INTRODUCTION

Peter Boettke has written a truly multifaceted book (Boettke 2018) on one of the most complex liberal thinkers of the 20th century. As I have reviewed the plenty of the book elsewhere (Kolev 2019a), in this essay I would like to focus on one specific aspect which I believe is crucial for F. A. Hayek’s reception today: the perennial tension between the logic of the small group and the logic of the extended order, a tension which humans have had to endure ever since we entered modernity. While famously depicted by Ferdinand Tönnies with the terms “Gemeinschaft” and “Gesellschaft” (Tönnies 1887) to capture the duality of living in a community and living in a society, this duality is certainly not Tönnies’ invention—instead, it has occupied the attention of what Boettke has called elsewhere “mainline economists” (Boettke 2012) at least since the Scottish Enlightenment. And this duality doubtlessly constitutes one of F. A. Hayek’s main concerns in his social philosophy: How the logic of the small group continuously threatens and challenges the logic of the extended order regarding the latter’s legitimacy in the minds of the citizenry.

The core of this paper revisits this fundamental tension as it presents itself in our global-digital age, especially as Western democracies on both sides of the Atlantic have experienced truly traumatic events for their liberal order (at least) since 2016—including a new sense of how fragile this order and its interdependent sub-orders present themselves. In a parallel development, “Austrians” on both sides of the Atlantic have recently experienced serious institutional splits and ruptures about current issues like migration (Horn 2015), that are well reconstructable along the Gemeinschaft-Gesellschaft demarcation line. My goal in the paper is to examine how the two megatrends of our time, globalization and digitalization, may reinforce the logics of Gemeinschaft-Gesellschaft, and what this could mean for the theory and policy of Boettke’s Hayekian “learning liberalism”. Regarding the ruptures among “Austrians”, putting Boettke’s warning call that “liberalism is liberal” (Boettke 2017) in the context of the two megatrends that can make it even more effective for today and tomorrow.

DISCONTENT WITH GLOBALIZATION: IS THIS TIME DIFFERENT?

Why are so many citizens—in the West and also elsewhere—currently turning their back on the order of liberal globalization? This question is of course anything but new, it could have been (and was) posed at very diverse junctures during the 19th and 20th century: during the upcoming of aggressive nationalism in the late 19th century, on the paths taken in Russia post-1917 and in Germany post-1933, or amid the anti-globalization movement at the turn to the new millennium. What has happened since 2016—in the US since the presidential election, in the UK since the Brexit referendum, and in Central and Eastern Europe since the emergence of the new so-called “illiberal democracies”—could either be put in the tradition of the aforementioned ruptures, or could require a “this time is different” interpretation. Let us explore these two potentially diverging (but not mutually exclusive) readings.

What I see as the common traits of the enlisted moments, despite all obvious historical heterogeneity, is their shared revolutionary quest to preclude a further unfolding—or to even trigger a complete rollback—of the order of liberal modernity. “Modernity” is understood here as the set of civilizational patterns which the vigilant Scottish Enlighteners observed in the transformation of their “lifeworlds” during the late 18th century, and pinpoints these observations on the emergence of the Smithian “great society” (Smith [1759] 1976, part II, section II, chapter iii; Smith [1776] 1976, book I, chapter ii). Living in the context of modernity’s great society—but of course nevertheless also in the various small groups like the village, family, parish, or clubs—has put a
significant strain on our mind ever since, as both logics can be portrayed in diametrically different categories: 1) while the small group ensures concrete interactions with the surrounding, directly visible individuals, the great society is full of abstract exchange, often in complete anonymity and invisibility; 2) while in the small group a high degree of homogeneity prevails, a cornerstone of the great society’s prosperity is heterogeneity across individuals, for example regarding religious or ideological attitudes; 3) while the small group’s composition is usually fairly static, the great society can be dynamically dynamic. Important for this interpretation, the historical junctures mentioned above share one particular pattern: the construction of group identities. From the construction of “rankings” of nations or races in the 19th century, of class-based and race-based mentalities in Russia and Germany, of the “Global South” or of national anti-establishment mentalities: These processes are, above all, about belonging to a community. Large or small, real or virtual: When aiming to belong to a community, one can easily derive his or her identity from differentiating oneself from other communities, as well as from mobilizing forces within the newly found mental home against the abstract, cold, anonymous, invisible exchange processes of the great society.

