem..."(Hayek [1935], p.4) The difference between an engineering problem and an economic one is that, whereas design by an engineer is needed in the former, that is not necessary for the latter. Economic problems are solved through the spontaneous and impersonal forces of invisible hand benefiting all. No designer designs social institutions, and they just emerge and grow spontaneously. As a

result, Hayek modeled his great society upon the problems of economics and the solutions are left to the benevolent operation of the invisible hand.

Contrary to Hayek, Popper's concern was not exclusively with economic problems, but comprehensively with *social* problems. Economic problems play a role only as part of social problems, like the design of a state policy to tackle poverty and unemployment. Since it is state and politics that deal with social problems, market is not allowed unrestrained freedom. There are social problems that the market system cannot solve. Since citizenship requires the equal share of benefits and burdens, that some people should suffer for the interest of the society or a particular group cannot be accepted. Having modeled his society and politics model upon science, Popper believed that society could be changed in a desired direction via social engineering. The only difference between social engineering and engineering *per se* is that in the former the unintended consequences are more difficult to control due to the complexity of society, in the latter it is easier. However, that is no excuse for non-intervention.

The differences between Hayek and Popper also surface in their conception of society. Hayek's great society and its institutions emerge and grow spontaneously, that is without any intention or designer. Society is like an organism, it evolves unconsciously and indeliberately. Hence the great society is a freely evolving system rather than a designed one that coerces its members. Hayek expressed the idea of freedom and its importance in evolution of the great society when he said "the value of freedom consists mainly in the operation it provides for the growth of the undesigned, and the beneficial functioning of free society rests largely on the existence of such freely grown institutions." (Hayek [1960], p.61) Contrary to Hayek, Popper drew an analogy between a

machine and society, in the sense that similar to a machine the open society can be reformed and changed by social engineers and democratic deliberation and participation. Hence, Popper was not happy about the spontaneous evolution of institutions without any human intervention. As a reply to Hayek's quotation above Popper wrote the following in his personal notes: “ ‘...*growth of the undesigned*: this is irrationalism! Of course, there *are* unintended consequences, *but* of actions which *are* designed; moreover, the undesigned *has* to be judged, and controlled: it may be not only bad, but fatal... ’ ” (Popper [nd.], Popper Archive, B.625) This statement gives important clues about what Popper thought about Hayek's great society. An action to be rational has to be purposive/intentional. If an action does not have any intention, we cannot talk about unintended consequences. Hence undesigned or spontaneous actions cannot have unintended consequences by Popper's standards. Just as a man can have a purpose, so does an institution serve as an instrument to pursue a goal. So social institutions serve to regulate and coordinate the affairs of society through the state in order to solve social problems. These considerations confirm Popper's progressivism.

If we take seriously the claim that Popper has become conservative in his later years, then there emerge some problems related to Popper's progressivism. First, if Popper became a conservative, he would have emphasized the preservation of traditional institutions and would not have welcomed progressive social change that changes traditional institutions. At certain texts he emphasized the need to preserve traditional institutions. Popper seemed to be emphasizing the dangers inherent in state intervention, although he harshly criticized free market as well. Which social institutions should solve social problems, according to the so-called conservative Popper? In answering that

question, the late Popper is not as clear as the author of *The Open Society*. Some texts suggest that he is the mouthpiece of conservative ideology. In various writings he would emphasize the dangers of state intervention, the incompatibility between equality and freedom, and increasing influence of bureaucracy. However, in other writings Popper would emphasize the need to restrain free market by state intervention, and the urgent need to find a solution to unemployment and poverty. Given that Popper makes such tension-ridden statements, how should we make sense of his conservatism then? I can confidently say that, even though Popper has to some extent become a conservative, his conservatism is nothing like that of Hayek's. Unlike Hayek, even the so-called conservative Popper harshly criticized not only the idea of unrestrained free-market, but also the concerns of conservatives to base social agenda on economic concerns such as efficiency and success. This is what Popper wrote: "There are also prophets of, and believers in, the goddesses of *Success*, and of *Efficiency*, and especially believers in the growth of production at any price, in the economic miracle, and in man's power over nature." (Popper [1992], p.213) This clearly shows that Popper does not want to sacrifice individual life and welfare to concerns such as economic success, efficiency and growth.

