F.A. Hayek and the Rebirth of Classical Liberalism

by John N. Gray
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(In Two Volumes)
By Adam Smith

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Editorial

The recognition of the insuperable limits to his knowledge ought indeed to teach the student of society a lesson in humility which should guard him against becoming an accomplice in men’s fatal striving to control society—a striving which makes him not only a tyrant over his fellows, but which may well make him the destroyer of a civilization which no brain has designed but which has grown from the free efforts of millions of individuals.

Friedrich A. Hayek


It is, of course, supremely easy to ridicule Adam Smith’s famous “invisible hand”—which leads man “to promote an end which was no part of his intention.” But it is an error not very different from this anthropomorphism to assume that the existing economic system serves a definite function only in so far as its institutions have been deliberately willed by individuals. This is probably the last remnant of that primitive attitude which made us invest with a human mind everything that moved and changed in a way adapted to perpetuate itself or its kind. In the natural sciences, we have gradually ceased to do so and have learned that the interaction of different tendencies may produce what we call an order, without any mind of our own kind regulating it. But we still refuse to recognise that the spontaneous interplay of the actions of individuals may produce something which is not the deliberate object of their actions but an organism in which every part performs a necessary function for the continuance of the whole, without any human mind having devised it.

Friedrich A. Hayek

(“The Trend of Economic Thinking,” Inaugural lecture delivered at the London School of Economics, March 1, 1933)

Is this all so very different
From what Lao-Tzu says
In his fifty-seventh poem?:
If I keep from meddling with people
They take care of themselves,
If I keep from commanding people,
They behave themselves,
If I keep from imposing on people,
They become themselves.

F.A. Hayek

(Original epilogue to “The Principles of a Liberal Social Order,” delivered at the Tokyo meeting of the Mont Pelerin Society, September, 1966)

Throughout F.A. Hayek’s encyclopedic writings, we frequently hear a characteristically ‘Hayekian’ leitmotif sounding in either major or minor key: his belief in spontaneous ordering—through decentralized, free individual action—of social, legal, and economic institutions in contradistinction to the Cartesian and statist “error of constructivism,” the belief that centralized control, planning, and coercion are required to coordinate economic and social ac-
tivities. This theme animates his early psychological study The Sensory Order (B-10) (which Hayek first drafted as a student paper in 1919-1920). In a recent interview Hayek commented on this book which examines the way we order and process the welter of information that comes through our senses. This sensory ordering process is a system too complicated to be understood in detail, but in general terms it is "the conception of the spontaneous formation of an order, the formation of extremely complex structures."

The same notion of spontaneous order appears as a unifying thread in Hayek's economic, political, and legal thought. Looking back at economics in his Nobel Prize speech (1974), from the perspective of 75 years, Hayek discerned the origins of the tragic series of depressions, monetary destabilizations, inflations, and stagnations in the primitive belief of the need for governmental planning, the non-spontaneous dis-ordering of the natural market forces of individual choices. In this speech his first citation is significantly to his 1942 essay "Scientism and the Study of Society," (which eventually became one chapter of The Counter-Revolution of Science, 1952) in which he excoriated the "scientistic attitude," which attempted to order and engineer society and economics by erroneously emulating in the social sciences the mechanistic methodology of the physical sciences.

Hayek's unsuccessful attempts to overcome the Keynesian irrationalism in economic policy during the 1930s led him during the early 1940s to add to his economic analysis an integrated political theory that echoed spontaneous order. Such works as The Road to Serfdom (1944), The Constitution of Liberty (1960), the trilogy Law, Legislation and Liberty (1973, 1976, 1979), and the forthcoming The Fatal Conceit (1983) stressed the continuity between economic and political liberty and warned of the "fatal conceit" of scientific non-spontaneous attitudes in the rise of "constructivism," the attempt to politically construct a social, economic order. A strong antidote against succumbing to the political and economic variants of non-spontaneous planning or constructivism was a deep knowledge of political and especially economic history (see "History and Politics" in Capitalism and the Historians, 1954). Likewise in legal theory dealing with the 'rule of law,' echoing the insights of Bruno Leoni's Freedom and the Law (1961), Hayek would distinguish between irrational constructivism of legislation as opposed to the naturally evolved code of customs embodied in humane values and laws (see The Political Idea of the Rule of Law, 1955, and the trilogy Law, Legislation and Liberty). Hayek's 1960 monumental Constitution of Liberty would weave together the legal, historical, political, and economic dimensions of the freedoms implied in a spontaneous-order social science methodology.

Our readers' attention is called to a new, lively department in Literature of Liberty, our Readers' Forum, which will contain both invited and uninvited comments on our bibliographical essays and summaries. This month's Forum, befitting this Hayek issue, focuses on Norman Barry's essay, "The Tradition of Spontaneous Order" [Literature of Liberty 5 (Summer 1982).]

This issue of our journal, by reason of John Gray's lengthy essay on Hayek and the comprehensive Hayek bibliography will not contain our usual summary department. This department will return in the next issue of Literature of Liberty. We encourage our readers to send in their comments on our recent essays and features. 1983 inaugurates our sixth year of publication and promises new and exciting additions to the usual departments in Literature of Liberty.
ORDER DEFINED IN THE PROCESS OF ITS EMERGENCE*


Norman Barry states, at one point in his essay, that the patterns of spontaneous order "appear to be a product of some omniscient designing mind" (p. 8). Almost everyone who has tried to explain the central principle of elementary economics has, at one time or another, made some similar statement. In making such statements, however, even the proponents-advocates of spontaneous order may have, inadvertently, "given the game away," and, at the same time, made their didactic task more difficult.

I want to argue that the "order" of the market emerges only from the process of voluntary exchange among the participating individuals. The "order" is, itself, defined as the outcome of the process that generates it. The "it," the allocation-distribution result, does not, and cannot, exist independently of the trading process. Absent this process, there is and can be no "order."

What, then, does Barry mean (and others who make similar statements), when the order generated by market interaction is made comparable to that order which might emerge from an omniscient, designing single mind? If pushed on this question, economists would say that if the designer could somehow know the utility functions of all participants, along with the constraints, such a mind could, by fiat, duplicate precisely the results that would emerge from the process of market adjustment. By implication, individuals are presumed to carry around with them fully-determined utility functions, and, in the market, they act always to maximize utilities subject to the constraints they confront. As I have noted elsewhere, however, in this presumed setting, there is no genuine choice behavior on the part of anyone. In this model of market process, the relative efficiency of institutional arrangements allowing for spontaneous adjustment stems solely from the informational aspects.

This emphasis is misleading. Individuals do not act so as to maximize utilities described in independently-existing functions. They confront genuine choices, and the sequence of decisions taken may be conceptualized, ex post (after the choices), in terms of "as if" functions that are maximized. But these "as if" functions are, themselves, generated in the choosing process, not separately from such process. If viewed in this perspective, there is no means by which even the most idealized omniscient designer could duplicate the results of voluntary interchange. The potential participants do not know until they enter the process what their own choices will be. From this it follows that it is logically impossible for an omniscient designer to know, unless, of course, we are to preclude individual freedom of will.

The point I seek to make in this note is at the same time simple and subtle. It reduces to the distinction between end-state and process criteria, between consequentialist and nonconsequentialist, teleological and deontological principles. Although they may not agree with my argument, philosophers should recognize and understand the distinction more readily than economists. In economics, even among many of those who remain strong advocates of market and market-like organization, the "efficiency" that such market arrangements produce is independently conceptualized. Market arrangements then become "means," which may or may not be relatively best. Until and unless this teleological element is fully exorcised from basic economic theory, economists are likely to remain confused and their discourse confusing.

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SPONTANEOUS ORDERS: DETERMINISTIC OR NONDETERMINISTIC?

If there is nothing unforeseen, no invention or creation in the universe, time is useless... For time is here deprived of efficacy, and if it does nothing, it is nothing.

Henri Bergson

There are two forms of spontaneous order theories which I wish to distinguish in this brief note: those that relate to the origin of an aggregate structure and those that involve the function of the structure. The common element present in all theories of the first type is the claim that some overall social patterns or institutions are caused by a myriad of decentralized actions that do not aim at their establishment. Theories of the second type, however, disregard the origin of the pattern and seek, instead, to explain why it continues in existence. These functional theories reconstitute the structure in terms of the purposes it serves for the individual. Presumably, these will explain why the individual actions that give rise to the aggregate structure will themselves endure and hence why their product endures.

The claim I shall make is simply this: theories of spontaneous order, whether of the first (origin) or second (function) variety, cannot be deterministic if they are to explain economic or social processes over time.

Suppose, for example, we were to adopt the position that the causal link between decentralized actions and social structures or orders is deterministic. Then, on this assumption, certain initial conditions (actions 1...n) in conjunction with a theoretical law would yield with logical necessity the structure we want to explain. This rigid link between initial conditions and result is radical mechanism. Such explanations cannot tell the story of how orders can arise in the course of time. Instead, they can only provide a logical or static recomposition of an already-arisen order. For if the connection between cause and effect is deterministic then time literally adds nothing. Thus the aggregate structure should have already existed from day one but it did not. By the principle of causality, then, time must add something. This something is the future decisions and choices of the many acting individuals. Since these decisions cannot be predicted by those who will make them, we cannot model the individuals as foreseeing the emergent order. Hence genuine uncertainty or "surprise" must be part of any methodological individualistic story of the origin of social institutions.

Spontaneous order theories of the functionalist variety sometimes claim that the function which an institution serves provides a logically sufficient explanation of why it continues to exist. This claim is just the inversion of radical mechanism or, simply, radical finalism. Instead of temporally antecedent events rigidly determining current institutions, we postulate that future functions determine (or explain) them. Since individuals act on the basis of their anticipations, it is only the future (anticipated) functions of institutions that could possibly be relevant. Such functionalist theories cannot, however, be evolutionary in the true sense. This is because the complete set of sufficient conditions that maintain an order are created in the evolutionary process itself. Time must add something. In this case, what it adds is a change in individual knowledge and the anticipation of a possibly better way of achieving one's purposes. Thus, "order is defined in the process of its emergence." In retrospect, when the complete set of causes is known (at least in principle) we might find it useful to construct a model of evolutionary process as aiming at some determinate function. Nevertheless, this model is only a heuristic delusion and may well lead us
astray if we are not extremely careful. Ex ante, (in advance) any truly evolutionary process is itself a part of the ultimate outcome.

The general conclusion that can be drawn from these arguments is that theories of spontaneous order (and, a fortiori, of equilibrium) must be pattern explanations. The conjunction of statements about initial actions and a law explains the overall pattern or class of existing insitutions rather than any specific institution. Similarly, functional theories can rationalize the class of possible structures that will serve a particular function rather than 'postdict' the optimal structure. As John von Neumann and Oskar Morgenstern have said, "...[T]he complete answer to any specific problem consists not in finding a solution, but in determining the set of all solutions."**

Notes

This note was stimulated by Norman Barry’s thought-provoking article, “The Tradition of Spontaneous Order,” Literature of Liberty, 5 (Summer, 1982): 7-58. I am indebted to the Scaife and Earhart Foundations for support of my research and to Mr. Bruce Majors (Graduate Department of Philosophy, Catholic University of America) for able research assistance. Elaboration of some of the themes in this note will appear in G. P. O’Driscoll, Jr. and M. J. Rizzo, The Economics of Time and Ignorance (Oxford: Basil Blackwell, forthcoming in 1983).

6. Here the evolutionary theory is used to explain the maintenance rather than the origin of an order. Thus, an evolutionary principle like “survival of the fittest” presumably can explain the maintenance of certain eating customs.

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“SPONTANEOUS ORDER”—
A COMPLEX IDEA

Norman Barry’s richly erudite essay on the “tradition of spontaneous order” could, I believe, have provided even more valuable historical insight with the help of a simple yet highly significant distinction (somehow not articulated in the essay.) Barry sees the idea of spontaneous order as consisting in the view “that most of those things of general benefit in a social system are the product of spontaneous forces that are beyond the direct control of man.” What is not made clear in Barry’s paper, however, is the circumstance that this idea is itself made up of two quite distinct and separate ideas—each of which is, in a way, entitled to its own (admittedly not entirely separate) history.

Consider the position of critics of the idea of spontaneous order. Such critics may deny the validity of the idea on either (or both) of two quite distinct sets of grounds. (So that the affirmation of the idea of spontaneous order presumes the refutation of both grounds.) First, critics may argue that, in the absence of the “direct control of man,” social phenomena emerge in entirely haphazard, unsystematic fashion. For example, it may be held that the results produced by a free market exhibit no orderliness whatsoever, benign or otherwise. Second, it may be argued that, although analysis of decentralized, non-
controlled, freely interacting systems may indeed demonstrate the spontaneous emergence of regularities, these regularities must, nonetheless, be judged as carrying implications for society that are the opposite of benign. Conversely, therefore, to uphold the idea of spontaneous order means to uphold two ideas: (1) the idea that permitting spontaneous social forces to work themselves out results in systematic, rather than in random or chaotic results; (2) the idea that the normative character of these systematic results can hardly be judged as other than socially beneficial. Clearly this second idea could have little scope without acknowledgement of the first. But, on the other hand, acceptance of the first idea carries with it, of itself, no commitment to the second.

Ludwig von Mises, in fact, saw the great contribution of the classical economists in a manner not depending on the second idea at all. This contribution consisted, Mises wrote, in the demonstration that “there prevails” in the course of social events, “a regularity of phenomena to which man must adjust his actions if he wishes to succeed.” (Human Action, 1949, p. 2). What separated the great classical economists from their predecessors was that the latter (because they “were fully convinced that there was in the course of social events no such regularity and invariance of phenomena as had already been found in the operation of human reasoning and in the sequence of natural phenomena”) believed “that man could organize society as he wished.” This discovery of the inherent regularities that emerge spontaneously from free society interaction represented the major scientific breakthrough in the history of social understanding. To be sure many of the exponents of this discovery recognized, in addition, the benign character of these regularities. But many (one thinks perhaps of Marx, Pigou, Keynes) have questioned the social desirability of at least some aspects of these accepted regularities. Thus the ranks of those skeptical of the idea of spontaneous economic order have been swelled, in the past, not only by historicist or institutionalist critics of the possibility of economic theory as such, but also by economic theorists who have claimed, correctly or otherwise, to perceive theory as showing the systematic emergence of social immoralities or social inefficiencies.

In tracing the history of the idea of spontaneous order, therefore, it would appear of value to trace through the development of each of these two separable components of the complex idea of spontaneous order. Precisely because the separate components have often appeared together in integrated form, it would be useful to trace the separable traditions from which they have emerged over the centuries.

It will be noticed that Barry does take pains (pp. 11-12) to distinguish two distinct senses of “spontaneous order.” One refers to “a complex aggregate structure which is formed out of the uncoerced action of individuals.” The second refers to “the evolutionary growth of laws and customs through a...‘survival of the fittest’ process” (with this second kind of undesigned process quite possibly producing dead-ends the escape from which might be held to call for massive centralized control.) Barry’s distinction certainly presupposes the possibility, at least, of articulating the distinction offered in this note. Our argument here, however, is that Barry’s superb historical survey could have offered an even richer yield if it were presented with explicit attention to the historical antecedents of this latter distinction itself.