So much for the commonalities. What might be specific about the most recent backlash against globalization? To begin with, it seems rooted in both material and ideational causes, constituting a paradigmatic Millian “conspiracy of interests and ideas” (Mill [1845] 1991, p. 503). The speed and scope of globalization since the 1980s have produced a sizable proportion within the citizenry of Western societies who see themselves as losers of globalization. Whether this is factually true or not, as heatedly debated among economic historians (Piketty 2014; McCloskey 2016); Since David Hume ([1742] 1987, part I, essay V) and Walter Lippmann (1922), we can plausibly claim that it is subjective opinions rather than objective facts that are decisive for the “political” in political economy. And here the material transformations following the globalization-related surge of trade, investment, and migration combine with powerful ideational forces stemming from public intellectuals like Joseph Stiglitz, Paul Krugman, Greta Thunberg, or Slavoj Žižek: With different arguments, they reinforce the opinion that globalization is above all a rigged game producing exploitation, inequality, and environmental damage. This “conspiracy of interests and ideas” has proved rather explosive so far: Even though in 2019 many Western economies produce the best macroeconomic figures imaginable, regardless of the sustainability of this boom, the political systems in almost all Western democracies are experiencing an extremely demanding “stress test” grounded in polarization and ever-stronger extremes. In line with so-called “horseshoe theory” (Faye [1972] 2004; Backes 2006), today’s extremes also show tendencies of coalescing (“les extrêmes se touchent”) against an ever-weaker center (Economist 2013; Craiutu 2017; Kolev 2019b).

Still, this “conspiracy” is not unique if we look back at the past two centuries. What makes things “really” unique, is the nature of the technological ruptures which have taken place in the past three decades since the World Wide Web began transforming our world starting in the 1990s. These ruptures, their effects, and the possibly necessary policies will be at the center of the rest of this essay.

DIGITALIZATION AND KNIGHT-POPITZIAN “ORDER UNCERTAINTY”

To begin with, any definitive judgment about the nature and effects of digitalization is certainly premature and cannot be anything but a very tentative “groping in the dark”. And this is one of the fundamental differences to globalization: We have had exposure to waves of globalizations for centuries if not millennia, while our exposure to digitalization is only few decades old, and there are indications discussed below that digitalization may be qualitatively different from the triggers of earlier industrial revolutions. This section looks at digitalization by combining two notions: “uncertainty” as understood by Frank Knight (Knight [1921] 1964), and “order security” as understood by German sociologist Heinrich Popitz (Popitz [1986] 2017).

Liberal political economists are sometimes (too) quick to simply declare that we are facing in digitalization another example of Schumpeterian creative destruction. However, already today two rather specific traits of this peculiar Schumpeterian process are discernible: 1) its forces are impressive in the scope of domains they hit, and 2) the speed of its unfolding is breathtaking. Liberal political economists are generally open-minded to such processes and their inherent dynamics—but only under the dual condition that the process takes place within an efficient humane order (Eucken [1940] 1950, pp. 315-317; Eucken [1952] 2004, pp. 372-374). This condition is the real issue here: To what extent do our judgment standards for an order have to change when so many interdependent societal suborders are simultaneously undergoing the transformation from analog to digital? Can this peculiar Schumpeterian process destroy
orders without creating new ones, as seen from the perception of the affected individuals?

This question concerns both the levels of the “rules of the game” and of the “moves of the game”. As far as the rules are concerned, digitalization undoubtedly means a permanent pressure to constantly reconsider, and to set new ones in the event of significant changes in the processes encased by the rules. It is also plausible that the enforcement of rules in the digital world will probably become less easy for nation states. Even more important may be the impact on the moves. The aforementioned radical forces of digital change can plunge the players into an equally radical uncertainty about their future: When entire industries and professions disappear, high proportions of both human capital of the individual and social capital of the group have to be “written off”. Those individuals and groups who have become “obsolete” as a result of digitization can therefore feel existentially threatened. In a certain sense, this is still categorically comparable with the effects that are already known from the globalization-related structural change, for which economic policy can fortunately resort to existing best practices.

