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# Dialectics and the Austrian School: A Surprising Commonality in the Methodology of Heterodox Economics? [1]

*Andy Denis*

**Abstract:** This paper is prompted by the concluding comments to a recent paper (Denis "Hypostatisation"), which suggests that the neoclassical use of the concept of equilibrium expresses a formal mode of thought. Heterodox tendencies from Marxian to Austrian and Post Keynesian economics, that paper continues, exemplify a dialectical mode of thought in their common rejection of neoclassical equilibrium theorising. Heterodox currents in economics are – particularly in terms of their analysis and policy prescription – often as divided amongst themselves as they are from the orthodoxy. Nevertheless, the present paper suggests, there may be something profound uniting these disparate heterodox trends: the adoption of a dialectical method. The paper draws on the work of Sciabarra ("Marx", "Total"), who argues that Marxian and Austrian economics are intellectual cousins sharing a methodological approach. He suggests that making process primary, which we might expect of Austrian economists, is the essence of dialectics, which we might identify with Marxism. If that is the case, then perhaps (a) we can only understand the method of neoclassical economics by contrasting it with a dialectical approach, and (b) we can explore methodological common ground between the various heterodox currents by examining their attitude, both implicit and explicit, to dialectics. Pluralism in economics requires, not merely toleration – though indeed it does require that – but mutual engagement, a conversation. For that to take place we need an understanding of what divides and unites the various approaches. This paper is offered as a contribution to the development of that mutual understanding.

**Keywords:** dialectics, Austrian school, methodology, heterodox, economics

## Introduction

It has been claimed (Sciabarra "Marx" – henceforth MHU; and Sciabarra "Total" – henceforth TFI21) that the Austrian school of thought in economics is characterised, and importantly so, by a dialectical methodology, and hence shares a common heritage with Marxism. This message has not been an easy one to digest. Nevertheless, criticism has been eclipsed by praise, mostly emanating from libertarian currents, and by scholarly discussion, in which his stance has been taken very seriously by libertarians, and, in particular, by Austrian economists. This is evidenced by the reviews his book has received (extensively documented on his web pages, Sciabarra nd), and the online seminar on the topic of his book which was held on the Hayek-L list in 2001 (HAYEK-L). In apparently convergent vein, at the end of a recent paper on the misuse of the concept of equilibrium by the neoclassical school (Denis "Hypostatization"), the suggestion is made, that what many heterodox economists from widely differing schools had in common, and what clearly divided them all from the formalism of the mainstream orthodoxy, was an implicitly dialectical approach. The present paper takes this idea further by examining Sciabarra's contention of a dialectical methodology underlying both pro-market and market-sceptical heterodox schools of thought in economics, and addresses the question whether this can really be so.

MHU is a methodological comparison of Marx and Hayek, with core chapters on 'Hayekian Dialectics' and 'Marxian Dialectics'. TF consists of two halves, the first about the history and meaning of dialectics, and the second a case study of an eminent Austrian economist, Murray Rothbard. Other Austrian economists are also referred to in TF – the index entries for Hayek and Mises being particularly lengthy and detailed. This paper will first examine Sciabarra's understanding and presentation of dialectics and then consider his application of the notion to Austrian economists, focusing on Hayek. In brief, my judgements are that (a) though Sciabarra is no Marxist, his work constitutes an honest, sympathetic, insightful and informative account of Marx; (b) Sciabarra's notion of dialectics is a profound and thoughtful attempt to get to grips with what he (and the present writer) take to be a, perhaps *the*, key methodological issue for economics; (c) Sciabarra makes a compelling case for an implicitly dialectical methodology on the part of leading Austrian economists; (d) Sciabarra's work constitutes a challenge to the undialectical methodological underpinnings of the neoclassical orthodoxy, and provides the basis for an enlarged conversation between, not just Marxist and Austrian economics, but also other components of the heterodoxy, such as the Post Keynesian school of thought. The development of pluralism in

economics requires, not merely toleration – though indeed it does require that – but mutual engagement, a conversation between the various schools of thought that comprise the discipline. Sciabarra's work constitutes a contribution to our understanding of what divides and what unites the various approaches to economics which that conversation requires.

## Dialectics

This section, and the next, looks at Sciabarra's understanding and presentation of the dialectical approach. Here I will set out the main points of Sciabarra's presentation, indicating the breadth and depth of his approach. The following section will comment on some problematic aspects of his understanding of dialectics, the principle issue being Sciabarra's stance on the law of noncontradiction and the status of contradictions in a dialectical standpoint.

What does Sciabarra mean by dialectics? His answer is contained in the following core definitions, one from MHU and one from TF:

"dialectics requires the examination of the whole both systemically (or 'synchronically') and historically (or 'diachronically'). From a synchronic perspective, it grasps the parts as systemically interrelated, both constituting the whole, while being constituted by it. Diachronically, dialectics grasps that any system emerges over time, that it has past, a present, and a future. It refuses to disconnect factors, events, problems, and issues from each other or from the system which they jointly constitute ... the dialectical thinker seeks not merely to critically understand the system, but to alter it fundamentally." (MHU: 5)