Israel M. Kirzner
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ON "THE TRADITION OF SPONTANEOUS ORDER"

Norman Barry (Literature of Liberty 5, Summer 1982) has hinted at a crucial problem in Hayek's evolutionary theory of spontaneous orders. Hayek claims that "all progress must be based on tradition," but, Barry points out, this would seem to lead to a conclusion uncomfortable for libertarian ideology:

The difficulty with Hayek's analysis is that social evolution does not necessarily culminate in the classical liberalism that he so clearly favors: there are many non-liberal institutions which have indeed survived... Yet if we are intellectually tied to tradition, and if our 'reason' is too fragile an instrument to recommend satisfactory alternatives, how are we to evaluate critically that statist and anti-individualist order of society which seems to have as much claim to be a product of evolution as any other structure? (p. 46)

How indeed?
The difficulty with the way Barry puts the question is that it seems to misconstrue the purpose of theories of social evolution. Even if we agree with Hayek that cultures evolve as the unintended and largely unconscious consequences of human action, that carries with it no necessary implication about how one should morally evaluate a society or a social practice. A scientific theory about how societies do in fact evolve cannot be taken as a basis for ethical judgment without some very carefully thought-out intervening steps. Furthermore, to say that "all progress must be based on tradition" is not also to say that we cannot imagine or work toward whatever idea of progress we adopt. Indeed, it may only be possible to effect social change by starting from a firm basis in tradition, but that says nothing about the moral worth of tradition from which we start.

The hidden premise in Hayek's work, and the source of Barry's criticism, is the idea that evolution somehow must progress toward "the good." Yet if evolution is a process in which the fittest survive, what are we to make of the fact that some very unpleasant societies have survived? Hayek's way out of that trap is to implicitly limit evolution toward "the good" to that which evolves spontaneously as humans search to discover rules of just behavior rather than to design them, while bad change is the product of "constructivist rationalism." Thus Hayek gives us a way of judging different societies, but he does not give us a scientific explanation of why spontaneous orders often seem to lose out in the evolutionary struggle to more constructed societies. To reply, as some of my colleagues do, that constructivist change can only win via use of force really begs the question. Force is as much a means to achieve ends at the disposal of human beings as is persuasion and exchange. A theory of cultural evolution must be able to explain the change that has in fact occurred apart from any judgments about good or bad change. Hence the question remains: why do some cultures thrive and prosper while others wither and die? Even more to the point, is there a natural selection process at work for human culture analogous to the natural selection process hypothesized for the biological world?

Hayek does want to incorporate a theory of natural selection into his evolutionary theory. For Hayek, cultures are successful because they evolve in a way that economizes on the amount of articulated knowledge necessary for an individual to function in that society. Those cultures survive which incorporate in their customs and rules of behavior practices which unbeknownst to individuals in that culture are important to their survival. While that seems a useful starting place for a theory of natural selection among cultures, we still have no theory about how cultural practices arise, and what kinds are "naturally selected." Answers to both questions are crucial to the development of a full theory of
cultural evolution. They are also crucial if we want to have any chance of changing the less than satisfactory society in which we live today.

This is not the place to attempt to develop a theory of natural selection in cultural evolution. Instead I would like to raise some questions that such a theory would have to address to be complete.

First of all, how do cultural practices and institutions originate? While we can agree with Hayek that spontaneous orders arise from the unintended consequences of human action, one imagines that the originating actions must have been intentional in some sense. Humans act because they believe their actions have consequences. What is the relationship between intended outcomes and unintended consequences? To what extent are the expected results of various actions realized, and what differentiates intentional acts that fulfill expectations from those that do not? Are there no institutions that are the product of conscious design? In other words, what is the role of human intentions in the establishment of rules, customs, institutions, and political organizations?

Second, and equally important, if there is a natural selection process in cultural evolution, what is it that gets selected? In biological evolution, success is defined as survival of a trait in the gene pool or survival of a particular species. By what criterion are successful cultures selected? Some might argue that success of a culture is demonstrated by numbers of individuals surviving in a society—a population count. But then, what demographic characteristics describe a “larger” population? Would a population with a large number of births and high infant mortality be considered more successful than one with fewer births and more children surviving to adulthood? Both kinds of societies exist today. Which is more successful? Or would a large, relatively young population with a short life span for any one individual be considered more successful than a smaller population where individuals live longer productive lives?

Consider another possible criterion for describing a successful society: the ability of a society to command resources. This seems to be the implicit criterion used by economists when they speak of successful societies. If this is truly what “nature” selects for among cultures, than small wealthy cultures should always be observed to win out over potentially larger but poorer cultures. But then why do poor cultures coexist with wealthy ones, and why do poorer cultures sometimes survive (and even defeat) very wealthy ones? Success at commanding material resources might be a viable criterion to use as a basis for a theory of natural selection, but if so, the full implications of the theory have yet to be worked out.

Part of the problem with both these suggested criteria of natural selection is that the level of analysis is wrong. We fall into the habit of thinking of societies and political units rising and falling, winning and losing, when it would be a great deal more fruitful to think of specific ideas or specific practices as the substance of cultures and cultural change. In other words, a good theory, I believe, would disaggregate the societies into the various ideas and practices of which they are composed and view the ideas and practices as the units that “nature” selects. This is not inconsistent with Hayek’s work; he refers to human imitation as the transmission mechanism for cultural evolution in the same sense that genes are the transmission mechanism for biological evolution. What humans imitate are ideas and actions, and in so far as specific actions can be explained as ideas put into practice, it is ideas that arise, get imitated, and either survive in the ‘idea pool’ or get discarded.

If we are willing to think of ideas as the units of cultural evolution, a whole host of interesting possibilities present themselves.

For instance, how do new ideas and combinations of ideas arise, and why do some ideas appeal to individuals enough to be “imitated” or believed while others
do not? Are there different criteria that individuals apply for selecting among ideas? If we start from the premise that individuals choose (in some sense) the ideas they believe, one can then take the next step of assuming they choose ideas to fulfill purposes. But what criteria do individuals apply to choose among competing ideas? The criteria may vary depending on the nature of the idea. For example, technical ideas that explain how to do something to achieve a specific end are “selected” if they actually work. They are subject to a reality test that allows people to weed out useless ideas rather quickly, and hence one would expect to observe progress in technical knowledge. Moral ideas have a less obvious purpose and a very nebulous reality test; there is no easy way to discover whether they “work” or not. Hence, progress in moral knowledge might be as difficult to define as it is to observe. In either case, however, the “natural selection” process is a process of human selection among humanly inspired ideas. And the survival of the fittest becomes a survival of ideas that human beings believe are the fittest for their purposes.

On a more aggregated level, groups of individuals or societies have as a unifying force a common set of ideas, an ideology, that is a composite of many smaller sets of ideas that may or may not be consistent with each other. Survival of the group may depend on adherence to some of those ideas but not others, but since they are all accepted by the group as a bundle, there may be no way that individuals can determine which are crucial; the valuable traditions are bundled with the irrelevant. This is consistent with Hayek’s view of the value of tradition. By developing a theory of cultural evolution based on the idea as the cultural analogue of the gene in biology, however, we might be able to develop a theory to help us “unbundle” the ideas inherent in a tradition in a way that will make progress toward the libertarian ideal possible.

A theory of spontaneous order is a first step, but only a first step, to understanding the process of cultural change.

Karen I. Vaughn
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COMMENT ON “THE TRADITION OF SPONTANEOUS ORDER”

Norman Barry’s essay is extremely valuable in at least three respects:

(1) it describes the evolution of thought about spontaneous orders;

(2) it contrasts various versions of rationalist and anti-rationalist libertarianism; and

(3) it subjects Hayek’s theory to a number of revealing checks for consistency.

In my comments, I shall focus on the second and third of these aspects. In particular, I shall criticize and supplement the answers Barry gives to the following two questions: What is the role of reason in Hayek’s theory of the evolution of legal order? And: What is Hayek’s normative criterion in evaluating a legal order?

According to Barry, Hayek’s “extreme anti-rationalism” (p. 46) “is so distrustful of reason that it instructs us to submit blindly to a flow of events over which we can have little control” (p. 52). It is easy to find passages in Hayek’s writings, especially in his later ones, which, taken by themselves, seem to support this interpretation. However, they have to be seen in the context. Remember, for example, what Hayek wrote, after his devastating attack on rationalist constructivism, in The Constitution of Liberty:

The reader will probably wonder by now what role there remains to be played by reason in the ordering of social affairs... We have certainly not meant to im-
ply... that reason has no important positive task. Reason undoubtedly is man's most precious possession. Our argument is intended to show merely that it is not all powerful... What we have attempted is a defense of reason against its abuse by those who do not understand the conditions of its effective functioning and continuous growth... What we must learn to understand is... that all our efforts to improve things must operate within a working whole which we cannot entirely control... None of these conclusions are arguments against the use of reason, but only arguments against such uses as require any exclusive and coercive powers of government. (pp. 69-70)

Hayek is not generally distrustful of reason but he is not explicit about the positive role which reason can play in the evolution and improvement of the legal order. We are mainly told what reason cannot do and must not try to do, and that reason is not a sufficient or necessary condition for progress to occur. But Hayek does not deny that reason affects the evolution of social orders:

Our issue may now be pointed by asking whether... human civilization is the product of human reason, or whether... we should regard human reason as the product of civilization... Nobody will deny that the two phenomena constantly interact. ("Kinds of Rationalism," in: Studies in Philosophy, Politics and Economics, p. 186)

After all, human reasoning is nothing but the application of learnt rules to new circumstances and in new combinations.

For Hayek, the distinguishing characteristic of a spontaneous order is not that each or most of its rules have never deliberately been adopted but that it is the result of a gradual and decentralized evolution:

While the rules on which a spontaneous order rests may also be of spontaneous origin, this need not always be the case... It is possible that an order which would still have to be described as spontaneous rests on rules which are entirely the result of deliberate design. (Law, Legislation and Liberty, Vol. 1, pp.45-46)

Even more, Hayek calls for deliberate attempts to improve our rules of just conduct:

Their gradual perfection will require the deliberate efforts of judges (or others learned in the law) who will improve the existing system by laying down new rules. Indeed, law as we know it could never have fully developed without such efforts of judges, or even the occasional intervention of a legislator to extricate it from the dead ends into which the gradual evolution may lead it, or to deal with altogether new problems. (Law, Legislation and Liberty, Vol. 1, p. 100)

Hayek certainly does not "instruct us to submit blindly to (the) flow of events" as Barry suggests. But the reason for Barry's misunderstanding is a general difficulty in interpreting Hayek: he is not careful to qualify his statements in the immediate context. Hayek is a writer on the offensive who rarely guards against misunderstanding and potential charges of inconsistency. He trusts that the reader will give him the benefit of the doubt and interpret separate statements of his as mutual qualifications rather than as contradictions.

Barry raises the important question whether the same process of spontaneous evolution can be thought to apply to economic processes under a system of legal rules and to the development of the legal rules themselves. I would answer that individual behavior and customary or contractual arrangements in production and exchange can be viewed as a private decentralized affair; however, an enforceable legal order is a collective or public good. Since Hayek tends to neglect this distinction, it seems reasonable to assume that he envisages the same type of evolutionary process for both economic practices and legal rules: a process that is driven by the interaction of human reason and random events.
and guided by imitation and procreation of the successful. Human reason proposes, the survival test disposes. Since legal rules cannot be tried by an individual on his own, they must at first be tested in voluntary small-group experiments:

Voluntary rules . . . allow for gradual and experimental change. The existence of individuals and groups simultaneously observing partially different rules provides the opportunity for the selection of the more effective ones. (The Constitution of Liberty, p. 63)

What we wish to stress . . . is . . . the importance of the existence of numerous voluntary associations, not only for the particular purposes of those who share some common interest, but even for public purposes in the true sense. (Law, Legislation and Liberty, Vol. 2, p. 151)

We therefore arrive at an implicitly contractarian explanation of the legal order¹: not constructivist or holistic contractarianism à la Rousseau but evolutionary or piecemeal contractarianism.

In contrast, Hayek’s ultimate normative criterion for evaluating a legal order is not contractarian (this distinguishes him from James M. Buchanan, for example). Nor is it true that Hayek regards the results of evolutionary, undesigned processes as necessarily good (as Barry seems to believe; pp. 12, 45-46). For Hayek, evolutionary and decentralized procedure is expressly not a sufficient but “merely” one necessary condition of progress (Law, Legislation and Liberty, Vol. 3, p. 168). Another necessary condition is that the chances of anyone selected at random are maximized:

Since rules of just conduct can affect only the chances of success of the efforts of men, the aim in altering or developing them should be to improve as much as possible the chances of anyone selected at random. (Law, Legislation and Liberty, Vol. 2, pp. 129-30)

Indeed, this maximization criterion seems to be a logically sufficient normative criterion which delegates the evolutionary (as well as any contractarian) principle to the status of auxiliary test, an operational indicator.

Hayek’s maximization criterion is a probabilistic version of rule utilitarianism. It allows for the existence of risk (as did Bentham) and the need for rules (as did John Stuart Mill). Curiously enough, Hayek rejects utilitarianism at large in his more recent writings. In the mid-sixties, he had still called David Hume’s moral philosophy a “legitimate form” of utilitarianism (“Kinds of Rationalism” in Studies in Philosophy, p. 88). Like any brand of consequentialist ethics, probabilistic rule utilitarianism requires the use of human reason—even if it is of the non-constructivist type.

Notes


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NORMAN BARRY: THE TRADITION OF SPONTANEOUS ORDER

Norman Barry’s bibliographical essay, ‘The Tradition of Spontaneous Order’ was both erudite and stimulating, and it will be an important source for all who work in this area in the future. In reading it, however, I was struck by certain obvious (but inevitable) gaps—most notable among which were Burke, and Savigny and the German historical school. It also
provoked a few reactions, some of which I describe, briefly, below.

1. Interventionism and the Breakdown of Spontaneous Order in Smith and in Hayek

1.1 Smith, Virtue and Commercial Society

Barry quoted Adam Smith on the ‘fatal dissolution that awaits every state and constitution whatever,’ but he made no more of it than to say that ‘the explanation of spontaneous order in the non-economic sphere may slip unintentionally into a kind of determinism.’ But the ‘fatal dissolution’ theme in fact goes with the concern about the ‘inadequacies’ of a commercial system, and the misgivings about its impact on civic virtue, that Barry discusses in connection with both Ferguson and Smith. It is all, I think, most plausibly understood as the tail-end of the ‘civic humanist’ tradition, stemming from the works of Polybius and Machiavelli, and then influential in the work of many other figures in the history of political thought.

The civic humanist tradition included the theme of the cyclical development of constitutional orders, and of each ‘good’ constitutional form in time becoming corrupt, and declining into its corresponding ‘bad’ form; but where there is a possibility that this corruption, and thus the decline, might be halted through the actions of a ‘statesman.’ This theme, it seems to me, is both echoed and transformed not only in Smith and Ferguson’s depictions of the disadvantages of commercial society, but also in the interventionism that Smith produces in response, much of which may, I think, be seen as an attempt to safeguard virtue in the face of the corrupting influences of commercial society.

1.2 Hayek and the Self-Destruction of a Free Society

Barry rightly emphasizes Hayek’s concern about the breakdown of a cosmos under the impact of interventionism. What is not, perhaps, adequately stressed is the way in which a free socie-
compass of Hayek’s work, and I think that it is a more general problem for libertarianism, too.