For Popper, the institution that will solve social problems is the state through the democratic intervention of people. Popper neither commissions the solution of social problems to unaccountable bureaucrats, nor does he leave them to self-regulating markets. Both uninformed state intervention and uncontrolled market activities will have negative UC. To avoid them we should make use of scientific knowledge and social technology. And the best way to carry out solution of problems is through democratic piecemeal engineering, despite its limitations.

Unlike Popper, Hayek considers state intervention as leading to negative UC, which is destructive of market economy. He even sees piecemeal engineering and democratic interventionism as a threat to freedom and survival of the market society. According to Hayek, the market society operates best when it is allowed self-regulation. Freedom emerges only through ignorance, since the pretension to guide public policy according to the unlimited and comprehensive knowledge leads to arbitrary state coercion. The tradition of individual liberty, for Hayek, is “as remote from perfectionism as it is from the hurry and impatience of the passionate reformer, whose indignation about particular evils so often blind him to the harm and injustice that the realization of his plans is likely to produce.”(Hayek [1960], p.8) In other words, intervention makes matters worse due to negative UC. Popper has already agreed that negative UC emerges through state action, but he also strongly stressed that through their scientific study we can learn to design better institutions and make more informed policies to minimize social risks. Popper strongly believes that human social institutions did mostly come out of unintended consequences of human actions, but as we get more informed about them we can consciously design and change them. Social institutions can be effected by human action and also design, and humans can improve those institutions by their values, theories and choices. This is the point Popper expresses as he says “the structure of our social environment is manmade in a certain sense; that its institutions and traditions are the work neither of God nor of nature, but the results of human actions and decisions, and *alterable* by human actions and decisions.[emphasis added] ”(Popper [1985], p.350) The alterable nature of Popper’s open society contrasts with the Hayek’s naturally evolved unalterable society. We cannot alter society by design according to Hayek because it

requires all the knowledge that is dispersed over millions of people over centuries. This limited knowledge and consequent unintended effects render impossible the alteration of the great society without damaging its operation. So Hayek attacked any attempt to change the spontaneously evolving course of society and suggested that it would the destroy civilization rather than bring it about. This led Hayek to revere traditions of the great society beyond rational scrutiny. For Hayek, if we want to be civilized we have to submit to them without questioning or understanding them. One major target of Hayek was socialism and welfare regimes as incompatible with anything liberal, i.e. with freedom, prosperity and efficiency. He claimed that state intervention with the aim of improving a social condition due to negative UC creates more problems than it solves. For him, ideologies like socialism and social democracy are a threat to individual freedom, the arch value of a free society. In the liberal order Hayek envisages, state has only limited purposes such as enacting laws that ensure national security and order as well as regulate transactions of individuals in the market. The adjective “liberal” is mostly used with society rather than state since Hayek sees even moderate projects of liberal democratic state as damaging the market and society.

Popper, although controversially said to become a conservative, express sympathies with democratic state intervention to pursue social policies. Popper even criticized and then reconstructed both liberalism and socialism. Unlike Hayek, he wanted to adopt the favorable aspects and eliminate the unfavorable ones. In an unpublished manuscript, “Public and Private Values”, Popper accused both liberalism and socialism as utopian. He criticized liberal theory, as is understood by conservative liberals like Hayek, which claims that problems will be solved spontaneously without any human

interference. He criticized socialism on the grounds that socialism assigns the state too much power, such that the state turns citizens into children to be looked after rather than responsible individuals. Popper suggested that socialism and liberalism can agree if they aim to agree on certain social problems, which take the form of negative UC. Once this is agreed the problem that remains to be settled is the form of state intervention. So his reform project addresses both the concerns of socialism, like equality and fair income distribution; also to liberalism, like individual freedom, rule of law and institutional control of power. Popper believes that his combination, call it social-democracy if you will, would solve social problems better since it appeals to both liberals and socialists.