*"Dialectics is an orientation toward contextual analysis of the systemic and dynamic relations of components within a totality. A totality is ... a specific whole as understood from – and structured by – shifting perspectives ... [D]ialectics is a thinking style that stresses the centrality of context in the analysis – and alteration – of social systems across time. It offers a formal structure of analytical tools that enable us to undertake a systematic course of action to achieve a particular goal, namely, the correct understanding and transformation of reality. In a dialectical approach, the aspects of a totality are understood *systematically* – that is, according to their spatial, or synchronic, interconnections – and *dynamically* – that is, according to their temporal, or diachronic, interconnections. This is the leitmotif of dialectical inquiry: the grasping of the object by a study of its interrelated aspects, situated within a specifically defined system and understood over time, inclusive of past, present, and possible future manifestations."* (TF: 173) [31]

These are interesting and challenging definitions with much to welcome: an orientation which focuses on 'contextual analysis of the systemic and dynamic relations of components within a totality', 'a totality ... understood from ... shifting perspectives', 'the understanding and transformation of reality', and the centrality of time. These elements should all (with the partial exception of the transformation of reality, perhaps) gladden the hearts of Hegelians, Austrians and Marxists, systems thinkers and post Keynesians alike.

Further definitions, emphasising now one, now another of these many facets of his core definition, may be found scattered throughout MHU and TF: "dialectics is a way of thinking. A dialectical perspective ... focuses not on external relations between static elements, but on dynamic internal relations. These relations constitute and are constituted by the elements of the whole under scrutiny" (MHU: 23). "Dialectics restructures our thinking about reality by replacing the common sense notion of 'thing,' as something that *has* a history and *has* external connections with other things, with notions of 'process,' which *contains* its history and possible futures, and 'relation,' which *contains* as part of what it is its ties with other relations" (MHU: 25). "The thread that runs through all its various incarnations [sc incarnations of dialectics] has been the importance of context, perspective, systemic integration, and dynamic process" (TF: 142).

An important point arises in the section entitled 'Unpacking the Definition' in Chapter 4 of TF, 'Defining Dialectics'. "Ollman (1993) remarks that a dialectical sensibility begins with the 'real concrete', that is, 'the world as it presents itself to us.' It aims for a 'thought concrete,' in which the mind reconstitutes the whole as a totality, that is, as an 'organic' or structured unity of multidimensional relations of varying degrees of complexity ... this movement from the 'real concrete' to the 'thought concrete' is not possible without the process of abstraction" (TF: 179). In pointing up this insight of Ollman's, Sciabarra is restating Marx's view that "The concrete is concrete because it is the concentration of many determinations, hence unity of the diverse ... the method of rising from the abstract to the concrete is only the way in which thought appropriates the concrete, reproduces it as the concrete in the mind" (Marx, "Grundrisse" 101).

Sciabarra is well aware that the process of abstraction, which plays a critical role in appropriating the really concrete as ideally concrete, is a two-way process, that it is a process with analytical and synthetic moments: "The process of abstraction is a process of boundary-drawing ... In drawing the boundaries that define our

analytical units, we are not simply abstracting parts of a whole. The units themselves *are* relations ... The process of abstraction ... requires a concomitant process of integration. One cannot abstract without integration, and one cannot integrate without abstraction." (TF: 179-181) To separate the two, Sciabarra suggests, is to engage in *reification*. The concept of reification is an important theme in his work. At one point he identifies it with fetishisation (TF: 125), and this is significant, for the notion of reification that he identifies forms the basis of the Marxist theory of fetishisation and alienation. Although Sciabarra has not himself quite reached that concept, he has set out the basis for it. It is therefore worth looking at this theme in Sciabarra in a little more detail.

The notion of *context* is absolutely central to Sciabarra's concept of dialectics, and recurs on virtually every page. The most relevant dictionary definition of context is "the whole structure of a connected passage regarded in its bearing upon any of the parts which constitute it" (OED). By extension we clearly may apply the concept not just to literary passages, but to the world or any part of it understood as a connected whole. Sciabarra refers approvingly (TF: 178) to the word's etymological origin in the Latin for 'weaving together' the strands of a fabric. In spelling out the meaning of *context* for his definition of dialectics, Sciabarra immediately links it to the question of reification: "the concept of 'context' ... is an assertion of the analytical integrity of the whole and a warning against the reification of parts as wholes unto themselves" (TF: 178). We will find, however, that two distinct errors are being included under this rubric.

In his chapter on Hegel (TF: 73), Sciabarra approvingly cites Hegel on the need to make distinctions, but to integrate them in the whole of which they are part: "these determinations become 'the sphere of difference, of dualism, the field of finitude,' as Hegel puts it when they are abstracted as entirely separate from other determinations and the wider context within which they subsist. Hegel objects to this 'dualism', for it places 'insuperable opposition' between spheres that are mutually implied. In such cases, the process of abstraction, which is a necessary step in any analysis, reifies the objects of study, and the resulting 'dualism is a half-truth.'" It may sound odd to refer to the 'reification' of the 'objects of study', since *to reify* means 'to make into a thing', and presumably the objects of study are *already* things. The term *fetishisation* might have been preferable. The point which Hegel and Sciabarra are getting at is that the thing is made independent of its systemic and dynamic context: its moments of coming-to-be and ceasing-to-be (its origin and decease), its moments of relation, of transition into and mutual

implication of its others, are all left out of account and obscured. This is one meaning of *reification*.