2. Methodology vs. Political Economy in Hayek

In his discussion on Hayek on ‘The Free Exchange System,’ Barry mentions the way in which “in the work of G.L.S. Shackle and Ludwig Lachmann... the spontaneous emergence of order may only be a chance phenomenon;” and he suggests that “In Hayek’s early work on the theory of market process... The assumption was that a catalaaxy was leading towards equilibrium rather than being moved away by endogenous factors.”

These ideas are crucial to Hayek’s work—for just consider to what extent, in his political writings, he rests his case on claims about what the market order will deliver. Barry tells us that “there are certain identifiable causal factors at work which bring about this equilibrating tendency, namely competition and entrepreneurship.” But do they actually do the trick, and can one show that a market order will do what Hayek requires of it on the basis of his views about the methodological foundations of economics? This seems to me very much an open question, and one that it is a matter of some urgency for the friends of liberty to answer.

3. Menger vs. Hayek on Spontaneous Order

Barry has, importantly, drawn attention to Menger as a theorist of spontaneous order (as well as of methodology and economics), and he has also pointed to the distinctive character of Menger’s views here. Menger, one might say, stands between Savigny and the radical individualist. He appreciates the historical school’s emphasis on the undesigned character of law, but he thinks little of their theoretical explanations of it, and, while dismissing the ‘pragmatism’ of the radical individualists, he demands that our heritage from the past be submitted to critical scrutiny.

In describing these views, Barry takes pains to contrast them with those of Hayek. But is this correct? For while, certainly, in some of Hayek’s writings he seems to speak as if the deliverances of various ‘evolutionary’ processes should simply be uncritically accepted, this can be matched by passages in which he demands that inherited legal institutions should be rationally appraised to see if they do, indeed, comply with the requirements of a (classical) liberal order. As these latter ideas are found notably in some of Hayek’s earlier writings, it might be tempting to suggest that there is a development in Hayek’s views here. But the two themes occur sufficiently often in writings of the same period, or even in the same works, for it to be unavoidable, I think, for us to admit that Hayek emphasizes both rational criticism and evolutionary themes at once. And his plans for radical constitutional reform—emphasized in some of his most recent writings—rule out the possibility that, in his later work, reason becomes collapsed into ‘evolutionary’ social developments.

It would seem to me, rather, that we must accept that both of these themes are there (at least in parallel—as was also the case in Menger), and I would suggest that, despite their differences on many other points, our best hope of an overall interpretation might be to follow up Hayek’s references to Popper’s critical rationalism, which does offer us a promise that traditionalism and the demand for rational critical scrutiny may be combined.

Notes
1. Barry, p. 28, citing Smith’s Lectures on Jurisprudence; note that this theme of the decline of all constitutions is found also in the work of Hutcheson.
2. Cp., on all this, J.G.A. Pocock, The Machiavellian Moment, and, for some discussion of its relation to Smith, D. Winch, Adam Smith’s Politics.
3. See, on this, Jacob Viner’s classic ‘Adam Smith and Laissez-Faire,’ and, for some brief discussion of the interpretation hinted at in this section, my pamphlet, Adam Smith’s Second Thoughts, Adam Smith Club, London, 1982.
5. See Hayek, 'Individualism True and False,' in Individualism and Economic Order, p. 32.
8. See, for further references and discussion, and a fuller defence of the views advanced in this section, my 'The Austrian Connection: Carl Menger and the Thought of F.A. von Hayek,' in B. Smith and W. Grasal (eds) Austrian Philosophy and Austrian Politics, Philosophy Verlag, Munich, forthcoming.
9. In which respect he is very close to Hayek's dismissal of 'false' individualism.
10. Compare here, however, the contrasting claim made in E.F. Miller's most interesting 'The Cognitive Basis of Hayek's Political Thought,' in R.L. Cunningham (ed.) Liberty and the Rule of Law.
11. Note the way in which the ideas in the text of the Untersuchungen and in Appendix VII are, at least prima facie, in contrast with one another.
12. In this connection, one should look at Popper's 'Towards a Rational Theory of Tradition' in his Conjectures and Refutations, and its parallels with his ideas about 'background knowledge,' and the priority of 'dogmatism' over 'criticism' from a genetic point of view, as brought out in Popper's autobiography Unended Quest, rather than the more radical Open Society.

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COMMENTS ON "THE TRADITION OF SPONTANEOUS ORDER"

Norman Barry's article "The Tradition of Spontaneous Order" (Literature of Liberty, Summer, 1982) seems to me a most perceptive analysis: it is easily the best survey of its topic which has appeared.

There are, however, one or two points at which I should be inclined to portray matters differently from Barry. Before presenting these, however, I should emphasize that these do not detract from my admiration of Barry's essay.

First, if a spontaneous order is defined as one that is not planned by a single mind but, rather one that emerges from the coordinated actions of the actors in a social system, it is not evident why only individuals can form such an order. Suppose, contrary to methodological individualism, that there are emergent laws for societies composed of more than a few individuals, which cannot in principle be reduced to the actions (planned or unplanned) of the individuals who compose that society. Why would the existence of such laws preclude the existence of spontaneous orders derived from individual actions in just the manner Barry sets out? I am not sure whether my last remark involves any different opinion with Barry. He says, "It is a major contention of the theory of spontaneous order that the aggregate structure it investigates are the outcomes of the actions of individuals," (pp. 8-9). This does not claim that the spontaneous order tradition rejects all social laws not conforming to the requirements of methodological individualism: it is only that spontaneous orders must be reducible to individuals' actions. Without criticizing methodological individualism, I would question whether the truth of spontaneous order theories rests on the truth of that methodology.

Another point, raised by Barry's excellent discussion of Carl Menger, is whether the results which have arisen from a spontaneous order can also come about as the result of consciously planned action. Menger, whose explanation of the origin of money is a paradigm case of spontaneous order held, according to Barry, that money need not arise by the spontaneous process he described: "Against the rationalist explanation [that money arose by specific agreement] Menger argues that, although money can and has come about in this way, the institution can be accounted for by natural processes." (p. 32) There is an interesting contrast here with Ludwig von Mises who in The Theory of Money and Credit and Human Action maintains that
money must arise by a spontaneous process. Also, Hayek wants to say not only that production can be coordinated spontaneously by the market but that a centrally directed economy is incapable of such coordination.

The question then arises, does one want to make it a requirement of a spontaneous order theory that the order which has arisen spontaneously could not have done so otherwise? If one does, in what sense of “could not”? Must it be logically impossible? And, if one does not impose such a requirement, must one at least hold that a particular result is much more likely to have emerged spontaneously than otherwise?

Raising this question involves no dissent from Barry’s analysis. But at one point he does seem to me to be in error. He distinguishes two sorts of explanations of social structure that involve no reference to conscious design. “One version shows how institutions and practices can emerge in a casual-genetic manner while the other shows how they in fact survive.” (p. 11) As an example of what he has in mind, Barry contrasts a market system, governed by the price mechanism, with the evolution of a legal system, in which “it is not obviously the case that there is an equivalent mechanism to produce that legal and political order which is required for the co-ordination of individual order.” (p. 11)

I fail to see why Barry thinks that evolutionary model doesn’t provide a mechanism for the emergence of spontaneous order. In the example of the evolution of legal systems, the argument is that societies with legal systems which succeed in coordinating individual actions will, other things being equal, have a greater chance at survival than societies without such systems. Granted that some societies have better coordinated legal systems than others at the start; differential survival explains why the systems present in these societies will spread.

The mechanism here seems quite analogous to the price system, in which firms which fail to produce what the consumers demand (or at least do so to a lesser extent than others) tend to fall by the wayside. The emergence of a market order where one does not exist, is also a process that takes time.

Perhaps Barry’s argument, though, is that for the case of the legal system, one hasn’t been given explanation of the way in which the legal system that eventually triumphs has arisen. (Just as in biological evolution the mechanism of natural selection doesn’t explain the emergence of genetic variance.) This is perfectly true, but, once more, how is this case different for the price system. The process of market coordination does not explain the original pricing and output decisions of the firms in an economy. It explains, rather, why firms which have made the “right” decisions supplant those which have not.

Barry is of course right that the legal system that emerges through “survival of the fittest” may not be conducive to classical liberalism (or at least one needs some argument to show that there must be such a correspondence. One possibility is that since market economies tend to survive better than non-market societies, which cannot coordinate the knowledge in society, a legal system conducive to market order will have a significant evolutionary advantage.) But this does not show that there isn’t a mechanism for the emergence of a legal order (I’m not clear whether Barry intends to deny this in his discussion on pp. 11-12).

Finally, Barry successfully avoids a frequent error about the relation of spontaneous orders to ethics. He says, “There is, of course, implicit in all the writers in this tradition the notion of an ethical payoff: that is, we are likely to enjoy beneficial consequences by cultivating spontaneous mechanisms and by treating the claims of an unaided reason with some skepticism.” (p. 11) The argument, in other words, is that spontaneous orders lead to better results: it isn’t that a spontaneous order is, as such, ethically superior to planned order.

This may seem obvious, yet I have
heard it argued that if the minimal state of Robert Nozick's *Anarchy, State, and Utopia* arose through a non-spontaneous process (e.g. people agreeing to cut down an existing state) its moral validity would be placed in question. It isn't at any rate obvious why a conscious agreement is morally inferior to a spontaneous order. It might be said that with a spontaneous order, at least one knows that the actions of the constituent individuals haven't been coerced. But this is wrong: why can't coerced actions be the subject of invisible-hand explanations? And agreements, on the other side, can be entirely voluntary. Barry evidently disagrees with the first part of this, as he apparently (p. 11) makes it a requirement of a spontaneous order that it operate on uncoerced actions. But he gives no reason for this.

In conclusion, Professor Barry is to be congratulated for his outstanding article. To readers of his previous works, the excellence of the present essay will come as no surprise.

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Bibliographical Essay

F. A. Hayek and the Rebirth of Classical Liberalism

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Introduction: The Revival of Interest in Hayek—A Unified Research Program in Hayek’s Writings?

In the recent revival of public and scholarly interest in the values of limited government and the market order, no one has been more centrally significant than Friedrich A. Hayek. His works have figured as a constant point of reference in the discussions both of the libertarian and conservative theories of the market economy; they have also provided a focal point of attack for interventionist and collectivist critics of the market. Hayek’s return to such a pivotal position in intellectual life is remarkable when we recall that for several decades his work was subjected to neglect and obscurity. It was not until 1974 at the age of 75 that he was belatedly acknowledged by being awarded the Nobel Memorial Prize in Economic Science. During the three decades after 1945, when certain Keynesian ideas seemed to have been vindicated by the prevailing government policies of economic interventionism, Hayek may have seemed an intransient and isolated figure, whose chief importance was that of an indefatigable critic of the spirit of the age. It was, however, during these very same years, in which he turned from economic theory to political thought, that Hayek made his greatest contributions thus far to the formulation of a public philosophy, including most notably his Constitution of Liberty (1960), surely the most powerful and profound defense of individual freedom in our time. It is
noteworthy that, in the revival of interest in Hayek's work, his contributions to political philosophy have attracted as much interest as have his works in economic theory.

The Unity and Coherence of Hayek’s Writings: Conception of Mind & Unity of Knowledge

In all of this revival of scholarly interest, however, Hayek's work has rarely been viewed as a whole. In fact, it has often been suggested that what we find in his writings is a series of unconnected episodes, in which questions are addressed in a variety of disciplines on a number of disparate historical occasions, rather than a coherent research program implemented over the years. Even Hayek's friends have sometimes discerned important tensions and conflicts in his writings, leading them to argue that his work encompasses methodological and political positions which are in the last resort incompatible. Against this view, to which I once subscribed myself, I want now to submit that Hayek's work does indeed disclose a coherent system of ideas. Hayek's system of ideas may not perhaps be wholly stable, but in this system positions covering a range of academic disciplines are in fact informed and unified by a small number of fundamental philosophical conceptions. Identifying these basic philosophical positions, and showing how they infuse his entire work, is the chief aim of this review of Hayek's work. It will not be my argument that Hayek's system lacks difficulties or internal tensions. I will try, however, to show that his work is given a cohesive and unitary character by the claims in theory of knowledge and in theoretical psychology which inform and govern his contributions to many specific debates.

My strategy in this survey of Hayek's work is to seek the unifying wellspring of his thought in his conception of the mind and in his account of the nature and limits of human knowledge. My argument will be that Hayek's general philosophy—a highly distinctive development of post-Kantian critical philosophy— informs and shapes his contributions to a variety of academic disciplines (jurisprudence and social philosophy as much as economic theory and the history of ideas), and Hayek's philosophy does so in ways that have been persistently neglected or misunderstood. In particular, Hayek's account of the structure of the mind, of the nature and limits of human knowledge, and of the use and abuse of reason in human life pervades his writings down to their last details, and gives to his work over the years
and across many disciplinary boundaries the character of a coherent system. We can see the structure of Hayek's system of ideas and we can realize its capacity to yield an integrated view of man and society only when we have adequately specified its philosophical foundations. It is only once we have grasped these philosophical foundations of his thought, again, that we may fully appreciate his originality as a thinker and the measure of his achievement as a social theorist.

**Overview of Topics Covered in This Essay**

I begin my survey by examining briefly the chief claims Hayek makes in his centrally important but sadly neglected treatise in theoretical psychology, *The Sensory Order* (1952), where he most systematically and explicitly develops his account of the mind and of human knowledge. Having set out the principal features of Hayek's view of the mind and of the forms of human knowledge, I shall try to show how these conceptions inform his account of a spontaneous order in society, and how they condition his distinction between 'economy' and 'catallaxy,' his elaboration of the argument about economic calculation under socialism, and his distinctive position as to the appropriate theory and methods for economics. I proceed then to examine how Hayek applies his general philosophy to the relations of individual liberty with the rule of law. In the course of this survey I will canvass some of the most important criticisms of Hayek's system, concentrating particularly on the claim that his conception of a spontaneous order in society is unclear, and his use of it objectionable. It is often argued that, when taken in conjunction with its twin idea of cultural evolution by the natural selection of rival social practices, the idea of spontaneous social order has a conservative rather than any liberal or libertarian implication, since it appears to entail blind submission to the result of any unplanned social process. Against this criticism, which expresses the common view that Hayek's political thought is an unstable compound of conservative or traditionalist and liberal or libertarian elements, I will argue that the idea of spontaneous social order in Hayek's work is best seen as a value-free explanatory notion and that invoking this idea illuminates rather than undermines the bases for the commitment to liberty.\(^{1a}\)

In developing my argument by way of an examination of the criticisms of a number of writers in opposed intellectual traditions—Michael Oakeshott, James Buchanan, and Irving
Kristol, for example—I will conclude that Hayek’s chief achievement is in his reviving the intellectual tradition of classical liberalism of which varied strands in contemporary conservatism and libertarianism are quarreling offspring. In the course of this survey I will, also, identify three principal achievements of Hayek’s social philosophy: (1) his demonstration of the import for social theory of an erroneous Cartesian theory of the mind and the role of this theory in inspiring modern attempts at the rational design of social life; (2) his theory of the liberal order, which is a synthesis of the theories of justice of Immanuel Kant (1724-1804) and David Hume (1711-1776) with a devastating critique of contemporary conceptions of distributive justice; and (3) his proposal for a resolution of a central difficulty of classical liberal theory in the intriguing ideas of a market in traditions.

