

## THE POVERTY OF ECONOMISM

NOTTURNO MARK AMADEUS

**Abstract.** Popper criticized Marx for his *historicism*, which he described as the belief that the course of history is predetermined by scientific laws. But he described Marx's historicism as 'economism', since 'Marx, in opposition to Hegel, contended that the clue to history, even to the history of ideas, is to be found in the development of the relations between man and his natural environment, the material world; that is to say, in his economic life, and not in his spiritual life'. I do not know whether Marx ever used the term 'economism' himself. But Popper used it to describe 'the claim that the economic organization of society, the organization of our exchange of matter with nature, is fundamental for all social institutions and especially for their historical development'. He said that economism 'is perfectly sound, *so long as we take the term 'fundamental' in an ordinary vague sense, not laying too much stress upon it*'. But he criticized Marx for overemphasizing it, and for trying to reduce all thoughts and ideas to economic conditions. He said that 'the general importance of Marx's economism can hardly be overrated', but that 'it is very easy to overrate the importance of the economic conditions in any particular case'. It is important, however, to understand that economism is not peculiar to Marx, and that it is entirely consistent with a market approach to economics.

In this discussion, I will use 'economism' to describe any theory or attitude that attributes decisive or conclusive importance to economic considerations in making policy decisions. It is the view that our policy decisions should be ultimately based upon their expected economic consequences. And it is, in the present context, the view that we should not value freedom as an end in itself, but primarily as a means to prosperity. Economism, thus understood, is not a theory in economics, but the *philosophical* stance that economic facts, interests, and goals are the facts, values, and goals that matter most. This stance, however, is often bolstered by the claim that the study of economics is a *science*, and that its theories and predictions have the cognitive authority that only a science can have. The most obvious proponents of economism are economic reductionists who believe that all facts, values, interests, and goals can ultimately be defined in economic terms—or, in other words, that economic facts, values, interests, and goals are the *only* ones that really exist. Marx is probably the best known and most influential proponent of this view, and the prevalence of economism in contemporary thought is undoubtedly due to his influence. But if I am right, then Hayek retained elements in his own thinking that are economic as well. Thus, Hayek argued that scientific study has shown that socialist economic programs and aims are both empirically and logically mistaken, and he said that the fact that the socialists were wrong about the economic *facts* was crucial to his critique of socialism. He also argued that scientific study has shown that socialist programs and, in particular, central planning, *cannot* succeed in achieving their aims. But what is, perhaps, more to the point is that Hayek held that freedom is important first and foremost for its economic consequences. Whereas Popper thought that it was wrong to base the rejection of tyranny on economic arguments, Hayek was apparently 'prepared' to sacrifice individual freedom, if his analysis of the economic consequences of socialism proved wrong.

**Keywords:** Popper, Hayek, Marx, economism, freedom, prosperity.

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