Popper strongly opposed liberal views which adhere to market-neutrality in the face of social problems. For instance, he criticizes Hayek for laying too much stress on free markets. In a footnote in the *Law, Liberty and Legislation*, Hayek said that the market system act only on material interest and has no task to bring about ethical results. Hayek quotes and agrees with Wicksteed “it is idle to assume that ethically desirable results [such as relief of suffering] will necessarily be produced by an ethically indifferent instrument [namely market].(Hayek [1976], p.175) Against such claims, Popper maintains that freedom is “a... value in itself, irreducible to material values.” (cited in Shearmur [1996], p.32) Since material values can corrupt humans and buy political power, Popper suggests that there should be strong checks and balances, and that certain institutions should be socialized when necessary. When money can buy power, freedom cannot be maintained. The formal freedom before law is never enough and we need institutional solutions and social conditions for the realization of freedom. In a letter to Carnap, who asked him his views about socialism, Popper expressed sympathy with

socialist reform, if it is carried out in a piecemeal fashion. (Popper to Carnap, [6 January 1946], 282.24) He stressed the need for more income equality since, Popper continued, “freedom is the most important thing in the political field...freedom cannot be saved without improving distributive justice, i.e. without increasing economic equality.”(ibid.)

Now returning to the question whether Popper in his later writings shifted radically from his social-democratic orientation and has become a conservative or not, I offer two possible answers. First, there is textual evidence that in his later writings Popper expressed discontent with efforts to make people equal, and indicated the dangers of state intervention and bureaucracy. However, these do not give enough reason to label Popper as a conservative. To provide a few examples, Popper never lost interest in social problems and their solutions. In an interview conducted two weeks before his death, Popper voiced his unrest with the free market and urged that social problems should be solved. He said: “Traditionally, one of the tasks of economics was to think of the problem of full employment. Since approximately 1965 economists have given up on that; I find it very wrong. It cannot be an insoluble problem. It may be difficult, but surely it is not insoluble!” (Chmielewski and Popper [1999], p.36) This concern of Popper shows that he still takes interest in social questions in his old age, especially questions of social policy, that a conservative liberal like Hayek would conceive as a problem to be solved by the individual. Furthermore, Popper already showed his progressive tendency when he suggested that the problem is *not insoluble*. In such policy problems, a Hayekian kind of argument would have held that state intervention will do more harm than good. In the same interview, Popper listed the social problems that should be urgently solved without expecting the market to solve it. (Although he did not say that state should solve it, he

gives the impression that it should be dealt with democratic state interventionism): “our first task is peace; our second task is to see that nobody be hungry; and the third task is fairly full employment. The fourth task is, of course, education.” (ibid.) So one might ask why Popper is called a conservative given that he is still rigorously concerned with social problems and ask for state intervention. It seems to me that at times Popper is sending mixed signals. At certain writings he has a conservative overtone, in others very social-democratic. Conservative and social democratic arguments are present in his writings, and this point seems to be a matter of interpretation.

Change in the attitude of a philosopher towards his past views, does not invalidate the objective worth of his/her earlier arguments.⁸ This applies to Popper as well. To my knowledge Popper did not radically depart from the views he defended in *The Open Society*. As I have indicated above, even some of his views might have changed over the years, but he did not repudiate the gist of his earlier social-democratic orientation.