A genuinely novel challenge associated with digitization lies in its speed. Every human sensory order — and the associated transition in one’s perception from chaos to order — presupposes that one has the cognitive abilities to grasp this transition and to process it psychologically. However, every cognitive process of this kind necessarily takes time, as it requires something essential for any liberal order: learning (Boettke 2018, pp. 81-88). If one’s subjective perception of patterns — a notion truly fundamental not only for Hayek’s psychological inquiries (Hayek [1952] 2017), but also for his political economy (“pattern prediction”) and social philosophy (“the state as gardener of an English garden”) — are changing because of encompassing and fast change in the objective reality, the danger increases that some citizens may start perceiving their lifeworld as permanently chaotic. In that case they may no longer be able to extract any principles of order from their lifeworld, as they fail to catch up with the velocity of learning required by the order’s transformation. Two properties of such a development are worth underscoring: 1) the ability to adapt is intimately connected to one’s subjective capability to learn characterizing those individuals affected by digitalization, as opposed to some objective measure of transformation set by an allegedly neutral scholarly observer, and 2) digitalization affects the order in a qualitative manner since its effects on the different sub-orders of society do not simply add up in a quantitative sense, but instead can interdependently reinforce themselves and categorically change the order vs. chaos perception of reality of the individuals affected by digitalization, pushing it towards chaos.

In a preliminary conclusion, today’s comeback of Gemeinschaft can be explained as follows: In the eyes of many citizens, the world has become “too dynamic”. If this diagnosis is correct, the therapy seems obvious: The order we live in must offer “more statics” or, to put it somewhat more precisely, clear “fixed points”, i.e. elements of the institutional framework that assist the individuals not to lose orientation amid their “too dynamic” order. By the provision of fixed points, the aforementioned perception of chaos can give way to a new recognition of order and its principles through newly enabled learning. But how could such a therapy come about? A history of economics approach seems promising here: It will not be harnessed as a meticulous exegesis of dogmas, but will instead focus on identifying the urgently necessary theorizing of order for our global-digital age.

HAYEK VS. RÖPKE ON GEMEINSCHAFT AND GESELLSCHAFT: THEORY AND POLICY

The order theories of F. A. Hayek and Wilhelm Röpke can also be juxtaposed precisely along the Gemeinschaft-Gesellschaft demarcation line. Although their theoretical systems resemble each other in many ways, they are diametrically opposed to each other along this line: As mentioned at the outset of the paper, Hayek’s great concern is that the Gemeinschaft logic of the small group continuously counteracts or even disrupts the rules of the Gesellschaft logic. In contrast, Röpke is driven by the quest of how the coordination mechanisms of the small Gemeinschaft can be preserved from the dangers of a predominant Gesellschaft whose role in modernity constantly expands, possibly at the cost of the logic of community. So while Hayek identified early on modernity as well as its great society as the central building block of his order theory (Hayek [1945] 1948, pp. 3-5), and reframed them in his late work towards the formula of the “extended order” (Hayek 1988), for Röpke it was precisely this modernity that he saw as a process with considerable destructive or even explosive force for human coexistence (Röpke 1947; Röpke [1958] 1960, pp. 7-20). Röpke’s stance is not only reminiscent of modern communitarianism (Renner 2002, p. 217), but also of Hirschman’s thesis of feudal blessing, according to which traditional modes of reciprocity exchange could prove to be socially “useful” if
they precluded the destruction of socially necessary norms (Hirschman 1982).

Modernity is an extremely young product of Western civilization in comparison to human history, and it is a phase which can be depicted by two central characteristics: 1) the differentiation of the societal suborders instead of the merged lifeworld of the traditional village, and 2) the increase in abstract-anonymous interpersonal relationships instead of exchange with concrete-known persons in locally narrowly defined areas. Hayek’s decades-long quest for a “Constitution of Liberty” aimed precisely at finding those sets of rules in which the modernity-related logic of the extended order could be brought closer to legitimacy in the eyes of the citizens, having experienced that they often find this logic counterintuitive or even absurd because of their ancestors’ millennia-long existence in village communities.