The second meaning emerges in Sciabarra's treatment of Menger, his explication of Menger as a dialectical thinker:

"In praising the 'organic orientation of social research,' Menger seeks an integration of micro and macro approaches. The former, disparagingly called 'atomistic,' can never 'deny the unity of organisms.' Menger aims to investigate the complex origins and functions of 'real unities.' His micro-level analysis is not opposed to the organic orientation; it is opposed to ... seeking] explanation in a reified 'common will.'" (TF: 121)

Whereas the first meaning of *reification* was the non-temporary isolation of moments, of parts from the whole, the second, what Menger opposes at the micro level, is the ascription of reality and force to unreal aggregate level abstractions. Now, of course, it is an empirical question, whether or not a particular macro-level entity has reality and force: the body of an animal certainly has reality vis-à-vis the individual cells, tissues, organs, etc, and markets, states, firms and trade unions all have powers to impose some and prohibit other actions of their individual members. I am not commenting here on the content of Menger's propositions, but his method. What Menger is perfectly reasonably objecting to, is the ascription of a *false* material reality and efficacy to *imaginary* macro-level entities, such as, in his example, the "common will". Another example would be the Absolute Idea in Hegel: both Hegel and Marx regarded the attribution of reality and force to ideas which were logically prior to the material world as idealism – though, of course, that label is for Hegel very far from the refutation it is for Marx. By setting out these two sides of the concept of reification, Sciabarra establishes the basis for the development of Marx's theory of fetishisation, which unites them. This is best seen in Marx's "Critique of Hegel's Doctrine of the State" (Marx, "Early" 57-198), and Colletti's insightful essay introducing it (Colletti).

According to Marx (Denis, "Marx"), each of these sides implies the other. Marx in turn criticises Hegel's method, the modern state, and, later capital itself, as a double process of hypostatisation. Setting aside the real, empirical world, and positing instead the self-movement of a disembodied *Geist* as the active principle of the world, constitutes the hypostatisation of the self-movement of the world – what Marx refers to as 'crass idealism' ("Early" 385). This is what Sciabarra in his discussion of Menger refers to as the reification of unreal unities, and in his

discussion of Mises as the latter's 'opposition to the reification of the collective' (TF: 125). The attempt then to deduce from that *Geist* all the particular circumstances of the world, which were therefore simply restored, reintroduced, but not mastered in thought, Marx regards as the inevitable result of this hypostatisation, an 'equally crass materialism' ("Early" 174). The result is material objects divorced from their relationships with their real temporal and systemic context and presented as end products of a metaphysical process. Thus the analytical integrity of the real whole is denied, and the parts are reified as self-subsistent wholes. In sum, Marx claims that Hegel's method reproduces exactly what Hegel was complaining about in the first place. The two notions of reification present in Sciabarra therefore need to be thought through and brought into relation with each other.

The last point to be made here on Sciabarra's construal of the dialectical approach concerns the temporal aspect: the recognition that time, history, transition, dynamics are of the essence. Drawing once again on the work of his teacher, Bertell Ollman, Sciabarra insists that

"One of the principles of dialectics is that in any analysis of any object of inquiry – be it an entity, event, issue, or problem, – our understanding of that object must include a focus on dynamics. How an object comes to be what it is, which forms it currently takes, and where it might be tending are all a part of its identity" (TF: 141).

The dynamic aspect of the dialectical method is precisely what distinguishes the Austrian school from the neoclassical orthodoxy:

"some economists in the Austrian tradition hold that process is one of the most important aspects of any analysis. Rizzo (1996a xv) argues, for example, that in the neoclassical "static conception of time, the present is a virtual stop – the very negation of passage or flow"" (TF: 184).

And it is precisely here that we can find a convergence of approach between Austrians, such as Rizzo, and Marxists, such as Norman, Trotsky and Ollman:

"Norman (in Norman and Sayers [1980] 1994, 30) argues correctly that 'we cannot construct change and motion out of static elements.' Our analysis must begin with the fact of change, from which we can abstract and inquire into particular moments. Dialectics, says Trotsky (1942, 51), embraces a view of things akin to a 'motion picture,' rather than 'a still photograph.' Ollman (1993) too criticizes



mainstream social science, in which things are said to 'exist *and* undergo change.' It is as if these two aspects are 'logically distinct.' The historical dimension is 'something that happens to things,' rather than something that is part of the nature of things. Mainstream social science attempts to analyze change among things from which process itself has been abstracted. By contrast, a dialectical perspective stresses that 'whatever something is becoming ... is in some important respects part of what it is, along with what it once was' (TF: 183-184).

## Sciabarra's dialectics: some criticisms

The approach taken here is not to assert apodictically that Sciabarra is wrong, or to expose his error and hence presumed moral failing to the world. Rather the objective is to engage with his contribution and look for ways forward – in a spirit of pluralism and openness – towards claiming and cultivating the common ground which the present writer believes he has uncovered. In that spirit the following criticisms of Sciabarra's account are tentatively raised.