The upshot of my assessment of Hayek’s thought will be that, whereas his critics have identified ambiguities, tensions, and unclarities in some of his formulations, the interest and appeal of his system remains unimpeached. Despite (or even because of) its problematic aspects, Hayek’s system of ideas remains a powerful and compelling research program—in my own opinion, the most promising we have at our disposal—for classical liberal social philosophy.

Hayek’s General Philosophy—The Kantian Heritage

The entirety of Hayek’s work—and, above all, his work in epistemology, psychology, ethics, and the theory of law—is informed by a distinctively Kantian approach. In its most fundamental aspect, Hayek’s thought is Kantian in its denial of our capacity to know things as they are or this world as it is. It is in his denial that we can know things as they are, and in his insistence that the order we find in our experiences, including even our sensory experiences, is the product of the creative activity of our minds rather than a reality given to us by the world, that Hayek’s Kantianism consists. It follows from this skeptical Kantian standpoint that the task of philosophy cannot be that of uncovering the necessary characters of things. The keynote of critical philosophy, after all, is the impossibility of our attaining any external or transcendental standpoint on human thought from which we could develop a conception of the world that is wholly uncontaminated by human experiences or interest. We find Kant’s own writings—above all the Critique of Pure Reason (1781)—a case against the possibility of speculative metaphysics which Hayek
himself has always taken to be devastating and conclusive. It is a fundamental conviction of Hayek’s, and one that he has in common with all those who stand in the tradition of post-Kantian critical philosophy, that we cannot so step out of our human point of view as to attain a presuppositionless perspective on the world as a whole and as it is in itself. The traditional aspiration of western philosophy—to develop a speculative metaphysics in terms of which human thought may be justified and reformed—must accordingly be abandoned. The task of philosophy, for Hayek as for Kant, is not the construction of any metaphysical system, but the investigation of the limits of reason. It is a reflexive rather than a constructive inquiry, since all criticism—in ethics as much as in science—must in the end be immanent criticism. In philosophy as in life, Hayek avers, we must take much for granted, or else we will never get started.

Hayek’s uncompromisingly skeptical Kantianism is strongly evidenced in The Sensory Order (see Hayek bibliography, B-10). There Hayek disavows any concern as to “how things really are in the world,” affirming that “...a question like ‘what is X?’ has meaning only within a given order, and...within this limit it must always refer to the relation of one particular event to other events belonging to the same order.”1b Above all, the distinction between appearance and reality, which Hayek sees as best avoided in scientific discourse,2 is not to be identified with the distinction between the mental or sensory order and the physical or material order. The aim of scientific investigation is not, then, for Hayek, the discovery behind the veil of appearance of the natures or essences of things in themselves, for, with Kant and against Aristotelian essentialism, he stigmatizes the notion of essence or absolute reality as useless or harmful in science and in philosophy. The aim of science can only be the development of a system of categories or principles, in the end organized wholly deductively, which is adequate to the experience it seeks to order.3

Hayek as a Skeptical Kantian

Hayek is a Kantian, then, in disavowing in science or in philosophy any Aristotelian method of seeking the essences or natures of things. We cannot know how things are in the world, but only how our mind itself organizes the jumble of its experiences. He is Kantian, again, in repudiating the belief, common to empiricists and positivists such as David Hume and Ernst
Mach, that there is available to us a ground of elementary sensory impressions, untainted by conceptual thought, which can serve as the foundation for the house of human knowledge. Against this empiricist dogma, Hayek is emphatic that everything in the sensory order is abstract, conceptual and theory-laden in character: "It will be the central thesis of the theory to be outlined that it is not merely a part but the whole of sensory qualities which is... an 'interpretation' based on the experience of the individual or the race. The conception of an original pure core of sensation which is merely modified by experience is an entirely unnecessary fiction." Again, he tells us that "the elimination of the hypothetical 'pure' or 'primary' core of sensation, supposed not to be due to earlier experience, but either to involve some direct communication of properties of the external objects, or to constitute irreducible mental atoms or elements, disposes of various philosophical puzzles which arise from the lack of meaning of these hypotheses." The map or model we form of the world, in Hayek's view, is in no important respect grounded in a basis of sheer sense-data, themselves supposed to be incorrigible. Rather, the picture we form of the world emerges straight from our interaction with the world, and it is always abstract in selecting some among the infinite aspects which the world contains, most of which we are bound to pass by as without interest to us.

Three Influences on Hayek's Skeptical Kantianism: Mach, Popper, and Wittgenstein

Hayek's theory of knowledge is Kantian, we have seen, in affirming that the order we find in the world is given to it by the organizing structure of our own mind and in claiming that even sensory experiences are suffused with the ordering concepts of the human mind. His view of the mind, then, is Kantian in that it accords a very great measure of creative power to the mind, which is neither a receptacle for the passive absorption of fugitive sensations, nor yet a mirror in which the world's necessities are reflected.

1. Ernst Mach and Metaphysical Neutrality

There are a number of influences on Hayek, however, which give his Kantianism a profoundly distinctive and original aspect. The first of these influences is the work of Ernst Mach (1838-1916), the positivist philosopher whose ideas dominated much of Austro-German intellectual life in the decades of Hayek's youth. Hayek's
debts to Mach are not so much in the theory of knowledge, as in the attitude both take to certain traditional metaphysical questions. I have observed already that Hayek dissented radically from the Humean and Machian belief that human knowledge could be reconstructed on the basis of elementary sensory impressions, and throughout his writings Hayek has always repudiated as incoherent or unworkable the reductionist projects of phenomenalism in the theory of perception and behaviorism in the philosophy of mind. In these areas of philosophy, then, Hayek’s work has been strongly antipathetic to distinctively positivistic ambitions for a unified science. At the same time, while never endorsing the dogma of the Vienna Circle that metaphysical utterances are literally nonsensical, Hayek has often voiced the view that many traditional metaphysical questions express “phantom-problems.”

In both The Sensory Order and later in The Constitution of Liberty, Hayek affirms that the age-old controversy about the freedom of the will embodies such a phantom-problem.6 Hayek’s ‘compatibilist’ standpoint in respect of freedom of the will—his belief that the casual determination of human actions is fully compatible with ascribing responsibility to human agents for what they do—is analogous with his stance on the mind-body question. In both controversies Hayek is concerned to deny any ultimate dualism in metaphysics or ontology, while at the same time insisting that a dualism in our practical thought and in scientific method is unavoidable for us. Thus he says of the relations of the mental and the physical domains that “While our theory leads us to deny any ultimate dualism of the forces governing the realms of the mind and that of the physical world respectively, it forces us at the same time to recognize that for practical purposes we shall always have to adopt a dualistic view.”7 And Hayek concludes his study of the foundations of theoretical psychology in The Sensory Order with the claim that “to us mind must remain forever a realm of its own, which we can know only through directly experiencing it, but which we shall never be able to fully explain or to ‘reduce’ to something else.”8

Hayek’s thought has a Machian positivistic aspect, then, not in the theories of mind or perception, but in its attitude to traditional metaphysical questions, which is dissolutionist and deflationary. There is yet another link with positivism. Notwithstanding Hayek’s opposition to any sort of reductionism, whether sensationalist or physicalist, he seems to be a monist in ontology, averring that “mind is thus the order prevailing in a particular part of the physical universe—that part of it which is ourselves.”9 Hayek may seem here to be qualifying or withdraw-
ing from that stance of metaphysical neutrality which in Machian spirit he commends, but this appearance may be delusive. There is much to suggest that, when Hayek denies any ultimate dualism in the nature of things, he is not lapsing into an idiom of essences or natural kinds, but simply observing—much in the fashion of the American pragmatist philosopher, W. V. Quine—that nothing in our experience compels us to adopt ideas of mental or physical substance. Though Hayek has not to my knowledge ever pronounced explicitly on the question, the whole tenor of his thought inclines to a Quinean pragmatist view of ontological commitments. In his skeptical and pragmatist attitude to ultimate questions in metaphysics and ontology, Hayek lines up with many positivists rather than with Kantian critical philosophy—though positivists themselves sometimes claim, with some justification, to be treading a Kantian path.

2. Karl Popper: The Growth of Knowledge

A second influence on Hayek's general philosophy which gives it a distinctive temper is the thought of his friend, Karl Popper (b. 1902). I mean here, not Popper's hypothetico-deductive account of scientific method, which there is evidence that Hayek held prior to his meeting with Popper, nor yet Popper's proposal (which Hayek was soon to accept) that falsifiability rather than verifiability should be adopted as a criterion of demarcation between the scientific and the non-scientific. Again, Hayek has under Popper's influence come to make an important distinction between types of rationalism, such that "critical rationalism" is commended and "constructivistic rationalism" condemned. But this is not what I have in mind. I refer rather to certain striking affinities between Hayek's view of the growth of knowledge and that adumbrated in Popper's later writings on "evolutionary epistemology." As early as the manuscript which later became The Sensory Order (published in 1952, but composed in the twenties), Hayek made it clear that the principles of classification embodied in the nervous system were not for him fixed data; experience constantly forced reclassification on us. In his later writings, Hayek is explicit that the human mind is itself an evolutionary product and that its structure is therefore variable and not constant. The structural principles or fundamental categories which our minds contain ought not, then, to be interpreted in Cartesian fashion as universal and necessary axioms, reflecting the natural necessities of the world, but rather as constituting evolutionary adaptations of the human organism to the world that it inhabits.
The striking similarity between Popper's later views, and those expounded by Hayek in *The Sensory Order*, is shown by Popper's own application of the evolutionist standpoint in epistemology to the theory of perception:

...if we start from a critical commonsense realism...then we shall take man as one of the animals, and human knowledge as essentially almost as fallible as animal knowledge. We shall suppose the animal senses to have evolved from primitive beginnings; and we shall look therefore on our own senses, essentially, as part of a decoding mechanism—a mechanism which decodes, more or less successfully, the encoded information about the world which manages to reach us by sensory means.\(^{13}\)

J.W.N. Watkins' comment on this view is as apposite in the respect of Hayek as it is of Popper:

Kant saw very clearly that the empiricist account of sense experience creates and cannot solve the problem of how the *manifold* and very various data which reach a man's mind from his various senses get unified into a coherent experience.

Kant's solution consisted, essentially, in leaving the old quasi-mechanistic account of sense-organs intact, and endowing the mind with a powerful set of organizing categories—free, universal and necessary—which unify and structure what would otherwise be a mad jumble.

Popper's evolutionist view modifies Kant's view at both ends: interpretative principles lose their fixed and necessary character, and sense organs lose their merely causal and mechanistic character.\(^{14}\)

Hayek's account of sense perception anticipates Popper's later views in a most striking fashion, because in both sensation is conceived as a decoding mechanism, which transmits to us in a highly abstract fashion information about our external environment. Again, both Hayek and Popper share the skeptical Kantian view that the order we find in the world is given to it by the creative activity of our own minds: as Hayek himself puts it uncompromisingly in *The Sensory Order*, "The fact that the world which we know seems wholly an orderly world may thus be merely a result of the method by which we perceive it."\(^{15}\) One difference between Hayek and Popper is in the fact that, at any rate in his published work to date, Hayek has not followed Popper in his ontological speculations about a world of abstract or virtual entities or intelligibles.\(^{16a}\)

3. Wittgenstein & Hayek

A third influence on Hayek's thought which gives his view of knowledge and the mind a very distinctive character is that of his relative, Ludwig Wittgenstein (1899-1951).\(^{16b}\) This influence runs deep, and is seen not only in the style and presentation of *The Sensory Order*, which parallels in an obvious way that of Wittgenstein's *Tractatus*, but in many areas of Hayek's system
of ideas. It is shown, for example, in Hayek’s recurrent interest in the way in which the language in which we speak shapes our thoughts and forms our picture of the world. In fact, Hayek’s interest in language, and in a critique of language, predates Wittgenstein’s work, inasmuch as he had an early preoccupation with the work of Fritz Mauthner, the now almost forgotten philosopher of radical nominalism whom Wittgenstein mentions (somewhat dismissively) in the *Tractatus*.\(^{17}\) There are, however, many evidences that Wittgenstein’s work reinforced Hayek’s conviction that the study of language is a necessary precondition of the study of human thought, and an indispensable prophylactic to the principal disorders of the intellect. Examples which may be adduced are Hayek’s studies of the confusion of language in political thought\(^{18}\) and, most obviously, perhaps, of his emphasis on the role of social rules in the transmission of practical knowledge.

It is on this last point that one of the most distinctive features of Hayek’s Kantianism, its pragmatist aspect, is clearest.\(^{19a}\) Of course there is a recognition in Kant himself that knowledge requires judgment, a special faculty, the *Urteilskraft*, which cannot be given any complete or adequate specification in propositional terms, and whose exercise is necessary for the application of any rule. In the sense that we must exercise this faculty of judgment even before we can apply a rule, it is action which is at the root of our very knowledge itself. Hayek’s concern is not with this ultimate dependency of rule following upon judgment—which the later Wittgenstein, perhaps following Kant, emphasizes—but rather with the way that knowledge of all sorts, but especially social knowledge, is embodied in rules. Our perceptual processes, indeed all our processes of thought, are governed by rules which we do not normally articulate, which in some cases are necessarily beyond articulation by us, but which we rely upon for the efficiency of all our action in the world. Indeed, it is not too much to say that, for Hayek (notwithstanding his stress on the abstract or conceptual character of our sensory knowledge) all our knowledge is at bottom practical or tacit knowledge: it consists, not in propositions or theories, but in habits and dispositions to act in a rule-governed fashion. There is here an interesting parallel with Popper’s view, which sees even our sense organs as being themselves embodied theories.\(^{19b}\)

There is much in Hayek’s writings to suggest that he takes what Gilbert Ryle calls “knowing how,”\(^{20}\) what Michael Polanyi calls tacit knowing,\(^{21}\) what Michael Oakeshott\(^{22}\) calls the traditional knowledge, to be the wellspring of all our knowledge. It is in this sense—in holding the stuff of knowledge to be at bottom practical—that Hayek may be said to subscribe to a thesis
of the primacy of practice in the constitution of human knowledge. It is not indeed that Hayek disparages the enterprise of theory-building, but he sees the theoretical reconstruction of our practical knowledge as necessarily incomplete in its achievements.

Why is this? Hayek argues that, not only human social life, but the life of the mind itself is governed by rules, some of which cannot be specified at all. Note that Hayek does not contend merely that we cannot in fact specify all the rules which govern both social and intellectual life: he argues that there must of necessity be an insuperable limit beyond which we are unable to specify the rules by which our lives are governed. As he puts it:

So far our argument has rested solely on the uncontestable assumption that we are not in fact able to specify all the rules which govern our perceptions and actions. We still have to consider the question whether it is conceivable that we should ever be in a position discursively to describe all (or at least any one we like) of these rules, or whether mental activity must always be guided by some rules which we are in principle not able to specify.

If it should turn out that it is basically impossible to state or communicate all the rules which govern our actions, including our communications and explicit statements, this would imply an inherent limitation of our possible explicit knowledge and, in particular, the impossibility of ever fully explaining a mind of the complexity or our own.