Hayek’s views, on the other hand, become more and more conservative over the years. For example, in his last book *The Fatal Conceit* Hayek expressed so great fear of state intervention that, he restricted piecemeal state intervention to those reforms in private property, contract and copyright. As a result, he became so conservative that he defended the market *status quo* at all costs. For him interventions with a social agenda are categorically dangerous, even piecemeal ones. Markets should regulate itself to protect its values, traditions and institutions. He did not even consider if market could tackle every sort of problems, especially widespread ones like poverty. Hayek persistently defended market at even the cost of the theoretical integrity of his works. As Samuel Brittan has

⁸ I owe this distinction to F. Eidlin’s article, which almost defends similar arguments as developed in this thesis. See, Eidlin, 2005

argued, the personal initiative has limits and state should assume some role in the solution of social problems. Brittan says that “whether one thinks of the relief of poverty or (more ambitiously) of income distribution, personal charity is not enough- for reasons of economic logic. Redistribution is, like defense, a ‘public good.’ This means there is little incentive for the individual to provide it.”(Brittan [1987], p.55) Whereas Popper will agree with this statement, Hayek will not. Hayek is blind to market failures and externalities, which market cannot and does not want to tackle, and whose solution requires state intervention.

Another criticism that might be directed against Hayek is that, he identified all damaging authority with the state. As Brittan rightly observed “the mistake of classical liberals and, even more, of radical right conservatives, is to equate all authority with state authority. Oppression in an old people’s or children’s home, or even in the family, can be just as great.”(ibid., p.56) Hayek obviously identified all authority with state authority and ignored the abuses of economic power by for instance monopolies and cartels in the market. So Hayek’s use of the principle of unintended consequences is extremely one-sided and ideological. When he emphasized negative UC, he always looked for where state action, not market actions, created problems. On the other hand, when he wanted to emphasize the positive unintended consequences such as distribution of wealth, Hayek again praised the market and blamed the state-centered approaches.

Contrary to Hayek, Popper always focused on social problems that needs to be solved. What can be said about Popper’s use of PUC is that he did not use the existence of negative UC as a justification for passivity or indifference towards social problems. As he writes of his attitude towards problems and problem solving, “My works are, as

always, attempts to formulate intractable problems as precisely as possible and then to solve them.”(Popper [1992], p.84) Popper’s message is that the difficulty or seeming intractability of a problem should not discourage us to find a solution for it. Within the light of such an optimistic attitude, Popper always looked for solutions that are inspired by critical rationality and science, rather than looked for ideological excuses to neglect them. The fact that human action leads to negative unintended consequences is no justification for inaction. If society has to make progress, it is only possible by taking action and testing the intended results against the real outcome. The gap between the two gives us the degree of unintended consequences, which requires further action for its elimination. Inaction is no solution, nor is economic action by itself.

As to their use of the PUC, the assumptions, philosophizing and mindset of Hayek and Popper are very different. Unlike Popper’s solutions, the ones Hayek developed are too radical, though in a negative sense. For instance, when criticizing welfare regimes Hayek never mentions the beneficial outcomes or the achievements of them for the society. Hayek, has an intellectual reasoning that is highly ideological and he throws the baby with the bath water. That is, he does not appreciate the beneficial aspects of the rival, for instance that of welfare systems. As Przeworski rightly suggests it is welfare regimes that prove most successful solution of social problems, combining ideals of both liberalism and socialism. Przeworski says that “statistical analyses of developed countries show repeatedly that lower income inequality, more extensive welfare services, a more favorable trade-off between employment and inflation, a more favorable trade-off between wages and investment, and a more favorable trade-off between growth and social policies are to be found in those countries that combine strong unions with social

democratic control over the government. To put it simply, the only countries in the world where almost no one is poor after taxes and transfers are the countries that have pursued social democratic policies.” (Przeworski [1993], p.836)

Unlike Hayek, Popper’s intellectual approach is more modest and devoid of ideology, although many of his views are revolutionary. Popper thought that one can learn even from one’s enemies. So Popper never dismissed serious and rational arguments, like that of Marx, even if he is very critical his views. Furthermore, Popper always formulated seemingly intractable problems and looked for solutions to them. This also shows his progressive mindset. He did not embark upon a crusade against rivals; he learned from the favorable aspects of various ideologies, eliminated their unfavorable sides and improved upon his perspective. For instance, in the use of unintended consequences, Popper did not look for ideological justifications either to justify state or market model, one to the exclusion of the other. He indicated both the dangers in the negative side-effects of state or market action, and offered rational, piecemeal and democratic state intervention for their avoidance. Hayek, by contrast, obsessively held on to the view that state intervention is always damaging. His approach to state and market models was an attitude of take it or leave it, and this attitude prevented Hayek from any appreciating the positive aspects of state intervention.