Firstly, we should note that 'totality' is described as 'a specific whole as understood from – and structured by – shifting perspectives'. This seems to privilege externality. In a truly dialectical approach, the 'whole' is understood as something in the world which has an internal dialectical structure containing contradictions which drive it forward over time. But for Sciabarra, the 'whole' seems not to be about the world, but our understanding of it, it's about epistemology, not ontology. 'A totality is ... structured by [our] ... perspectives' (TF: 173). He defines 'totality' later in these terms: "A 'totality' is a model of the whole as a structured unity, once the relations of its subsidiary parts been well investigated, abstracted, and integrated for a specifiable analytical purpose that brings forth coherent explanation" (TF: 176). The totality is thus not something out there which we seek to understand, but an idea, a model, in our mind which results from the effort to understand the world. There is no indication that this mental model corresponds to anything objective. 'Dialectics is a thinking style' he says, 'Dialectics is an orientation: *not* dialectics is the thinking style and orientation which *we are obliged* to adopt by the dialectical and contradictory nature of the world we live in.'

This alarm bell rings louder when we look at Sciabarra's standpoint on the issue of the law of noncontradiction.

The three laws of formal logic are

- “(1) law of contradiction – something cannot exist and not exist at the same time;
- (2) law of excluded middle – something either exists or it does not, no middle condition is possible;
- (3) law of identity – something is always identical with itself” (EB).

All of these laws are violated by dialectics. Take the example of a *beginning*, the instance Hegel himself refers to in the Introduction to the *Science of Logic* (Sol: § 110). When we consider the beginning of something, the thing both

- (a) is, and
- (b) is not.

Both (a) and (b) are true, since if (a) only were true, then the thing would have already begun, and if (b) only were true, it would not yet have begun.

Law (1) is violated by the fact that the thing both exists and does not exist;

Law (2) is violated in that the beginning is, exactly, the middle term between the thing simply not existing (before its beginning), and simply existing (thereafter);

and

Law (3) is violated as the thing is not always identical with itself, but changing, in contradiction to itself, moving forward from one moment to another, from non-being to being. What it is at one moment is not what it is at another: it is in transition.

The only way that the three laws can be applied is to freeze time[4]. At one instant in time, taking the logical limit as we consider an ever shorter interval, then all three laws are valid, and there are no contradictions. But that is an abstraction – useful, no doubt, but not a representation of reality. This is the essence of dialectics: the point on which Marx and Hegel are united. The opposite is to say, with Kant, that contradictions are not of the essence, but something apparent, not something which exists in the world, but an error or inadequacy or pathology in the way we perceive the world. Dialectics is not an *alternative* to (formal) logic, both are valid when applied correctly. But dialecticians are opposed to the hypostatisation of logic, making a timeless abstraction into reality,

replacing its transience with permanence. To do so is to mistake an abstraction for a description of reality.

Unfortunately, Sciabarra doesn't see things quite this way. His standpoint begins to emerge in his consideration of Aristotle (TF: Chapter 1). Aristotle, he says, enunciates the law of noncontradiction as *both* an ontological and a logical axiom. He cites Aristotle as saying that

"the most certain principle of all is that regarding which it is impossible to be mistaken ... It is, that the same attribute cannot at the same time belong and not belong to the same subject in the same respect ... this [is] an ultimate belief; for this is naturally the starting point even for all the other axioms" (Aristotle, cited in TF: 30-31).

Significantly (as it seems), Aristotle says that we must hold fast to this axiom 'in face of dialectical objections'. As we have seen, the law of noncontradiction applies only in the absence of time: it is true for (formal) logic, but it cannot be true of the world, ontologically true, for any ontology which includes time. Aristotle thus seems, in the passage cited by Sciabarra, regardless of the stance he takes elsewhere, to side explicitly with formal logic against dialectic.

Yet Sciabarra immediately claims that "Aristotle exhibits ... an awareness of dialectical thinking" and "does not fixate on a static tautology with laws that deny the process of becoming". No justification for this judgement is adduced, save that "when Aristotle tells us that A cannot be A and not-A, he adds: *at the same time and in the same sense*" – a caveat which scarcely seems to take us further forward. Trotsky, in a passage which Sciabarra (TF: 85) takes issue with, and which discusses the relation between formal logic and dialectics, gets the matter exactly right. He has been showing that *A* is not necessarily equal to *A*, as nothing is ever exactly equal to anything else, *even itself*.

"A sophist will respond that a pound of sugar is equal to itself 'at any given moment.' Aside from the extremely dubious practical value of this 'axiom,' it does not withstand theoretical criticism either ... everything exists in time; and existence itself is an uninterrupted process of transformation ... Thus the axiom *A* is equal to *A* signifies that a thing is equal to itself if it does not change, that is, if it does not exist ... To make use of the axiom *A* is equal to *A* with impunity is possible only within certain *limits*. When quantitative changes in *A* are negligible for the task at hand then we can presume that *A* is equal to *A*." (Trotsky 49).

Sciabarra says that "Trotsky (1942: 49) and Novack ... are quick to deny the axiomatic character of identity, suggesting that Marx's dialectic 'supersedes' or 'overthrows' the 'static tautologies' of Aristotelian logic". But Trotsky isn't denying the validity of Aristotelian logic, merely pointing out the *limits* to the context within which it can be applied. What he is passionately opposed to is any idea that the Aristotelian logical categories describe reality – on the contrary, they describe a static, timeless world. In different words, Trotsky is not rejecting formal logic *in limine*, but subjecting it to *immanent critique*. Sciabarra has read this passage, and, indeed, with some sympathy – he later quotes from the same piece in support of his own view (TF: 183). To be a consistent dialectician, as he aspires, he should, in my view, take Trotsky's point here, too. What stops him is his desire to apply the law of noncontradiction, not just to the abstract world of mathematics and formal logic, but – as an axiom, and not as an approximation – in reality as well.