Hayek goes on to observe of the inability of the human mind reflexively to grasp the most basic rules which govern its operations that “this would follow from what I understand to Georg Cantor’s theorem in the theory of sets according to which in any system of classification there are always more classes than things to be classified, which presumably implies that no system of classes can contain itself.” Again, he remarks that “it would thus appear that Gödel’s theorem is but a special case of a more general principle applying to all conscious and particularly all rational processes, namely the principle that among their determinants there must always be some rules which cannot be stated or even be conscious.” Hayek concludes this development of themes first explored in his *Sensory Order* with the fascinating suggestion that conscious thought must be presumed to be governed by “rules which cannot in turn be conscious—by a “supraconscious mechanism,” or, as Hayek prefers sometimes to call it, a “meta-conscious mechanism”—“which operates on the contents of consciousness but which cannot itself be conscious.”

The third source of influence on Hayek’s skeptical Kantianism, which I have ascribed primarily to the work of his relative Wittgenstein, plainly comprehends other influences as well. Hayek cites Ryle in support of his observations that “‘know how’ consists in the capacity to act according to rules which we may be able to discover but which we need not be able to state in order
to obey them," and glosses the point with reference to Michael Polanyi. Here the insight is that all articulated or propositional knowledge arises out of tacit or practical knowledge, the knowledge of how to do things, which must be taken as fundamental. Nothing is said in Ryle or Polanyi thus far about rule-governedness as a distinctive mark of human (and, it may well be, not only human but also animal) intelligent behavior.

It is for the insight that practical knowledge is transmitted mimaically through the absorption of social rules that we need to turn to Wittgenstein, from whom Hayek may have taken it. (There are, to be sure, contrasts between Hayek's view of rule-governed behavior and Wittgenstein's, particularly in regard to the skepticism about rule-following expressed in Wittgenstein's *On Certainty* and the dependency of social rules upon forms of life, stressed in Wittgenstein but not discussed by Hayek; but these contrasts need not concern us here.) What is original and novel in Hayek's account, and (so far as I know) is nowhere to be found in Wittgenstein, is his account, firstly, of the hierarchy of rules in perception and action, with the most fundamental rules being meta-conscious rules beyond the possibility of identification and articulation; and, secondly, Hayek's systematic exploration of the selection of these rules in a process of evolutionary adaptation. According to Hayek, in other words, the rules of action and of perception by which both intellectual and social life are governed are in the first place stratified or ordered in a hierarchy, with the most fundamental rules (which shape the basic categories of our understanding) always eluding conscious articulation. But secondly, all of these rules, including even the most fundamental of them are products of a process of evolutionary selection, by which they may be further altered or eliminated. Systems of rules conferring successful behavior are adopted by others without conscious reflection. It is this disposition to emulate or copy successful behaviors which explains the cultural evolution of which Hayek speaks, and which (though he recognizes its primitive beginnings in the social lives of animals) Hayek regards as the distinguishing mark of human life.

**Hayek on Knowledge and Mind:**
**Implications for Social Theory**

*Hayek's Kantian Philosophy of Mind*

I began by noting the striking Kantian attributes of Hayek's epistemology and philosophy of mind—aspects which Hayek himself does not stress, perhaps because he conceives the form-
ative influence of Kantian philosophy on his thought to be self-evident. As he puts it himself in a footnote to his discussion in a recent volume of the government of conscious intellectual life by super-conscious abstract rules: "I did not mention... the obvious relation of all this to Kant's conception of the categories that govern our thinking—which I took rather for granted."

Hayek's Kantianism is seen, first in his repudiation of the empiricist view that knowledge may be constructed from a basis of raw sensory data and, second, in his uncompromising assertion of the view that the order we find in the world is a product of the creative activity of the human mind (rather than a recognition of natural necessity). His Kantian view is distinctive in that it anticipates Popper in affirming that our mental frameworks by which we categorize the world are neither universal nor invariant, but alterable in an evolutionary fashion; his Kantian view also follows Wittgenstein in grasping the role of social rules in the transmission of practical knowledge. Hayek's Kantian view is original, finally, in recognizing a hierarchy in the rules that govern our perceptions and actions, and in insisting that the most fundamental of these rules are "super-conscious" and beyond any possibility of specification or articulation.

Hayek's Philosophy of Mind & His Social Theory: Beyond Kantianism

Hayek himself is emphatic that these insights in the theories of mind and knowledge have the largest consequences for social theory. The inaccessibility to reflexive inquiry of the rules that govern conscious thought entails the bankruptcy of the Cartesian rationalist project and implies that the human mind can never fully understand itself, still less can it ever be governed by any process of conscious thought. The considerations adduced earlier, then, establish the autonomy of the mind, without ever endorsing any mentalistic thesis of mind's independence of the material order. Where Hayek deviates from Descartes' conception of mind, however, is not primarily in his denying ontological independence to mind, but in his demonstration that complete intellectual self-understanding is an impossibility.

Hayek's conception of mind is a notion whose implications for social theory are even more radical than are those of Hayek's Kantianism. It is the chief burden of the latter, let us recall, that no external or transcendental standpoint on human thought is achievable, in terms of which it may be supported or reformed. In social theory, this Kantian perspective implies the impossibility of any Archimedean point from which a synoptic view can be
gained of society as a whole and in terms of of which social life may be understood and, it may be, redesigned. As Hayek puts it trenchantly: "Particular aspects of a culture can be critically examined only within the context of that culture. We can never reduce a system of rules or all values as a whole to a purposive construction, but must always stop with our criticism of something that has no better grounds for existence than that it is the accepted basis of the particular tradition." 27 This is a useful statement, since it brings out the Kantian implication for social theory: that all criticism of social life must be immanent criticism, just as in all philosophy inquiry can only be reflexive and never transcendental.

Hayek goes beyond Kantianism, however, in his recognition that, just as in the theory of mind we must break off when we come to the region of unknowable ultimate rules, so in social theory we come to a stop with the basic constitutive traditions of social life. These latter, like Wittgenstein's forms of life, cannot be the objects of further criticism, since they are at the terminus of criticism and justification: they are simply given to us, and must be accepted by us. But this is not to say that these traditions are unchanging, nor that we cannot understand how it is that they do change.

In social theory, Hayek's devastating critique of Cartesian rationalism entails that, whatever else it might be, social order cannot be the product of a directing intelligence. It is not just that too many concrete details of social life would always escape such an intelligence, which could never, therefore, know enough. Nor (though we are nearer the nub of the matter here) is it that society is not a static object of knowledge which could survive unchanged the investigations of such an intelligence. No, the impossibility of total social planning does not rest for Hayek on such Popperian considerations, 28 or, at any rate, not primarily on them.

Such an impossibility of central social planning rests, firstly, on the primordially practical character of most of the knowledge on which social life depends. Such knowledge cannot be concentrated in a single brain, natural or mechanical, not because it is very complicated, but rather because it is embodied in habits and dispositions and governs our conduct via rules which are often inarticulable. But, secondly, the impossibility of total social planning arises from the fact that, since we are all of us governed by rules of which we have no knowledge, even the directing intelligence itself would be subject to such government. It is naive and almost incoherent 29 to suppose that a society could lift itself
up by its bootstraps and reconstruct itself, in part at least because the idea that any individual mind—or any collectivity of selected minds—could do that, is no less absurd.

The Idea of a Spontaneous Social Order

If the order we discover in society is in no important respect the product of a directing intelligence, and if the human mind itself is a product of cultural evolution, then it follows that social order cannot be the product of anything resembling conscious control or rational design. As Hayek puts it:

The errors of constructivist rationalism are closely connected with Cartesian dualism, that is, with the conception of an independently existing mind substance which stands outside the cosmos of nature and which enabled man, endowed with such a mind from the beginning, to design the institutions of society and culture among which he lives... The conception of an already fully developed mind designing the institutions which made life possible is contrary to all we know about the evolution of man.30

The master error of Cartesian rationalism31 lies in its anthropomorphic transposition of mentalist categories to social processes. But a Cartesian rationalist view of mind cannot explain even the order of mind itself. Hayek himself makes this point when he remarks on "the difference between an order which is brought about by the direction of a central organ such as the brain, and the formation of an order determined by the regularity of the actions towards each other of the elements of a structure." He goes on:

Michael Polanyi has usefully described this distinction as that between a monocentric and a polycentric order. The first point which it is in this connection important to note is that the brain of an organism which acts as the directing centre for the organism is in turn a polycentric order, that is, that its actions are determined by the relation and mutual adjustment to each other of the elements of which it consists.32

Hayek states his conception of social theory, and of the central importance in it of undesigned or spontaneous orders, programmatically and with unsurpassable lucidity:

It is evident that this interplay of the rules of conduct of the individuals with the actions of other individuals and the external circumstances in producing an overall order may be a highly complex affair. The whole task of social theory consists in little else but an effort to reconstruct the overall orders which are thus formed... It will also be clear that such a distinct theory of social structures can provide only an explanation of certain
general and highly abstract features of the different types of structures... Of theories of this type economic theory, the theory of the market order of free human societies, is so far the only one which has been developed over a long period...33

Because it is undesigned and not the product of conscious reflection, the spontaneous order that emerges of itself in social life can cope with the radical ignorance we all share of the countless facts on knowledge of which society depends. This is to say, to begin with, that a spontaneous social order can utilize fragmented knowledge, knowledge dispersed among millions of people, in a way a holistically planned order (if such there could be) cannot. "This structure of human activities" as Hayek puts it "consistently adapts itself, and functions through adapting itself, to millions of facts which in their entirety are not known to everybody. The significance of this process is most obvious and was at first stressed in the economic field."34 It is to say, also, that a spontaneous social order can use the practical knowledge preserved in men's habits and dispositions and that society always depends on such practical knowledge and cannot do without it.

Examples abound in Hayek's writings of spontaneous orders apart from the market order. The thesis of spontaneous order is stated at its broadest when Hayek says of Bernard Mandeville (1670-1733) that "for the first time [he] developed all the classical paradigmata of the spontaneous growth of orderly social structures: of law and morals, of language, the market and money, and also the growth of technological knowledge."35 Note that whereas Hayek acknowledges that spontaneous order emerges in natural processes—it may be observed, he tells us, not only in the population biology of animal species, but in the formation of crystals and even galaxies36—it is the role of spontaneous order in human society that Hayek is most concerned to stress. For applying what Hayek illuminatingly terms "the twin ideas of evolution and of the spontaneous formation of an order"37 to the study of human society enables us to transcend the view, inherited from Greek, and, above all, from Sophist philosophy, that all social phenomena can be comprehended within the crude dichotomy of the natural (physis) and the conventional (nomos). Hayek wishes to focus attention on the third domain of social phenomena and objects, neither instinctual in origin nor yet the result of conscious contrivance or purposive construction, the domain of evolved and self-regulating social structures. It is the emergence of such self-regulating structures in society via the natural selection of rules of action and perception that is systematically neglected in much current sociology (though not, it may be noted, in the writings of Herbert Spencer,38 one of sociology's founding fathers). It is because he thinks that the
sociobiologists view social order as being a mixture of instinctive behavior and conscious control, and so neglect the cultural selection of systems of rules, that Hayek has subjected this recent strain of speculation to a sharp criticism.\textsuperscript{39} It may be noted, finally, that Hayek's repudiation of the Sophistic nature-convention dichotomy sets him in opposition to Popper and his talk of the critical dualism of facts and decisions and brings him close to the Wittgensteinian philosopher, Peter Winch, for whom the distinction is essentially misconceived.\textsuperscript{40}

The Application of Spontaneous Order in Economic Life: The Catallaxy

The central claim of Hayek's philosophy, as we have expounded it so far, is that knowledge is, at its base, at once practical and abstract. It is abstract inasmuch as even sensory perception gives us a model of our environment which is highly selective and picks out only certain classes of events, and it is practical inasmuch as most knowledge is irretrievably stored or embodied in rules of action and perception. These rules, in turn, are in Hayek's conception the subject of continuing natural selection in cultural competition. The mechanism of this selection, best described in Hayek's fascinating "Notes on the Evolution of Systems of Rules of Conduct,"\textsuperscript{41} is in the emulation by others of rules which secure successful behavior. It is by a mimetic contagion that rules conferring success—where success means, in the last resort, the growth of human numbers\textsuperscript{42}—come to supplant those rules which are maladapted to the environment. Finally, the convergence of many rule-following creatures on a single system of rules creates those social objects—language, money, markets, the law—which are the paradigms of spontaneous social order.

It is a general implication of this conception that, since social order is not a purposive construction, it will not in general serve any specific purpose. Social order facilitates the achievement of human purposes: taken in itself, it must be seen as having no purpose. Just as human actions acquire their meaning by occurring in a framework that can itself have no meaning,\textsuperscript{43} so social order will allow for the achievement of human purposes only to the extent that it is itself purposeless. Nowhere has this general implication of Hayek's conception been so neglected as in economic life. In the history and theory of science, to be sure, where the idea of spontaneous order was (as Hayek acknowledges) put to work by Michael Polanyi, false conceptions were spawned by the erroneous notion that scientific progress could be planned,
whereas, on the contrary, any limitation of scientific inquiry to the contents of explicit or theoretical knowledge would inevitably stifle further progress. In economics, however, the canard that order is the result of conscious control had more fateful consequences. It supported the illusion that the whole realm of human exchange was to be understood after the fashion of a household or an hierarchical organization, with limited and commensurable purposes ranked in order of agreed importance.

This confusion of a genuine hierarchical ‘economy’—such as that of an army, a school or a business corporation—with the whole realm of social exchange, the *catallaxy*, informs many aspects of welfare economics and motivates its interventionist projects via the fiction of a total social product. This confusion between ‘catallaxy’ and ‘economy’ is, at bottom, the result of an inability to acknowledge that the order which is the product of conscious direction—the order of a management hierarchy in a business corporation, for example—itself always depends upon a larger spontaneous order. The demand that the domain of human exchange taken as a whole should be subject to purposive planning is, therefore, the demand that social life be reconstructed in the character of a factory, an army, or a business corporation—in the character, in other words, of an authoritarian organization. Apart from the fateful consequences for individual liberty that implementing such a demand inexorably entails, it springs in great measure from an inability or unwillingness to grasp how in the market process itself there is a constant tendency to self-regulation by spontaneous order. When it is unhampered, the process of exchange between competitive firms itself yields a coordination of men’s activities more intricate and balanced than any that could be enforced (or even conceived) by a central planner.

The Catallactic Order, Practical Knowledge, and the Calculation Debate

The relevance of these considerations to Hayek’s contributions to the question of the allocation of resources in a socialist economic order is central, but often neglected. It is, of course, widely recognized\(^{45}\) that one of Hayek’s principal contributions in economic theory is the refinement of the thesis of his teacher, Ludwig von Mises (1881-1973), that the attempt to supplant market relations by public planning cannot avoid yielding calculational chaos. Hayek’s account of the mechanism whereby this occurs has, however, some entirely distinctive and original features. For Hayek is at great pains to point out that the dispersed knowledge which brings about a tendency to equilibrium in economic life and
so facilitates an integration of different plans of life, is precisely not theoretical or technical knowledge, but practical knowledge of concrete situations—"knowledge of people, of local conditions, and of special circumstances." As Hayek puts it: "The skipper who earns his living from using otherwise empty or half-filled journeys of tramp-steamers, or the estate agent whose whole knowledge is almost exclusively one of temporary opportunities, or the arbitrageur who gains from local differences of commodity prices—are all performing eminently useful functions based on special knowledge of circumstances of the fleeting moment not known to others." Hayek goes on the comment: "It is a curious fact that this sort of knowledge should today be regarded with a kind of contempt and that anyone who by such knowledge gains an advantage over somebody better equipped with theoretical or technical knowledge is thought to have acted almost disreputably." The "problem of the division of knowledge," which Hayek describes as "the really central problem of economics as a social science," is therefore not just a problem of specific data, articulable in explicit terms, being dispersed in millions of heads: it is the far more fundamental problem of the practical knowledge on which economic life depends being embodied in skills and habits, which change as society changes and which are rarely expressible in theoretical or technical terms.