In conclusion, I think Popper’s approach to social problems and his suggestions to grapple with negative UC through democratic intervention is a reasonable approach. Popper, did not seek ideological justifications to avoid the solution of social problems. His philosophy gives the simple message that: when there are negative UC state intervenes to eliminate them. Hayek, by contrast, always sought ideological excuses to

prevent state intervention in the market. Having his focus on economic problems, he misleadingly thought that free market mechanism will bring about solutions beneficial to all. This obsessive belief led Hayek to be a *status quo* conservative, where his sole concern is to preserve and maintain market system disregarding its unfavorable aspects. I think, Popper's approach is much more preferable to Hayek's conservative worldview. At least, Popper's philosophy tells us not to find excuses using PUC, but to use it as a starting point of solving social problems through state intervention.

V. CONCLUSION

One of the most important ideological conclusions that one can draw from the use of principle of unintended consequences is this: the principle of unintended consequences is a neutral principle. PUC is used to promote radically opposed political agendas. In Popper, negative UC are used as legitimizing state intervention in the market. In Hayek, by contrast, negative UC are used as delegitimizing state intervention and as indicating dangers inherent in intervention. In Popper, positive UC are not the concern of public policy. In Hayek, systemic positive UC or benign invisible hand are mechanisms that solve problems of the market society, although without making any promises to do so.

In general one observes that Hayek used unintended consequences more *pragmatically and eclectically*. Hayek mobilizes at times perverse effects, at other times the jeopardy effect, still other times he uses how the benevolent invisible hand or positive unintended consequences iron out the problems and bring about a free and wealthy society. In Hayek all these usages have two ideological functions: First, when the focus is on the negative unintended consequences, the emphasis is on the perverse effects or jeopardy effects of state intervention. Second, in order to justify the favorable aspects of market society, he invokes positive unintended consequences and claims that the invisible hand creates such a prosperous and free society. From Popper's perspective, however, Hayek sounds like an ideologue since he used PUC eclectically without paying attention to consistency.

Unlike Hayek's one-sided focus on UC and liberalism, Popper eliminated what he saw as false in both liberalism and socialism, and salvaged what he thought was valuable

in them. He always distinguished between an attitude (a subjective psychological state) towards a theory from the intellectual worth (objective scientific worth or rational arguments) of the theory. For instance, even though he was very critical of Marxism, he values its humanistic concerns such as the urge to help the suffering.

As characteristic of most ideological thinking, Hayek did not see any worth in rival views. For instance, because he considered state intervention to be categorically damaging, he saw any democratic piecemeal intervention damaging too. While he emphasized the negative UC of state action all throughout his writings, he ignored the negative UC of the market system. His only focus was on negative UC, sometimes invoking perverse effects and at other times jeopardy effect to point out state failures, but never on market failures. For this reason, Hayek's methodology can be seen as a version of confirmationism, although he claims to subscribe to critical rationalism and the value of learning from mistakes. Unlike Hayek's *selective* use of unintended consequences to justify his theory, Popper carefully observed the scientific and rational standards such as consistency, openness to rational argumentation and learning from one's mistakes. He emphasized not only negative UC of the free market actions but also negative UC of arbitrary and utopic state action. Both of them, he argues damage human life and well-being. This balanced approach itself shows that Popper applied the same standard to both state and market, without confusing emotional attachments with rational argumentation.