Sciabarra claims (TF: 31) that 'the whole thrust of the Aristotelian metaphysic is toward process and movement'. No. It is the case that Aristotle is regarded by many dialecticians, including Hegel and Marx, as the fountainhead of dialectics. But his work, like Hegel's own, is itself deeply contradictory, and his reputation for formality and undialectical thought is also not entirely undeserved. In the specific passages which Sciabarra is discussing, it is the anti-dialectical Aristotle who is at work: "movement does not deny the law of noncontradiction ... when we come upon a paradox, Aristotle implores us to recognise that contradictions cannot exist. It is incumbent on us ... to change our context ... in order to resolve the puzzle." (TF: 31-32) This clearly adopts the standpoint that formal logic represents the world, and that contradictions are paradoxes and puzzles for us, because of our limited perspective. It constitutes a hypostatisation as it takes an abstraction and substitutes it for reality. The world obeys the law of noncontradiction, according to Aristotle and Sciabarra, there are no contradictions in it, and if we think we see one, we have to change our way of looking at it, until the puzzle is resolved.

Again, what Hegel says in the *Science of Logic* is relevant here:

"formal thinking lays down for its principle that contradiction is unthinkable: but as a matter of fact the thinking of contradiction is the essential moment of the Notion. Formal thinking does in fact think contradiction, only it at once looks away from it" (SoL: § 1799).

When formal logicians assert that the law of non-contradiction is true of the world, they are expressing fear of the chaos which results in a formal system when contradictions creep in: in a formal system, as soon as a single contradictory statement is allowed, contamination immediately infects the entire system – every possible statement and its contrary can now be proved, and the system is unable to discriminate between true and false statements. The fear is that once we allow contradiction to enter our understanding of the world, we will be incapable of discriminating true and false statements about the world. But the world is not a formal system, and dialectic is not the same as anarchy, since – in the view of dialecticians such as Marx and Hegel – contradictions and the transitions they induce are themselves lawful.

The term 'immanent critique' was used above. 'Immanent critique' and 'immanent criticism' are also terms used by Sciabarra and Hayek. According to Sciabarra, "Aristotle uses this technique in virtually every branch of the philosophical sciences ... It is what Bhaskar (1994, 8) has described as a 'method of *immanent critique*.'" (TF: 32-33) It is a misunderstanding to style the approach that Sciabarra is promoting here, with reference to Aristotle, 'immanent critique'. This is an external (or transcendent) approach, not an immanent one, as the dialectic within the thing is denied: the thing is made to adhere to a formal logic within which there can be no contradictions. The dialectic, progress through contradictions, is something for the observer only, not the thing observed, and here we see the link with the external, subjective character of Sciabarra's concept of *context*, which we noted earlier. Again, Hegel (in the *Smaller Logic*) disagrees:

"Philosophical thought ... only accepts its object ... and while allowing it its own way, is only, as it were, an onlooker at its movement and development. To this extent philosophizing is wholly passive ... there is required an effort to keep back the incessant impertinence of our own fancies" (Hegel, "Encyclopaedia" 294, § 238).

Immanent critique thus 'allows its object its own way', and the critic is only an onlooker at the movement and development of the object – his task is primarily to keep his own prejudices at bay and prevent them from intruding.

Hayek, too, has trouble with the concept of immanent criticism. Hayek ("Law" volume 2 24) says:

"If we are to make full use of all the experience which has been transmitted only in the form of traditional rules, all criticism and efforts at improvement of particular rules must proceed within a framework of given values which for the purpose in

hand must be accepted as not requiring justification. We shall call 'immanent criticism' this sort of criticism that moves within a system of rules and judges particular rules in terms of their consistency or compatibility with all other recognized rules in inducing the formation of a certain kind of order of actions."

Hayek's first sentence here, it seems to me, says that reform of specific rules may be permissible, but the overall framework, for example, *laissez-faire* capitalism, has to be treated as 'not requiring justification'. And the second says that this *acritical* procedure, where you decide *externally* what the result of your study is going to be before you start, is to be known as 'immanent criticism'. If we have a particular kind of society – *laissez-faire* capitalism, slavery, patriarchy, Stalinism, monarchy, etc – then, as Hayek points out, all the rules of society will articulate together to underpin and reproduce that system. *If you wish to preserve the system*, then, of course, you need to ensure that changes in rules are such as to enable the modified rule to continue to articulate with all the other rules – the 'framework of given values' has to be accepted. But this presumes that you wish to preserve the system rather than change it for another one. Is it the case that if we live under feudalism, we have to ensure that any reforms are consistent with feudalism, or do we say that it is the reform that counts, and if feudalism is incompatible with it, then so much the worse for feudalism?

Returning to Sciabarra's treatment of the law of noncontradiction, confirmation that Sciabarra has adopted the Kantian approach arises when he considers Kant and Hegel. "Kant recognized that ... contradictory claims seem to coexist despite the fact that it is impossible for both A and not-A to be true at the same time and in the same respect ... Kant seeks to preserve the Aristotelian law of noncontradiction" (TF: 55). Ayn Rand "was violently opposed to Hegel for his 'philosophical crimes' ... she saw Hegel as second only to Plato for having produced 'the greatest intellectual harm to mankind, with the most disastrous practical consequences'" (TF: 60). And what was it that Rand (and Popper, too) objected to in Hegel? The one factor that Sciabarra specifically mentions is that they regarded his dialectic as 'an affront to the law of noncontradiction' (TF: 61).