Röpke’s efforts to establish and preserve a “Civitas Humana” go in exactly the opposite direction, i.e. towards the rooting of the individual in the traditional and manageable nature of coordination mechanisms in small groups, aiming to counteract the, in his view, highly problematic process of “massification” and the disorientation of modernity. These different approaches clearly show the rather different leitmotifs of the individual and of society in Hayek’s and Röpke’s thought. Historically, liberalism in its many facets has certainly not developed a consistent and consensual position on these fundamental questions. However, it may be precisely this richness of facets that often makes liberal thinkers stimulating for later generations—even though, at the same time, misunderstandings about fundamental positions across different liberal currents can hardly be denied and often also not resolved or reconciled.

Such diverging order-theoretical positionings also entail direct order-political consequences: I will focus here on the provision of social security. In Part III of his “Constitution of Liberty” (Hayek [1960] 2011), Hayek outlined a program of liberal social policy, the core being to transfer the generality principle of the rule of law (and of Freiburgen “Ordnungspolitik”) to social policy, i.e. to organize the various policies and measures through generalizable rules (Fritz 2016). With this, he implicitly argued how the provision of a social security minimum that equally applies to all members of the jurisdiction is not only not necessarily a contradiction to the liberal understanding of the state, but that it can be understood as a vitally necessary component of the extended order (Kolev 2017, pp. 265-270). As it is widely known, this book—and here especially Part III—brought him the biting critique of self-proclaimed “consequent” or “uncompromising” libertarians like Murray Rothbard or Hans-Hermann Hoppe who saw his program as being close to what a social democrat would argue for (Rothbard 1980; Hoppe 1994).

This paper provides a specific perspective on the provision of social security, again along the Gemeinschaft-Gesellschaft demarcation line. To begin with, the attempt of some liberals to ban the state from conducting social policy and to delegate it exclusively to the voluntary coordination mechanisms of the various community contexts (family, church, neighborhood, etc.) is inconsistent with Hayek’s encompassing plea for the comprehensive validity of an extended order logic. The extended order would have a highly problematic “open flank” if it did not itself offer solutions for cases of social hardship, but instead depended on what Hayek called “atavisms” of the millennia-long life in community, and that at such a neuralgic point. Theorizing the liberal welfare state brought Hayek little sympathy: Apart from the libertarian voices mentioned above, the book and its policy proposals were also criticized from some of his closest contemporaries (Mises [1960] 2008; Robbins 1961; Viner 1961). Similarly, Röpke’s counter-proposal of providing security above all in the community also received multiple critiques and has been described as naively conservative (Burgin 2012, pp. 139-146; Gregg 2010, pp. 173-181) up to the recent characterization as a “retro utopia” (Solchany 2015, p. 570). Paradigmatic for Röpke’s leitmotif to solve cases of social hardship is his model of the small town—or, more generally, of small units in economy and society—as the ideal environment for human existence and association. It almost sounds as a version of the “small is beautiful” motto that became so popular in the decades after Röpke’s passing in 1966 (Schumacher 1973) and has been aptly termed a “liberalism from below” (Sally 1998, p. 131). Röpke’s vision of an “economic humanism” (Christ 2018, pp. 44-48) is based on personal independence and, given the interpersonal visibility in such a context, on interpersonal solidarity, while he saw social policy coming from the state with suspicion and as a threat to disintegrate the traditional community, potentially putting the individual’s independent existence into the position of a “comfortable stall-feeding” (Röpke [1958] 1960, p. 170) by the “pumping engine” of the welfare state targeted at full employment (Röpke [1942] 1950, p. 171; Röpke [1958] 1960, p. 157).

So even though regarding the central duality of this paper Hayek and Röpke opted for diametrically opposed primacies—Hayek for Gesellschaft, Röpke for Gemeinschaft—their concern about the provision of security, from Gesellschaft or Gemeinschaft...
**Gemeinschaft**, can still be read in a unified way. In the reading of the paper, this security provision can be interpreted as caring about the provision of indispensable fixed points: As discussed in the earlier sections, such fixed points as elements of the institutional framework are crucial in the “too dynamic” times that some experience, so that the perception of order is retained and the individual’s ability to learn and adapt (Boettke 2018, pp. 81-88) is preserved—instead of tipping into a perception of chaos. In this interpretation, a subjective sense of security is an essential prerequisite for one’s life-long ability and willingness to learn.