One way of putting Hayek's point, a way we owe to Israel Kirzner rather than to Hayek himself but which is wholly compatible with all that Hayek has said on these questions, is to remark as follows: if men's economic activities really do show a tendency to coordinate with one another, this is due in large part to the activity of entrepreneurship. The neglect of the entrepreneur in much standard economic theorizing, the inability to grasp his functions in the market process, may be accounted for in part by reference to Hayek's description above of the sort of knowledge used by the entrepreneur. As Kirzner puts it, "Ultimately, then, the kind of 'knowledge' required for entrepreneurship is 'knowing' where to look for 'knowledge' rather than knowledge of substantive market information." It is hard to avoid the impression that the entrepreneurial knowledge of which Kirzner speaks here is precisely that practical or dispositional knowledge which Hayek describes.

It is the neglect of how all economic life depends on this practical knowledge which allowed the brilliant but, in this respect, fatally misguided Joseph Schumpeter (1883-1950) to put a whole generation of economists on the wrong track, when he stated in his Capitalism, Socialism and Democracy (1942) that the problem of calculation under socialism was essentially solved. It is the
neglect of the same truth that Hayek expounded which explains the inevitable failure in Soviet-style economies of attempts to simulate market processes in computer modeling. All such efforts are bound to fail, if only because the practical knowledge of which Hayek speaks cannot be programmed into a mechanical device. They are bound to fail, also, because they neglect the knowledge-gathering role of market pricing. Here we must recall that, according to Hayek, knowledge is dispersed throughout society and, further, it is embodied in habits and dispositions of countless men and women. The knowledge yielded by market pricing is knowledge which all men can use, but which none of them would possess in the absence of the market process; in a sense, the knowledge embodied or expressed in the market price is systemic or holistic knowledge, knowledge unknown and unknowable to any of the elements of the market system, but given to them all by the operation of the system itself. No sort of market simulation or shadow pricing can rival the operation of the market order itself in producing this knowledge, because only the actual operation of the market itself can draw on the fund of practical knowledge which market participants exploit in their activities.

Hayek's Refinements of the Misesian Calculation Debate

Three further points may be worth noting in respect of Hayek's refinements of the Misesian calculation debate. First, when Hayek speaks of economic calculations under socialism as a practical impossibility, he is not identifying specific obstacles in the way of the socialist enterprise which might someday be removed. Socialist planning could supplant market processes only if practical knowledge could be replaced by theoretical or technical knowledge at the level of society as a whole—and that is a supposition which is barely conceivable. The kind of omniscience demanded of a socialist planner could be possessed only by a single mind, entirely self-aware, existing in an unchanging environment—a supposition so bizarre that we realize we have moved from any imaginable social world to a metaphysical fantasy in which men and women have disappeared altogether, and all that remain are Leibnizian monads, featureless and unhistorical ciphers.

Fortunately, such a transformation is possible, if at all, only as a thought-experiment. In practice, all supposedly socialist economies depend upon precisely that practical knowledge of which Hayek speaks, and which though dispersed through society
is transmitted via the price mechanism. It is widely acknowledged that socialist economies depend crucially in their planning policies on price data gleaned from historic and world markets. Less often recognized, and dealt with in detail only, so far as I know, in Paul Craig Roberts' important *Alienation in the Soviet Economy*,

is that planning policies in socialist economies are only shadows cast by market processes distorted by episodes of authoritarian intervention. The consequence of the Hayekian and Polanyian critiques of socialist planning is not inefficiency of such planning but rather its impossibility: we cannot analyze the "socialist" economies of the world properly, unless we penetrate the ideological veil they secrete themselves behind, and examine the mixture of market processes with command structures which is all that can ever exist in such a complex society.

The third and final implication of Hayek's contribution to the calculation question is his clear statement of the truth that the impossibility of socialism is an *epistemological* impossibility. It is not a question of motivation or volition, of the egoism or limited sympathies of men and women, but of the inability of any social order in which the market is suppressed or distorted to utilize effectively the practical knowledge possessed by its citizens. Calculational chaos would ensue, and a barbarization of social life result, from the attempt to socialize production, even if men possessed only altruistic and conformist motives. For, in the absence of the signals transmitted via the price mechanism, they would be at a loss how to direct their activities for the social good, and the common stock of practical knowledge would begin to decay. Only the inventiveness of human beings as expressed in the emergence of black and gray markets could then prevent a speedy regression to the subsistence economy. The impossibility of socialism, then, derives from its neglect of the *epistemological functions* of market institutions and processes. Hayek's argument here is the most important application of his fundamental insight into the epistemological role of social institutions—an insight I will need to take up again in the context of certain similarities between Hayek's conception of liberty under law and Robert Nozick's meta-utopian framework.

**Theory and Method in Economic Science**

*Prediction vs. 'Complex Phenomena'*

Hayek's conception of knowledge, when taken in conjunction with the idea of a spontaneous social order, has important im-
lications for the proper method for the practice of social science. To begin with, Hayek's affirmation of "the primacy of the abstract" in all human knowledge means that social science is always a theory-laden activity and can never aspire to an exhaustive description of concrete social facts. More, the predictive aspirations of social science must be qualified: not even the most developed of the social sciences, economics, can ever do more than predict the occurrence of general classes of events. Indeed, in his strong emphasis on the primacy of the abstract, Hayek goes so far as to question the adequacy of the nomothetic or nomological model of science (i.e. exact prediction through 'laws'), including social science. At least in respect of complex phenomena, all science can aim at is an "explanation of the principle," or the recognition of a pattern—"the explanation not of the individual events but merely of the appearance of certain patterns or orders. Whether we call these mere explanations of the principle or mere pattern predictions or higher level theories does not matter."51 Such recognitions of orders or pattern predictions are, Hayek observes, fully theoretical claims, testable and falsifiable: but they correspond badly with the usual cause-effect structure of nomothetic or law-governed explanation.

In his most important later statement on these questions, "The Theory of Complex Phenomena," [bibliography, A-109], Hayek tells us that, because social life is made up of complex phenomena, "economic theory is confined to describing kinds of patterns which will appear if certain general conditions are satisfied, but can rarely if ever derive from this knowledge any predictions of specific phenomena."52 If we ask why it is that social phenomena are complex phenomena, part of the reason at any rate lies in what Hayek earlier characterized53 as the subjectivity of the data of the social sciences: social objects are not like natural objects whose properties are highly invariant relatively to our beliefs and perceptions; rather, social objects are in large measure actually constituted by our beliefs and judgments. Social phenomena are non-physical, and Hayek has stated that "Non-physical phenomena are more complex because we call physical phenomena what can be described by relatively simple formulae."54 And, because of the subjectivity of its data, social life always eludes such simple formulae.

Hayek's Opposition to A priori Science

A number of points may be made briefly about Hayek's conception of method in social and economic theory. First, whereas
he follows his great teachers in the Austrian tradition in emphasizing the subjective aspects of social phenomena, Hayek's methodology of social and economic science does not belong to that Austrian tradition in which social theory is conceived as an enterprise yielding apodictic truths. Specifically—contrary to T. W. Hutchinson, who periodizes Hayek's work into an Austrian praxeological and a post-Austrian Popperian period, and also contrary to Norman P. Barry who sees both trends running right through Hayek's writings—Hayek never accepted the Misesian conception of a praxeological science of human action which would take as its point of departure a few axioms about the distinctive features of purposeful behavior over time. In the Introduction to Collectivist Economic Planning [E-5, 1935] and elsewhere in his early writings, Hayek had (as Hutchinson notes) insisted that economics yields "'general laws,' that is, 'inherent necessities determined by the permanent nature of the constituent elements.'"\(^56\) As Hutchinson himself acknowledges in passing, however, such laws or necessities function in Hayek's writings as *postulates* (rather than as axioms), and they continue to do so even in his later writings, in which (as I have already noted) a suspicion of the nomothetic paradigm of social science is expressed. It is clear from the context of the quotations cited by Hutchinson that, in speaking of the general laws or inherent necessities of social and economic life, Hayek meant to controvert the excessive voluntarism of historicism, which insinuates that social life contains no unalterable necessities of any sort, rather than to embrace the view that there can be an apriori science of society or human action. To this extent Barry is right in his observation that, "'there is a basic continuity in Hayek's writings on methodology.'"\(^56\) Certainly there seems little substance in a periodization of Hayek's methodological writings by reference to the supposedly Popperian paper of 1937 on "Economics and Knowledge" (A-34).

At the same time, there seems little warrant for Barry's claim that throughout his work Hayek tries "to combine two rather different philosophies of social science; the Austrian praxeological school with its subjectivism and rejection of testability in favour of axiomatic reasoning, and the hypothetico-deductive approach of contemporary science with its emphasis on falsifiability and empirical content."\(^57\) For there is no evidence, so far as I know, that Hayek ever endorsed the Misesian conception of an axiomatic or apriori science of human action grounded in apodictic certainties. Again, as we have seen, Hayek's view that the social sciences are throughout deductive in form antedates Popper's influence
and is evidenced in the Introduction to *Collectivist Economic Planning* [E-5, 1935].

**Popperian 'Conjectures & Refutations'**

Hayek's real debts to Popper are, I think, different from those attributed to him by Hutchinson and Barry. It is not that Hayek under Popper's influence abandoned an apodictic-deductive method that was endorsed (in different versions, Kantian and Aristotelian) by Mises and Menger, but rather that he came to adopt Popper's proposal that falsifiability be treated as a demarcation criterion of science from non-science.58 Again, Hayek follows Popper in abandoning his earlier Austrian conviction that there is a radical dualism of method as between natural and social science: this conviction, he tells us, depended on an erroneous conception of method in the natural sciences: as a result of what Popper has taught him, Hayek says, "the differences between the two groups of disciplines has thereby been greatly narrowed."59 Hayek's debts to Popper are, then, in his seeing that it is the falsifiability of an hypothesis rather than its verifiability which makes it testable and empirical, and, secondly, in his acknowledging the unity of method in all the sciences, natural and social, where this method is seen clearly to be hypothetico-deductive.

Even in these Popperian influences, it is to be noted, there are differences of emphasis from Popper himself. Hayek anticipates Lakatos in perceiving that the theoretical sciences may contain a "hard core" of hypotheses, well-confirmed and valuable in promoting understanding of the phenomena under investigation, which are highly resistant to testing and refutation.60 And Hayek explicitly states that in some fields Popper's ideas of maximum empirical content and falsifiability may be inappropriate:

It is undoubtedly a drawback to have to work with theories which can be refuted only by statements of a high degree of complexity, because anything below that degree of complexity is on that ground alone permitted by our theory. Yet it is still possible that in some fields the more generic theories are the more useful ones...Where only the most general patterns can be observed in a considerable number of instances, the endeavour to become more 'scientific' by further narrowing down our formulae may well be a waste of effort...61

In general, then, it seems fair to hold that Hayek acknowledges that the proper method in social and economic studies, as elsewhere, is the hypothetico-deductive method of conjectures and refutations set out by Popper. On the other hand, he continues to recognize that in respect of complex phenomena such as are found in the social studies, testability may be a somewhat high-
level and protracted process, and the ideal of high empirical content captured in a nomothetic framework—a demanding and sometimes unattainable ideal.

Some Applications of Hayek’s Methodological Views: Keynes, Friedman, and Shackle on Economic Policy

Hayek’s view that we can at best attain abstract models of social processes, whereas the concrete details of social life will always largely elude theoretical formulation, has large and radical implications in the field of public policy. In brief, it entails that the object of public policy should be confined to the design or reform of institutions within which unknown individuals make and execute their own, largely unpredictable plans of life. In a free society, in fact, whereas there may be a legal policy in respect of economic institutions, there cannot be such a thing as economic policy as it is presently understood, for adherence to the rule of law precludes anything resembling macroeconomic management. Here I do not wish to take up this point, which I will consider later, but rather to spell out the connection between Hayek’s methodological views and his belief that most, if not all economic policy as practiced in the postwar world has had a self-defeating effect.

Hayek contra Constructivism & Social Engineering

We have seen that, for Hayek, the most we can hope for in understanding social life is that we will recognize recurring patterns. Hayek goes on to observe:

Predictions of a pattern are...both testable and valuable. Since the theory tells us under which general conditions a pattern of this sort will form itself, it will enable us to create such conditions and to observe whether a pattern of the kind predicted will appear. And since the theory tells us that this pattern assures a maximisation of output in a certain sense, it also enables us to create the general conditions which will assure such a maximisation, though we are ignorant of many of the particular circumstances which will determine the pattern that will appear.62

Hayek’s view stands in sharp opposition to any idea of a policy science or a political technology aimed at producing specific desired effects. Such a policy science demands the impossible of its practitioners, a detailed knowledge of a changing and complex order in society. Even Popper’s conception of “piecemeal social engineering,” Hayek tells us, “suggests to me too much a technological problem of reconstruction on the basis of the total knowledge of the physical facts, while the essential point about
the practical improvement is an experimental attempt to improve
the functioning of some part without a full comprehension of the
structure of the whole." Indeed Hayek's central point is that
understanding the primacy of the abstract in human knowledge
means that we must altogether renounce the modern ideal of con-
sciously controlling social life: a better ideal is that of cultivating
the general conditions in which beneficial results may be expected
to emerge.

Hayek's critique of the constructivist or engineering ap-
proach to social life parallels in an intriguing way that of Michael
Oakeshott and of the Wittgensteinian philosopher Rush Rhees.
Consider Oakeshott's statement: "The assimilation of politics to
engineering is, indeed, what may be called the myth of rationalist
politics." Or Rhees's observation (made in criticism of Popper):
"There is nothing about human societies which makes it
reasonable to speak of the application of engineering to them.
Even the most important 'problems of production' are not prob-
lems in engineering." The conception of social life which talk
of social engineering expresses is at fault not only because it
presupposes an agreement on goals or ends which nowhere ex-
ists but also because it promotes the illusion that political life
may become subject to a sort of technical or theoretical control.

Hayek contra Keynes

These general views illuminate much of the rationale of
Hayek's opposition not only to Keynesian policies of
macroeconomic demand management but also to Friedmanite
monetarism. Of course, in the great debates of the Thirties, Hayek
had argued forcefully that Keynes in no way provided a general
theory of economic discoordination. Again, Hayek always argued
that the policies Keynes suggested, depending as they did for their
success upon institutional and psychological irrationalities which
their very operation would undermine, were bound over the longer
run to be self-defeating. In particular, Hayek maintained that
Keynesian policies of deficit financing depended for their success
upon a widespread money illusion which the policies themselves
could not help but erode. Hayek's further objection to Keyne-
sian policies is that, in part because they depend on a defective
understanding of the business cycle (which is seen as expressing
itself in aggregative variations in total economic activity rather
than in a discoordination of relative price structures brought
about by a governmental distortion of the structure of interest
rates) Keynesian policy-makers, because of their holistic and ag-
gregative bias, find it hard to avoid committing a sort of fallacy
of conceptual realism: statistical artefacts or logical fictions are allowed to blot out the subtle and complex relationships which make up the real economy.