Coming to Hegel, Sciabarra dedicates a section, entitled "To be or not to be a contradiction" (TF: 68 –71), to the issue of contradiction and noncontradiction in Hegel. "Does Hegel endorse the reality of living contradictions, sweeping aside the norms of thought and the laws of logic, or does his notion, in some sense, lie outside the so-called static presuppositions of formal logic?" (TF: 68) The answer, of course, is *both!* Hegel *does* endorse the reality of contradictions, full stop. Does

that 'sweep aside[5] the laws of logic'? Yes, the laws of (formal) logic are put aside in dialectics, as soon as we start to deal with internal dynamic and systemic relations, that is, with context.

Sciabarra wants to preserve both formal logic and dialectics. And he is right. But he has to get their articulation right. They are each correct in their own rightful context. There is no symmetry: just as, in the case of the finite and the infinite, in Hegel, it is the infinite that absorbs the finite, here it is the dialectical which absorbs the formal. The world is dialectical – it is characterised by complex mutable structure – systemic organic interrelationships evolving through time. Formal logic looks at snap-shots and allows us to make non-trivial and counter-intuitive inferences about the world; inferences whose approximate validity extends in space and over time to the extent that the *ceteris paribus* conditions – the things which are held absolutely fast in the snap-shot – are approximately true in the world. It depends on a fiction, an approximation, an idealisation, just as calculus assumes that two points sufficiently close together on a curve may be assumed to lie on a straight line. The assumption of slow change is taken to the limit and infinitely slow change assumed. As soon as temporal or systemic relatedness is allowed, the spell is broken and the three laws crumble.

## Hayekian dialectics?

This section will attempt to summarise Sciabarra's argument that Hayek's work is based in a dialectical approach to the problem of establishing a non-reductive social science.

Standing back from the detail of his account, Sciabarra notes the common roots of the Austrian and Marxist standpoints in the Aristotelian, classical German philosophical and Scottish Enlightenment traditions. This he links immediately with their dynamism and opposition to the static equilibrium of the neoclassical orthodoxy, and their rejection of its narrow disciplinary boundaries:

"Austrians and Marxists have always had a unique ability to raise similar, fundamental questions. Both schools of thought have been intellectually influenced by the constellation of Aristotelian, German, and Scottish traditions. Both share the view that social reality is a dynamic process constituted by human action. Both criticize mainstream, static, equilibrium-based economic analysis. Both refuse to separate the economic sphere from the organic social whole of which it is a part."  
(MHU: 92)

Sciabarra is not saying that Hayek ever explicitly claimed to use, or even consciously realised that he was adopting, a dialectical approach. So how can he be a dialectician? "[D]ialectics is indispensable to the reasoning mind. Dialectics is ... an aspect of reasoning ... it is possible to find manifestations of [dialectical faculties of mind] even among nondialectical thinkers, insofar as they think at all" (TF: 186). Sciabarra cites Trotsky (84) "Every individual is a dialectician *to some extent or other*; in most cases, unconsciously." So on what grounds can Sciabarra claim a significant dialectical moment to Hayek's thought?

Essentially, Sciabarra's argument is that Hayek has a dialectical approach exemplified in his understanding of the organic relationships between individuals which constitute the society within which they are embedded and which determine the meaning of what they do: "As employed by both Marx and Hayek, the dialectical method preserves the analytical integrity and organic unity of the whole ... it eschews reification, that is, it avoids the abstraction of a part from the whole and its illegitimate conceptualisation as whole unto itself. The dialectical method recognises that what is separable in thought is not separable in reality" (MHU: 4). "An organic unity resides in the whole, Hayek suggests, but the whole is not an aggregation of 'single observable things.' It consists of 'structures of relationships' understood through the lens of theory. These structures are 'persistent' and lend themselves to an organic analogy" (TF: 130).

To illustrate, Sciabarra quotes from Hayek's *Sensory Order*: "As in the biological organisms we often observe in spontaneous social formations that the parts move as if their purpose were the preservation of the wholes ... In the social sphere these spontaneous movements ... preserve a certain structural connection between the parts" (Hayek, cited in TF: 130). He might well have quoted a passage which sets out the theoretical status of the individual in Hayek's approach: "The individuals are merely the *foci* in the network of relationships" ("Counter-Revolution" 59). This is a world away from the conception of neoclassicals such as Milton Friedman, who holds that economics is the study of "a collection of Robinson Crusoes" (13).

In a section of MHU provocatively entitled 'Hayek versus "Methodological Individualism"' (MHU: Chapter 1 "Hayekian Dialectics", 15-20), Sciabarra identifies the key issue thus: "'methodological individualism' ... has often been identified with atomism, reductionism, and ahistoricism. It is said to see the whole as the mere sum of its parts. It views the individual – or the part – as of



primary epistemological importance, and structures the whole through an additive analytical process" (MHU: 16-17). This is of course exactly what the orthodoxy does; Denis ("Rhetorical") compared the *methodological reductionism* of such neoclassicals as Friedman and Lucas with the *methodological holism* of Hayek and Smith. Sciabarra defends Hayek against the charge of atomism: he is individualistic but not atomistic – he is as 'interested in grasping the whole' as holism is. "It is a distortion to view Hayek's approach as *either* individualistic *or* holistic. Hayek's method is *fundamentally dialectical*, encompassing elements of individualism *and* holism ... detailed examination of Hayek's mode of inquiry suggests that [he] was highly dialectical in many significant ways" (MHU: 17).