**LIVING IN GLOBALIZED GESELLSCHAFT AND DIGITALIZED GEMEINSCHAFT: POLARIZATION OR SYNTHESIS?**

How does this history of economics exercise on *Gemeinschaft* and *Gesellschaft* relate to the claim regarding our global-digital age that social policy today should primarily aim at providing fixed points? The relation is quite direct: Essential traits of globalization can be understood as a reinforcing the dominance of the logic of *Gesellschaft*, while much in the process of digitization can lead to a certain comeback of *Gemeinschaft*. Let me illustrate this by depicting two sub-phenomena which, according to the current state of affairs, play a central role for both globalization and digitization: 1) competition, and 2) social media. 1) The deepening specialization of the international division of labor and knowledge, essentially due to the decline in transportation and communication costs, is permanently intensifying the competitive pressure not only for companies, but also for locations as jurisdictions worldwide. These two levels of competition—for companies and for locations—simultaneously affect the existence of individuals as an employee and as a citizen, and the pressure has grown if compared to earlier decades with their lower intensity of globalization. Each individual is pressured to understand that he or she is part of a global process structured and run by the abstract rules of the extended order. To many, these rules appear today as being beyond one’s own control, leading to fundamental ruptures in the political system that—so far—is seen as having promoted globalization, visible for example in the currently strong anti-migration sentiments on both sides of the Atlantic. In addition, the market game—along with making us richer and giving us an increasing number of options, things often taken for granted—is more and more perceived as taking place in anonymous interactions which make the competitive pressure even more difficult to bear and create a sense of anxiety vis-à-vis one’s anonymous international competitors. 2) At the same time, in the face of digitization which is essentially caused by the decline in communication costs due to inventions and innovations in IT, our everyday life is increasingly characterized by using applications of social media. They enable the individual to no longer be just a consumer, but also a producer of media content, which, in addition to the effect of a growing fragmentation in the media space, entails that the individual is now able to form genuinely new virtual communities at infinitesimally low cost, for example groups on Facebook or WhatsApp. In addition, applications like Skype give us back the visibility which so many bemoaned to be lost due to the competitive pressure of work-related mobility amid globalization. This comeback of *Gemeinschaft* certainly has effects on individual behavior, and also applies—in a modified form—to virtual communities, although certain forms of reputation and trust-building show themselves differently here than in the immediate interactions of individuals in a concrete geographical area.

In both globalization and digitalization, one can also recognize the dangers that Hayek and Röpke identified in the conflict between the logics of *Gemeinschaft* and *Gesellschaft*. Global competition leads to the permanent necessity to learn and adapt, as well as to constant occupational mobility within the country or across countries, which can have serious disadvantages for the new formation of, and the embeddedness in, families and local communities—so far Röpke’s skepticism towards *Gesellschaft* appears vindicated. Social media, on the other hand, can lead to the formation of groups which often turn out to be so homogeneous that the pluralistic discourse of modernity hardly takes place anymore. In the course of time, the content of the social media group can thus turn increasingly extreme and one-sided, to the point where tolerance, plurality, and diversity, so indispensable for *Gesellschaft*, are rejected by this new *Gemeinschaft*—so far Hayek’s skepticism towards *Gemeinschaft* appears vindicated. In this perspective, globalization and digitization not only lead to more dynamics in our lifeworlds, but their parallel coexistence can also create more instability through positive feedbacks that amplify the respective logic of *Gesellschaft* or *Gemeinschaft*. This could lead to an increased polarization for the citizen’s mind confronted with the tensions of the two logics, making the pre-digital tension of living in a modern society and in communities even more difficult to handle cognitively.
However, this is not the inescapable conclusion from the interaction of both megatrends. One can also examine the thesis that both processes—precisely because of their simultaneity—behave to each other as complements, and thus partly cancel out their potentially undesirable effects. The argument would go like this: While it is true that in times of globalization individuals probably have to become more mobile in their “real life”, digital technologies enable them in their “virtual life” to partially compensate the social uprooting and the loss of embeddedness. Today’s circle of friends is no longer tied to a specific time and place to the extent it was in the pre-digital world decades ago. And while it is true that digitalization in “virtual life” can lead to more “echo chambers” in which the content can radicalize due to the sourcing of information within self-imposed “filter bubbles”, in the increasingly global “real life” we are constantly confronted with diverse cultures, ideologies, and ways of life. In such a reading, the antithetic coexistence in a globalized Gesellschaft and in many digitalized Gemeinschaften suddenly appears as a curious form of synthesis.