Now there is plainly much in Hayek’s subtle account of the business cycle, and in his contributions to capital theory, which is difficult and disputable, and to comment on such questions is in any case beyond my expertise. Quite apart from its technical details, however, it is clear that Hayek’s critique of Keynesian policies is of a piece with his emphasis on the primacy of the abstract and with his insight into the indispensability of conventions for the orderly conduct of social life. Policies of macroeconomic demand management ask more in the way of concrete knowledge of the real relationships which govern the economy than any administrator could conceivably acquire, and their operation is in the longer run self-defeating. More generally, Hayek’s challenge to Keynesian theory is a demand that Keynesians specify in detail the mechanisms whereby an unhampered market could be expected to develop severe discoordination. Only if such mechanisms could be clearly described and (crucially) given a plausible historical application, would a serious challenge to Hayek’s own Austrian view—in which it is governmental intervention in the economy which is principally responsible for discoordination—enter the realm of critical debate.

Hayek contra Friedman

In respect to Friedman’s proposals for monetary regulation by a fixed rule, Hayek has argued that in a modern democracy no governmental or quasi-governmental agency can preserve the independence of action essential if such a monetary rule is to be operated consistently. More fundamentally, such a policy of adopting a fixed rule in the supply of money is opposed by Hayek on methodological grounds. Such a policy calls for an exactitude in modeling and measuring economic life, and an unambiguity in the definition of money, which it is beyond our powers to attain. Hayek’s own objection to Friedman’s monetarist proposals is, then, most substantially that money is not the sort of social object that we can define precisely or control comprehensively; Hayek has even suggested that, in recognition of the elusiveness of the monetary phenomenon, we should treat “money” as an adjectival expression,66 applicable to indefinitely many distinct and disparate instruments. Hayek’s proposals in this area clearly open up technical questions in monetary theory which I am unqualified to adjudicate. It seems clear, though, that Hayek’s proposal favoring currency competition by the private issuance of money would
be found objectionable by Friedmanites (who would argue that Hayek exaggerates the effect such competition would have in preventing currency debasement) and by advocates of the classical gold standard. It is clear, nonetheless, that in arguing for the establishment of a monetary catallaxy Hayek has illuminated questions both in monetary theory and in political economy which had hitherto gone largely neglected, but which it is critical that supporters of the market order now examine.

Hayek and Shackle

One objection to Hayek’s view may be worth addressing at this point. There is much in Hayek’s account of the business cycle, as in his more general account of spontaneous social order, to suggest that he believes economic discoordination results always from institutional factors, so that at any rate large-scale disequilibrium would be impossible in a catallaxy of wholly unhampered markets. Against this view, Hayek’s brilliant and largely neglected pupil, G. L. S. Shackle, has argued\(^\text{67}\) that the subjectivity of expectations must infect the market process with an ineradicable tendency to disequilibrium. It must be allowed that, if we accept Hayek’s view of equilibrium as a process in which men’s plans are coordinated by trial and error over time, there can be nothing apodictically certain about this process: conceivably, under some conditions of uncertainty in which hitherto reliable expectations are repeatedly confounded, large scale discoordination could occur in the market process.

Three counter-observations are in order, however. First, nothing in Shackle’s argument tells against the point, defensible both on theoretical grounds and as an historical interpretation, that in practice by far the most destabilizing factor in the market process is provided by governmental intervention. Secondly, and relatedly, it is unclear that the kind of disequilibrium of which Shackle speaks—disequilibrium generated by divergency in subjective expectations—could amount to anything resembling the classical business cycle, which is more plausibly accounted for in Austrian and Hayekian terms as a consequence of governmental intervention in the interest rate structure.

And thirdly, it is unclear that Shackle’s argument shows the presence in the market process of any tendency to disequilibrium. What we have in the market process is admittedly a ‘kaleidic’ world, in which expectations, tastes, and beliefs constantly and unpredictably mutate. Yet, providing market adaptation is unhampered, what we can expect from the market process is an uninterrupted series of monetary equilibrium tendencies, each of
them asymptotic—never quite reaching equilibrium—and each of them soon overtaken by its successor. In this kaleidic world there may well be no apodictic certainty that we shall never face large-scale, endogenous discoordination, but we are nevertheless on safe ground in preferring that the self-regulating tendencies of the process be accorded unhampered freedom and that governmental intervention be recognized as the major disruptive factor in the market process. We are on safe ground, then, in discerning in the tendency to equilibrium in the market process the formation of spontaneous order in the economic realm.

Hayek’s Constitution of Liberty: Ethical Basis of the Juridical Framework of Individual Liberty

Clarifying Hayek’s Moral Theory

Given that we recognize governmental intervention to be the greatest subverter of spontaneous order in the realm of economic exchange, what legal framework is to be adopted for the regulation of economic life? Here we come to one of the most fascinating and controversial of Hayek’s contributions to social philosophy, his account of individual liberty under the rule of law. Before we can address ourselves to some of the problems surrounding Hayek’s contribution to philosophical jurisprudence, however, a few words must be said about Hayek’s moral theory, since few aspects of Hayek’s work are so often misunderstood. Hayek has been characterized as a moral relativist, an exponent of evolutionary ethics and, less implausibly but nonetheless incorrectly, as a rule-utilitarian. Let us see if we can dissipate the confusion.

In the first place, moral life for Hayek is itself a manifestation of spontaneous order. Like language and law, morality emerged undesigned from the life of men with one another: it is so much bound up with human life, indeed, as to be partly constitutive of it. The maxims of morality, then, in no way presuppose an authority, human or divine, from which they emanate, and they antedate the institutions of the state. But, secondly, the detailed content of the moral conventions which spring up unplanned in society is not immutable or invariant. Moral conventions change, often slowly and almost imperceptibly, in accordance with the needs and circumstances of the men who subscribe to them. Moral conventions must (or Hayek’s account of them) be seen as part of the evolving social order itself.

Now at this point it is likely that a charge of ethical relativism or evolutionism will at once be levelled against Hayek, but there is little substance to such criticisms. He has gone out of his way
to distinguish his standpoint from any sort of evolutionary ethics. As he put it in his *Constitution of Liberty*:

It is a fact which we must recognize that even what we regard as good or beautiful is changeable—if not in any recognizable manner that would entitle us to take a relativistic position, then in the sense that in many respects we do not know what will appear as good or beautiful to another generation. It is not only in his knowledge, but also in his aims and values, that man is the creature of his civilization; in the last resort, it is the relevance of these individual wishes to the perpetuation of the group or the species that will determine whether they persist or change. It is, of course, a mistake to believe that we can draw conclusions about what our values ought to be simply because we realize that they are a product of evolution. But we cannot reasonably doubt that these values are created and altered by the same evolutionary forces that have produced our intelligence.  

Hayek’s argument here, then, is manifestly not that we can invoke the trend of social evolution as a standard for the resolution of moral dilemmas, but rather that we are bound to recognize in our current moral conventions the outcome of an evolutionary process. Admittedly, inasmuch as nothing in the detailed content of our moral conventions is unchanging or unalterable, this means that we are compelled to abandon the idea that they have about them any character of universality or fixity, but this is a long way from any doctrine of moral relativism. As Hayek observes in his remarks on the ambiguity of relativism:

... our present values exist only as the elements of a particular cultural tradition and are significant only for some more or less long phase of evolution—whether this phase includes some of our pre-human ancestors or is confined to certain periods of human civilization. We have no more ground to ascribe to them eternal existence than to human race itself. There is thus one possible sense in which we may legitimately regard human values as relative and speak of the probability of their further evolution.

But it is a far cry from this general insight to the claims of the ethical, cultural or historical relativists or of evolutionary ethics. To put it crudely, while we know that all these values are relative to something, we do not know to what they are relative. We may be able to indicate the general class of circumstances which have made them what they are, but we do not know the particular conditions to which the values we hold are due, or what our values would be if those circumstances had been different. Most of the illegitimate conclusions are the result of erroneous interpretation of the theory of evolution as the empirical establishment of a trend. Once we recognize that it gives us no more than a scheme of explanation which might be sufficient to explain particular phenomena if we knew all the facts which have operated in the course of history, it becomes evident that the claims of the various kinds of relativists (and of evolutionary ethics) are unfounded.  

Hume’s Influence on Hayek’s Social Philosophy

Hayek does not, then subscribe to any sort of ethical relativism or evolutionism, but it is not altogether clear from these
statements if he thinks humanity’s changing moral conventions have in fact any invariant core or constant content. In order to consider this last question, and to attain a better general understanding of Hayek’s conception of morality, we need to look at his debts to David Hume, whose influence upon Hayek’s moral and political philosophy is ubiquitous and profound.

Hayek follows Hume in supposing that, in virtue of certain general facts about the human predicament, the moral conventions which spring up spontaneously among men all have certain features in common or (in other words) exhibit some shared principles. Among the general facts that Hume mentions in his *Treatise*, and which Hayek cites in “The Legal and Political Philosophy of David Hume” (in B-13), are men’s limited generosity and intellectual imperfection and the unalterable scarcity of the means of satisfying human needs. As Hayek puts it succinctly: “It is thus the nature of the(se) circumstances, what Hume calls ‘the necessity of human society,’ that gives rise to the ‘three fundamental laws of nature’: those of ‘the stability of possessions, of its transference by consent, and of the performance of promises.’” And Hayek glosses this passage with a fuller citation from Hume’s *Treatise*: “Though the rules of justice be artificial, they are not arbitrary. Nor is the expression improper to call them *Laws of Nature*; if by natural we understand what is common to any species, or even if we confine it to mean what is inseparable from the species.”

Hume’s three rules of justice or laws of nature, then, give a constant content to Hayek’s conception of an evolving morality. They frame what the distinguished Oxford jurist, H. L. A. Hart, was illuminatingly to call “the minimum content of natural law.” The justification of these fundamental rules of justice, and of the detailed and changing content of the less permanent elements of morality, is (in Hayek’s view as in Hume’s) that they form indispensable conditions for the promotion of human welfare. There is in Hayek as in Hume, accordingly, a fundamental utilitarian commitment in their theories of morality. It is a very indirect utilitarianism that they espouse, however, more akin to that of the late nineteenth-century Cambridge moralist Henry Sidgwick (1838-1900) than it is to Jeremy Bentham or John Stuart Mill. The utilitarian component of Hayek’s conception of morality is indirect in that it is never supposed by him that we ought or could invoke a utilitarian principle in order to settle practical questions: for, given the great partiality and fallibility of our understanding, we are in general better advised to follow the code of behavior accepted in our own society. That code can, in turn, Hayek believes, never properly be the subject of a rationalist reconstruction in Benthamite fashion, but only reformed
piecemeal and slowly. In repudiating the claims that utilitarian principles can govern specific actions and that utility may yield new social rules, Hayek shows himself to be an indirect or system utilitarian, for whom the proper role of utility is not prescriptive or practical but rather as a standard of evaluation for the assessment of whole systems of rules.

Hayek's Utilitarianism & Liberty

Again however, Hayek's utilitarian outlook is distinctive in that he explicitly repudiates any hedonistic conception of the content of utility itself. How, then, does he understand utilitarian welfare? Just how are we to assess different systems of rules in regard to their welfare-promoting effects? Here Hayek comes close to modern preference utilitarianism, but gives that view an original formulation, in arguing that the test of any system of rules is whether it maximizes an anonymous individual's chance of achieving his unknown purposes. In Hayek's conception, we are not bound to accept the historical body of social rules just as we find it; it may be reformed in order to improve the chances of the unknown man's achieving his goals. It will be seen that this is a maximizing conception, but not one that represents utility as a sort of neutral stuff, a container of intrinsic value whose magnitude may vary. Indeed, in taking as the point of comparison an hypothesized unknown individual, Hayek's conception (as he recognizes) parallels John Rawls' model of rational choice behind a veil of ignorance as presented in Rawls' Theory of Justice.

Mention of Rawls' contractarian derivation of principles of justice at once raises the question of how Hayek's indirect or system utilitarian argument is supposed to ground the rules of justice he defends, and, in particular, how Hayek's defense of the priority of liberty squares with his utilitarian outlook.

Several observations are apposite here. First, Hayek undoubtedly follows Hume in believing that, because they constitute an indispensable condition for the promotion of general welfare, the rules of justice are bound to take priority over any specific claim to welfare. Again, it is to be noted that Hume's second rule of justice, the transference of property by consent, itself frames a protected domain and so promotes individual liberty. Finally, Hayek argues forcefully that, if individuals are to be free to use their own knowledge and resources to best advantage, they must do so in a context of known and predictable rules governed by law. It is in a framework of liberty under the rule of law, Hayek contends, that justice and general welfare are both served. Indeed, under the rule of law, justice and the general welfare are convergent and not conflicting goals or values.
Justice, Liberty, and the Rule of Law
In Hayek’s Constitution of Liberty

These claims regarding the relations between justice, liberty, and the rule of law encompass the most controversial and the most often attacked portion of Hayek’s social philosophy. Common to all criticisms of it is the objection that Hayek expects too much of the rule of law itself, which is only one of the virtues a legal order may display, and a rather abstract notion at that. Among classical liberals and libertarians, this objection has acquired a more specific character. It has been argued\(^\text{76}\) that upholding the rule of law cannot by itself protect liberty or secure justice, for these values will be promoted only if the individual rights are respected. Hayek’s theory is at the very least radically incomplete, according to these critics, inasmuch as his conception of the rule of law will have the classical liberal implications he expects of it, only if it incorporates a conception of individual rights, which he seems explicitly to disavow. All these liberals and libertarians fasten upon Hayek’s use of a Kantian test of universalizability to argue that such a test is almost without substance, in that highly oppressive and discriminatory laws will survive it, so long as their framers are ingenious enough to avoid mentioning particular groups or named individuals in them. The upshot of this criticism is that, in virtue of the absence in his theory of any strong conception of moral rights, Hayek is constrained to demand more of the largely formal test of universalizability than it can possibly deliver, and so to conflate the ideal of the rule of law with other political goods and virtues.

Criticisms of Hayek’s Universalizable ‘Rule of Law’

This fundamental criticism of Hayek, stated powerfully by Hamowy\(^\text{77}\) and Raz\(^\text{78}\) and endorsed in earlier writings of my own,\(^\text{79}\) now seems to me to express an impoverished and mistaken view of the nature and role of Kantian universalizability in Hayek’s philosophical jurisprudence. It embodies the error that, in Hayek or indeed in Kant, universalizability is a wholly formal test.