Hayek, on the other hand, committed to the positive aspects of his views so much so that he did not even explain how the invisible hand benefits the whole society. As Gamble accurately observes, "Hayek asserts that the operations of the invisible hand are benign, but he does not explain why this should be so or the circumstances in which it

might not be so. Nor does he consider the possibility that the workings of the invisible hand might create disorder rather than order.” (Gamble [1996], p.204.n.17) The explanation for such neglect is the ideological use of unintended consequences in that supportive arguments/evidences are reinforced and serious counter-arguments are disregarded. Hayek emphasizes the fact that markets and freedom reinforces each other repeatedly but he does not pointed out the problems that market system brought about. He ignores the damaging effects of a system in which individuals pursue merely self-interest. As Lindblom rightly observed, in the unrestrained free market society, some people are likely to benefit from the emergence and persistence of social problems (Lindblom [1990], p.1). In a society where state intervention is minimal and self-interest is the ultimate concern, common interests would be greatly damaged; so would freedom, and social justice. At the most extreme, Hayek’s free society, would lead to disastrous social consequences due to the arbitrary nature of interest-based actions of individual. However, in his writings, he never talks about such examples or ideas that indicate market failures and externalities. For Hayek, the equilibrium will be found and problem be solved by the market system without any need for external regulation.

Hayek obsessively maintained that state intervention is always damaging. He thought and philosophized as if counter-examples do not exist. Even if negative UC of state action emerges, there are at least positive unintended consequences of it that may accompany it. As Hirschman acutely observes, the positive unintended consequences of state action can always be found. Hirschman illustrates this point when he said that “an example familiar to students of European economic and social history is the positive effect on literacy of universal military service...The institution of compulsory education

made it possible for many women to take on employment- certainly an unanticipated and presumably a largely positive development.”(Hirschman [1991], p.39) This quotation shows that even in the most damaging state intervention something positive can be gained. As he puts it “some positive margin [positive UC] survives the onslaught of the negative side effect” (ibid. p,41) This means that even if we assume for a moment that state intervention is damaging, there are still some positive unintended consequences that can be found in it.

From the principle of unintended consequences one can drive the following conclusions: When its ideological use is avoided it can lead to more informed policies with more desirable effects. If we leave the harm inflicted by negative UC to invisible hand, we are left to his mercy. Hence, invisible hand as understood by Hayek will serve arbitrarily and there is no reason why positive unintended consequences will benefit everyone equally. Also, consistency and intellectual integrity is another lesson to be drawn from the use of unintended consequences. If a philosopher incorporates the supporting evidence and ignores counter-evidences, as Hayek does, his intellectual standards come into suspicion.

Popper used PUC *systematically*. He focused only on negative UC as social problems and developed his public policy agenda around risk incurring negative UC. Unlike Popper, Hayek used both negative UC and positive UC, though *pragmatically*. He used negative UC in order to show the dangers of state intervention. He also used positive unintended consequences, to justify the claim that the invisible hand benevolently distributes the positive outcomes without the need for policy design. The ideological lesson that the PUC suggests is that, when used for the appropriate social policy agendas

it helps us realistically identify and rationally solve present problems. It also helps predict and minimize future negative UC. Another unfavorable aspect of Hayek's persistence on the dangers of intervention is that it can also become a self-fulfilling prophecy. It can bring about what it predicts, namely dangers of state intervention and failure to achieve social goals. However, abounding instances of improvement in social conditions lie as successful models before our eyes. Civil, political and economic citizenship rights have evolved such that each introduction of rights by state solved social problems in their respective spheres, enabling a fairer distribution of economic welfare to large sectors of society. Within the light of such examples, it is worthwhile to reconsider the ideological function of Principle of Unintended Consequences and how it is *used or misused* with regard to the role of the state in solving social problems. If humans fulfill the conditions of progress, many things that are considered to be a utopic could be achieved and the so-called risks avoided. In the process of social problem solving, what we should not forget is that perfection is not possible, but progress is very much so.

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