"Throughout Hayek's writings, there is a crucial emphasis on the importance of historical and systemic context, on the complex, evolving, organic unity of the social world. This understanding ... forms the core of a sophisticated, nonreductionistic method of social inquiry. Both Hayek and Popper argue against reductionism in the social sciences since society is *more* than the mere sum of its parts. Reductionism relies on a 'historical myth,' in Popper's view, because it sees human beings as somehow 'presocial.' As Popper argues, 'man's' ancestors were 'social prior to being human ... Men are if anything the product of life in society rather than its creators.' ... Hayek recognises the ontological priority of concrete particulars, of real, existing individuals ... Hayek sees the 'individual,' 'reason,' 'morality,' and 'culture' as emergent qualities of social evolution. He maintains that there is no concept of the 'individual' that is not tied to a historical and socially specific structure. [He sees] an intricate reciprocity between the parts and the whole". (MHU: 17-18)

While these comments are enough to give a flavour of Sciabarra's account of the element of organicism in Hayek, I think it worth setting out in more detail what it is, in the standpoint adopted in this paper, that is specifically dialectical about Hayek's standpoint.

Firstly, Hayek's account displays the unity of opposites: each part of an organic unity presupposes the others, each is implicit in the others, none has meaning outside the context of all the other parts. Secondly, there is space in Hayek's account of society for *dialectical reversals*. The micro is the basis and substrate for the macro, but the macro is emergent and is different, sometimes the opposite of the lower level. Think, for example of the complex relations between the system of rules of *individual conduct* and the order of actions of a *group* of individuals in 'Notes on the Evolution of Systems of Rules of Conduct' (Hayek, "Studies" Ch 4, 66-81):

"The overall order of actions in a group is ... more than the totality of regularities observable in the actions of the individuals and cannot be wholly reduced to them ... a whole is more than the mere *sum* of its parts but presupposes also that these elements are related to each other in a particular manner" ("Studies" 70). "Not every system of rules of individual conduct will produce an overall order of the actions of a group of individuals ... and it is at least conceivable that the same overall order of actions may be produced by different sets of rules of individual conduct ... The same set of rules of individual conduct may in some circumstances bring about a certain order of actions, but not do so in different external circumstances." ("Studies" 67-68)

Here Hayek suggests that a system of rules of individual conduct at the micro level may or may not underpin a sustainable macro-level order of the actions of the group of individuals. If it does, then the order it does elicit will depend on context, and knowing the order which has arisen does not necessarily tell you the system of rules that underpins it – there is no one-to-one relationship.

Thirdly, Hayek's account makes salient the issues of process and time: to see society as an organism raises questions of its embryology, its evolution, and its metabolism. Over time, as well as between levels, society is susceptible to transformation. Fourthly, there is a reversal of causation, a top-down causation or teleology: the behaviour of the individual is a product of the evolutionary history of the society to which the individual belongs.

There is thus considerable justification for Sciabarra's approach, identifying Hayek's approach as dialectical on the grounds of his organicism. The link between the organic and the dialectical are profound. It was, in fact, just because Hegel saw the world as an *organism* that he was able to develop the dialectic of his *Logic*, and it was precisely that feature of Hegel's account of society that drew Marx's admiration: "It is a great step forward [for Hegel] to have seen that the political state is an organism" (Marx, "Early" 66).

## Conclusions

The aim in reviewing Sciabarra's work here has been, firstly, to highlight common ground and areas of agreement, and, secondly, to show points or areas where Sciabarra's conception and presentation of dialectics can perhaps be strengthened, where the logic of his own position, once clarified, will be seen to point towards new understandings.

There is much in Sciabarra which can productively be developed and extended. The most obvious direction for research here is the case of Keynes. Sciabarra has argued that the Austrian economists are – largely unconsciously – dialecticians. On similar grounds to those cited by Sciabarra, one could, it seems, erect a formidable argument that the *General Theory* exemplifies a profoundly dialectical standpoint and method. As argued elsewhere (Denis, "Keynes" Section III 'Keynes and holism', 196-200), Keynes adopts a 'holistic' or organicist standpoint in the *General Theory*, in opposition to the 'reductionism' of what he called the 'classical' school. Sciabarra's principal point about Hayek's methodology is that his 'organicism' (what the present writer prefers to refer to as *holism*), is an implicitly dialectical orientation, and its counterpart, 'atomism' (*reductionism*, in the present writer's terminology), tantamount to the rejection of dialectics.