In case this optimistic reading turns out to be valid, is there nothing left for policy? Does such a global-digital system regulate itself completely automatically, in that the antithetical logics of community and society are synthetically neutralized and offset due to the simultaneity of globalization and digitization? As pointed out in the beginning of the essay, it is certainly too early for such comprehensive forecasts due to our far too short exposure to digitalization. But at least it makes sense to point to this possibly of complementarity: Perhaps such a reading could resemble the alleged contradictoriness of the doux-commerce thesis on the one hand, and the self-destruction thesis of the market on the other, which Hirschman (1982) summarized in such a way that the system-stabilizing and the system-destroying power of anonymous market relations can work simultaneously and one must focus on preventing the dominance of the destructive elements.

The necessity of “more statics” via fixed points remains an important plea resulting from this analysis. As the global-digital age continues to unfold, what needs to be observed with particular attention is how the “market-state-civil society triad”, and here especially the “division of labor” among the three, may change and transform. Markets obviously become more and more dynamic if we maintain their present institutional framework and if the world evolves (halfway) peacefully. In the Hayekian interpretation of this paper, the state could become the guarantor and liberal provider of social security: For those who temporarily fall out of the dynamic division of labor and knowledge, the state would offer via social policy temporary stability in the sense of “statics” and enable them—not only by alimentation, but even more by requalification and by assistance to regain trust in one’s own autonomy and learning capabilities—to return to an emancipated, humane life based on self-responsibility. As always, this provision of social security can certainly be complemented by assistance stemming from the diverse voluntary associations of Tocquevillian civil society—and its institutions will certainly profit from the new digital opportunities for self-organization, visible in practices like crowdfunding. It seems nevertheless unlikely that civil society will be able to substitute the comparative advantage of the state, which is to provide a general level of security for all, as opposed to the specialized assistance for specific hardships provided by civil society charities. But it is quite likely that, in line with Václav Havel’s vision (Havel 1995), digitalized civil society may be able to find solutions for more and more issues which in the past were either classified as common-pool resource problems, i.e. solvable within a community but entailing substantial internal coordination efforts (Ostrom 1990), or even as public good problems that, in the pre-digital age, were only deemed solvable if the state stepped in.

CONCLUSION

This paper presented Hayek as a representative of the “thinking in orders” tradition in political economy and addressed a crucial aspect of his order theory: the primacy of Gesellschaft over Gemeinschaft in Hayek’s comprehensive plea for the logic of modernity’s extended order. The two Tönniesian forms of association are mapped to the two megatrends of our time, globalization and digitalization, claiming that globalization tends to reinforce the logic of Gesellschaft, while digitalization may amplify the logic of Gemeinschaft. Before discussing the possible antithetical or synthetical effects of globalization and digitalization on the individual’s perceptions of this central tension of modernity, a common property of both megatrends: Each of them, and even more so in combination, tends to produce a sense of ever-increasing order dynamics. The central plea of the paper is that this burden for the individual’s sensory order in the global-digital age must be taken seriously by Hayekians, both when theorizing order and when searching for adequate policies. A sense of an order being “too dynamic” can prove highly detrimental for the polity, as citizens start classifying as chaos what was previously seen as order. To preclude such a
perception, the paper recommends considering the notion of fixed points, i.e. elements of the institutional framework that assist the individual not to lose orientation and to successfully handle the prevalent “order uncertainty”, a notion coined in the paper by enhancing Knightian uncertainty with Heinrich Popitz’s concept of order security. Regardless if these fixed points may be provided by a Hayekian welfare state, by a civil society, or simultaneously by both, I claim that the sense of subjectively sufficient security is an essential prerequisite of a stable liberal order, one that must be provided by the institutional framework in moments when the individual temporarily drops out of the division of labor and knowledge. Otherwise the extended order of our global-digital modernity—palpably fragile as it presents itself in 2019—could fail at the very point identified by Boettke as the core of Hayek’s epistemic liberalism: the individual’s capability and willingness to learn and adapt to the extended order’s logic of Gesellschaft.

REFERENCES