The first instance Denis ("Keynes" 196) gives of Keynes's 'holism' – or dialectics – concerns his adoption of Marx's formulae for the circulation of commodities,  $C - M - C'$ , and of capital,  $M - C - M'$  (Keynes, "Supplement" 89). The first says that a commodity or use-value is sold in order to buy another commodity: the difference between  $C$  and  $C'$  is qualitative. The second says that money is exchanged for commodities in order to sell commodities and acquire more money: the difference between  $M$  and  $M'$  is quantitative. Keynes points out that the former is the standpoint of the private consumer, and the latter that of business. Here we have an instance of the shifting perspectives or *context* that Sciabarra rightly makes central to dialectical thinking. We also have implicit acknowledgment that the emergence of capitalism from simpler, more use-value oriented modes of production involves a dialectical reversal and a transformation of quality into quantity.

The 'standpoint of business', the structure of incentives under capitalism, involves contradictions, in Keynes's view: although we might behave as though production were carried out for its own sake, this cannot literally be true. Repeatedly in the *General Theory* (GT: 104, 106, 211) Keynes makes the point that consumption is the sole end and aim of economic activity. The point Keynes is making (Denis, "Keynes" 197) is that production has to be validated by consumption to *count* as production: output must be sold to convert it back into money, and, indeed, more money than was started with. The subordination of ends to means, of consumption to production implicit in classical *laissez-faire* capitalism sets up a continually re-emerging barrier to accumulation in the form of under-consumption and failures of aggregate demand. Thus implicitly Keynes's method is one which fits

well with Sciabarra's definition of dialectics: "an orientation towards contextual analysis of the systemic and dynamic relations of components within a totality" (TF: 173). It also fits the definition of dialectics indicated in the present paper as identifying contradictions in the world and allowing our concepts to reflect their evolution.

Keynes's methodological standpoint is summarised when he stands back from the detail of his work three years after the publication of GT, and identifies the *differentiae* of his approach in the following terms:

"I have called my theory a *general* theory. I mean by this that I am chiefly concerned with the behaviour of the economic system as a whole .... And I argue that important mistakes have been made through extending to the system as a whole conclusions which have been correctly arrived at in respect of a part of it taken in isolation." (GT: xxxii – this is from the preface to the 1939 French edition of GT.)

Keynes sets out very clearly here what he takes to be the distinguishing feature of two approaches: on the one hand, that we can derive **correct** conclusions from the study of *microeconomic* phenomena 'taken in isolation', but that to extend those conclusions to *macroeconomic* phenomena leads to error, and, on the other hand, that the correct approach to macro is what many would now call a systems approach, aiming to examine the behaviour of 'the economic system as a whole'. This is precisely what Sciabarra and I have identified as a dialectical articulation of the micro with the macro.

Keynes's methodological insights continue to inform the post Keynesian movement today:

"Modelling the economy as a representative agent rules out by assumption one of the fundamental insights of Keynes (and Marx), to wit, the fallacy of composition, that what may be true of the individual taken in isolation is not necessarily true of all individuals taken together. This implies that when looking at the macroeconomic processes at work in capitalism, we cannot presume that the whole is but the sum of the parts. Indeed it is not." (Harcourt)

Later in the same paper, Harcourt welcomes "Marx's analysis of the inherent contradictions in capitalism". A recent paper by Chick and Caserta on 'provisional equilibrium', which they oppose to static neoclassical equilibrium theorizing, concludes that

“When equilibrium is conceived as provisional in nature it is easy to see that change need not be the result of an exogenous shock, but rather may emerge quite naturally from within the larger system ... a system [can] be in equilibrium at one level and disequilibrium at another and contain contradictions which are the source of change ... [such] systems ... [are] open, historical, causal systems ... Change can be seen as the manifestation of what was previously hidden ... It is as if something eventually comes to the surface after having travelled under water for some time ... change is always the manifestation of what was previously hidden.”  
(Chick and Caserta)

The dialectical tendency of this conclusion could scarcely be clearer.

The conclusion to be drawn, therefore, is that Sciabarra has opened up an opportunity for a fruitful exploration of methodological common ground between Marxist and Austrian economists, but that we cannot stop there, and the next task is to investigate the dialectical underpinnings of the Keynesian tradition. There is much to be done, and the cause of pluralism in economics can only benefit from it.

## Abbreviations

EB	<i>Encyclopædia Britannica</i> (nd)
GT	Keynes (1973)
MHU	Sciabarra (1995)
OED	<i>The Oxford English Dictionary</i> ( <i>OED Online</i> )
SoL	Hegel (nd) <i>Hegel's Science of Logic</i>
TF	Sciabarra (2005)

## Endnotes

[1] Written while Visiting Research Fellow at CPNSS, LSE, and on sabbatical leave from City University, London. I would like to thank Meade McCloughan, seminar participants at Nottingham Trent University, and participants at the AHE annual conference, City University, London, July 2005, for comments. With special thanks to Mary Denis.

Denis, Andy (2008) 'Dialectics and the Austrian School: A Surprising Commonality in the Methodology of Heterodox Economics?', *The Journal of Philosophical Economics*, 1:2, 151-173

[2] A list of abbreviations is given at the end of the paper.

[3] All emphases as in the original.

[4] A related point applies to extension in space, as the boundary between two things is where they both are and are not. To keep things manageable, however, the present account focuses on time.

[5] Note that he says 'sweep aside' not 'sweep away'. Elsewhere (TF: 64-65) Sciabarra suggests that the notoriously difficult Hegelian term *sublation* (*aufheben*) is well translated by 'putting aside', as the thing which is *aufgehoben* is both annulled and preserved. It seems to imply a more determinate negation.

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