In his “Principles of a Liberal Social Order,” (A-115, in B-13) Hayek tells us: "The test of the justice of a rule is usually (since Kant) described as that if its ‘universalizability,’ i.e. of the possibility of willing that rules should be applied to all instances that correspond to the conditions stated in it (the ‘categorical imperative’)."\(^\text{80}\) As an historical gloss, Hayek observes that:

It is sometimes suggested that Kant developed his theory of the Rechtstaat by applying to public affairs his conception of the categorical
imperative. It was probably the other way round, and Kant developed his theory of the categorical imperative by applying to morals the concept of the rule of law which he found ready made (in the writings of Hume).\textsuperscript{81}

Hayek's own argument, that applying Kantian universalizability to the maxims that make up the legal order yields liberal principles of justice which confer maximum equal freedom upon all, has been found wanting by nearly all his critics and interpreters. Thus Raz quotes Hayek as follows:

"The conception of freedom under the law that is the chief concern of this book rests on the contention that when we obey laws, in the sense of general abstract rules laid down irrespective of their application to us, we are not subject to another man's will and are therefore free. It is because the judge who applies them has no choice in drawing the conclusions that follow from the existing body of rules and the particular facts of the case, that it can be said that laws and not men rule... As a true law should not name any particulars, so it should especially not single out any specific persons or group of persons."

Raz comments on this passage: "Then, aware of the absurdity to which this passage leads, he modifies his line, still trying to present the rule of law as the supreme guarantee of freedom..."\textsuperscript{82}

Similarly, discussing Hayek's criteria that laws should not mention proper names and that the distinctions which the law makes be supported both within and without the group which is the subject of legislation, Hamowy comments:

That no proper name be mentioned in a law does not protect against particular persons or groups being either harassed by laws which discriminate against them or granted privileges denied the rest of the population. A prohibition of this sort on the form laws may take is a specious guarantee of legal equality, since it is always possible to contrive a set of descriptive terms which will apply exclusively to a person or group without recourse to proper names...\textsuperscript{83}

How are these standard objections to be rebutted?

\textit{Meeting Objections to the Universalizability Test}

We must first of all note that, even in Kant and in Kantian writers other than Hayek, such as R. M. Hare and John Rawls, the test of universalizability does far more than rule out reference to particular persons or special groups. The test of universalizability does indeed, in the first instance, impose a demand of consistency as between similar cases, and in that sense imposes a merely formal requirement of non-discrimination. This is the first stage or element of universalization, the irrelevance of numerical differences. But the next stage of universalization is that of asking
whether one can assent to the maxim being assessed coming to
govern the conduct of other towards oneself: this is the demand
of impartiality between agents, the demand that one put oneself
in the other man's place. And this element or implication of univer-
salizability leads on to a third, that we be impartial as between
the preferences of others, regardless of our own tastes or ideals
of life—a requirement of moral neutrality. I do not need to ask
here exactly how these elements of universalizability are related
to one another, to ask (most obviously) if the second is entailed
by the first in any logically inexorable way, or similarly the third
by the second. It is enough to note that there is a powerful Kant-
tian tradition according to which strong implications do link the
three phases of universalization, and that this is a tradition to
which Hayek himself has always subscribed.  

Applying the full test of universalizability to the maxims that
go towards making a legal order, we find that, not only are
references to particulars ruled out, but the maxims must be impar-
tial in respect of the interests of all concerned, and they must
be neutral in respect of their tastes or ideals of life. If it be once
allowed that the test of universalizability may be fleshed out in
this fashion, it will be seen as a more full-blooded standard of
criticism than is ordinarily allowed, and Hayek's heavy reliance
on it will seem less misplaced. For, when construed in this fashion,
the universalizability test will rule out (for example) most if not
all policies of economic intervention as prejudicial to the interests
of some and will fell all policies of legal moralism. Two large
classes of liberal policy, supposedly allowable under an Hayekian
rule of law, thus turn out to be prohibited by it.

Hayek himself is explicit that the test of universalizability
means more than the sheerly formal absence of reference to par-
ticulars. As he puts it:

The test of the justice of a rule is usually (since Kant) described as that
of its 'universalizability,' i.e. of the possibility of willing that the rules
should be applied to all instances that correspond to the conditions stated
in it (the 'categorical imperative'). What this amounts to is that in apply-
ing it to any concrete circumstances it will not conflict with any other
accepted rules. The test is thus in the last resort one of the compatibility
or non-contradictoriness of the whole system of rules, not merely in a
logical sense but in the sense that the system of actions which the rules
permit will not lead to conflict.

The maxims tested by the principle of universalizability, then,
must be integrated into a system of nonconflictal or (in Leib-
niz' terminology) composable rules, before any of them can be
said to have survived the test.

Again, the compatibility between the several rules is not one
that holds in any possible world, but rather that which obtains
in the world in which we live. It is here that Hayek draws heavily on Hume's account of the fundamental laws of justice, which he thinks to be, not merely compatible with, but in a large measure the inspiration for Kant's political philosophy. As I have already observed, the practical content of the basic rules of justice is given in Hume by anthropological claims, by claims of general fact about the human circumstance. It is by interpreting the demands of universalizability in the framework of the permanent necessities of human social life that we derive Hume's three laws of natural justice.

Kantian Universalizability & Liberal Justice

Note again that, in Hume, as in Hayek, the laws of justice are commended as being the indispensable condition for the promotion of general welfare, i.e. their ultimate justification is utilitarian. But in order to achieve this result, neither Hayek nor Hume need offer any argument in favor of our adopting a Principle of Utility. Rather, very much in the spirit of R. M. Hare's Kantian reconstruction of utilitarian ethics, Hayek's claim is that an impartial concern for the general welfare is itself one of the demands of universalizability. A utilitarian concern for general welfare is yielded by the Kantian method itself and is not superadded to it afterwards. Hayek's thesis, like Hume's, is that a clear view of the circumstances of human life shows justice to be the primary condition needed to promote general welfare. But, like Hare and Kant, he thinks concern for both justice and the general welfare to be dictated by universalizability itself.

Hayek's argument, then, is that the maxims of liberal justice are yielded by applying the Kantian universalizability test to the principles of the legal order. As he puts it:

It will be noticed that only purpose-independent ('formal') rules pass this (Kantian) test because, as rules which have originally been developed in small purpose-connected groups ('organizations') are progressively extended to larger and larger groups and finally universalized to apply to the relations between any members of an Open Society who have no concrete purposes in common and merely submit to the same abstract rules, they will in the process have to shed all reference to particular purposes.

Again, in listing the essential points of his conception of justice Hayek asserts:

... a) that justice can be meaningfully attributed only to human actions and not to any state of affairs as such without reference to the question whether it has been, or could have been, deliberately brought about by somebody; b) that the rules of justice have essentially the nature of prohibitions, or, in other words, that injustice is really the primary concept
and the aim of rules of just conduct is to prevent unjust action; c) that the injustice to be prevented is the infringement of the protected domain of one’s fellow men, a domain which is to be ascertained by means of these rules of justice; and d) that these rules of just conduct which are in themselves negative can be developed by consistently applying to whatever such rules a society has inherited the equally negative test of universal applicability—a test which, in the last resort, is nothing less than the self-consistency of the actions which these rules allow if applied to the circumstances of the real world.\textsuperscript{89}

There seem to be several elements, then, in Hayek’s contention that applying the Kantian test to the legal framework yields a liberal order. First, though he does not explicitly distinguish the three stages or phases of universalization I mentioned earlier, he is clear that the universalizability test is not only formal, and that it comprehends the requirement that the scheme of activities it permits in the real world would be conflict-free. Second, at any rate in a society whose members have few if any common purposes, law must have a largely formal character, stipulating terms under which men may pursue their self-chosen activities rather than enjoining any specific activities on them; in the term Hayek adopts from Oakeshott,\textsuperscript{90} the form of legal rule appropriate to such an abstract or open society is “nomocratic” rather than “teleocratic,” purpose-neutral rather than purpose-dependent. Third, in a society whose members lack common purposes or common concrete knowledge, only abstract rules conferring a protected domain on each can qualify as rules facilitating a conflict-free pattern of activities. This means that the conditions of our abstract or open society will themselves compel adoption of a rule conferring just claims to liberty and private property—which Hayek rightly sees and indissolubly linked—once these conditions are treated as the appropriate background for the Kantian test.

One crucially important implication of this last point, noted in all of Hayek’s political writings over the last twenty years but spelled out most systematically in the second volume of his recent trilogy, Law, Legislation and Liberty, is that the rules of justice which survive the Kantian test can prescribe justice only in the procedures and never in end-states. As Hayek puts it, expiating Hume: "There can be no rules for rewarding merit, or no rules of distributive justice, because there are no circumstances which may not affect merit, while rules always single out some circumstances as the only relevant ones."\textsuperscript{91}

This pattern of argument is an important and striking one, worth examining in detail on its merits, and not capable of being dismissed as prima facie unworkable. One important point may be worth canvassing, however. Hayek argues that once the legal framework has been reformed in Kantian fashion, it must of necessity be one that maximizes liberty. Hamowy goes so far as
to assert that Hayek defines liberty as conformity with the rule of law.\textsuperscript{92} Now, whereas not every aspect of Hayek's treatment of freedom and coercion is clear or defensible,\textsuperscript{93} it seems a misinterpretation to say that he ever defines freedom as consisting solely in conformity with the rule of law. Rather, he takes such conformity to be a necessary condition of a free order. His thesis is that applying the Kantian test to the legal order will of itself yield a maxim according equal freedom to all men.\textsuperscript{94} So it is not that the rule of law contains freedom as part of its definition, but rather that a freedom-maximizing rule is unavoidably yielded by it. In other terms, we may say that, whereas moral rights do not come into Hayek's theory as primordial moral facts, the right to a protected domain is yielded by his conception as a theorem of it.

If Hayek is right that his method shows the unacceptability of contemporary patterned conceptions of justice, for example, and if, as I think, he has shown that only procedural justice can be squared with the liberal maxim demanding equal freedom of action, then we can begin to see the measure of his achievement. Certainly, his Kantian derivation of equal freedom deserves close and sympathetic scrutiny, and it cannot be assumed without argument that Hayek's system cannot protect individual rights or claims to justice simply because such rights do not enter the system at a fundamental level. For the most original and striking claim of Hayek's legal and political philosophy, which in this respect may be regarded as a synthesis of the theories of justice of Hume and Kant, is that applying the rational test of universalizability to the conditions of our world must of necessity yield a system of rules in which a protected domain of individual liberty is secured.

**Some Criticism of Hayek's System of Ideas:**
**Buchanan and Oakeshott**

In regard to his theory of justice, the criticisms we have surveyed appear to be premature, or at least inconclusive. We have yet to consider a much more fundamental criticism of Hayek's system, directed against it by thinkers in very different traditions, which attends to the highly ambiguous role in Hayek's theory of the idea of spontaneous order.

*James Buchanan on Hayek*

One of the clearest and deepest statements of some of the difficulties in Hayek's use of spontaneous order arguments may be
found in James M. Buchanan’s writings. In an important paper, Buchanan observes that, in Hayek’s later writings we find:

the extension of the principle of spontaneous order, in its normative function, to the emergence of institutional structure itself. As applied to the market economy, that which emerges is defined by its very emergence to be that which is efficient. And this result implies, in its turn, a policy of nonintervention, properly so. There is no need, indeed there is no possibility, of evaluating the efficiency of observed outcomes independently of the process; there exists no external criterion that allows efficiency to be defined in objectively measurable dimensions. If this logic is extended to the structure of institutions (including law) that have emerged in some historical evolutionary process, the implication seems clear that that set which we observe necessarily embodies institutional or structural ‘efficiency.’ From this it follows, as before, that a policy of nonintervention in the process of emergence is dictated. There is no room left for the political economist, or for anyone else, who seeks to reform social structures, to change laws and rules, with an aim of security instead of efficiency in the large. . . . Any ‘constructively rational’ interferences with the ‘rational’ processes of history are, therefore, to be avoided.

Buchanan’s criticism, then, is that Hayek’s apparent extension of spontaneous order or evolutionary arguments from the market processes to institutional structures is bound to disable the tasks of criticism and reform. We are left with no leverage in Hayek’s account which might be used against the outcomes of the historical process. Instead, it seems, we are bound to entrust ourselves to all the vagaries of mankind’s random walk in historical space.

In an earlier critique, Buchanan noted perceptively the phenomenon of “spontaneous disorder”—the emergence of patterns of activity that thwart the purposes and damage the interests of all who participate in them. Such “spontaneous disorder” is, after all, the core of the idea of the Prisoner’s Dilemma, which has been explored imaginatively in Buchanan’s writing in its political and constitutional applications. The neglect in Hayek’s political work in English of any treatment of the problem this Dilemma poses for his system invites the attempt to accommodate these fundamental objections.

It is clear, however, that as it stands Hayek’s conception of spontaneous order needs revision or at least refinement. Buchanan’s identification of certain states of affairs as manifesting spontaneous disorder suggests the question whether the idea of spontaneous order in Hayek is a value-free explanatory notion or else a moral notion of some sort. If the former—as Hayek’s examples of spontaneous order in nature suggest—then spontaneous order really functions as a cipher for invisible hand explanations of the sort brilliantly discussed by Robert Nozick in his Anarchy, State, and Utopia.
We might then be compelled to regard the growth of interventionism and of the welfare state, and even certain aspects of the functioning of totalitarian regimes, as exemplifying spontaneous order inasmuch as we might be able to explain these social phenomena as the unintended outcomes of human action. If, on the other hand, spontaneous orders are taken as embodying positive moral values—if, that is to say, the idea of a maleficient or destructive spontaneous order is repudiated as incoherent—then it seems clear that Hayek requires a far bolder moral theory than any he has advanced thus far. In particular, such a moral theory would need to bridge the gap between evaluative and descriptive language which is a feature of modern moral philosophy, and in this and other respects it would need to come much closer to natural law ethics than Hayek has ever himself done.

Buchanan’s critique is decisive, then, in compelling Hayek to clarify the idea of spontaneous order as being either a moral notion, which might plausibly be embedded only in some variant of natural law ethics, or else as a value-free explanatory concept whose political uses must then be made more explicit than Hayek has heretofore done.

Buchanan’s critique is important, again, in disclosing that Hayek’s attitude to rationalism is ambivalent and unstable. If we adopt the latter view of spontaneous order as a value-free explanatory idea, its uses in political argument depend upon two kinds of considerations. First, they must invoke a political ethics, which arguably is given by Hayek’s synthesis of Hume with Kant. More problematically, however, the use of an explanatory idea of spontaneous order in political argument presupposes that we have a genuine theoretical or synoptic knowledge of social life of just the sort that Hayek occasionally suggests is impossible. This is to say that, if we are to make use of the idea of spontaneous social order in framing or reforming social institutions so as to make best use of society’s spontaneous forces, we need to invoke a theoretical model of social structure and social process which gives some assurance as to the outcome of our reforms. To this extent, contrary to some of Hayek’s recommendations but in line with a part of his recent practice, we cannot avoid adopting a critical rationalist stance toward our inherited institutions and the historical process. This is true, whether we accept Hayek’s own effort at a political ethics, or Buchanan’s neo-Hobbesian contractarian constitutionalism.
Michael Oakeshott on Hayek

These cited points are reinforced if we consider Michael Oakeshott’s attitude to Hayek’s work. Oakeshott is a more intrepid traditionalist than Hayek in that Oakeshott claims that we cannot in the end do anything but accept the traditions which we inherit in our society. Certainly, we cannot appraise our traditions by reference to any transcendental standard of reason or justice, since such standards (in Oakeshott’s view) necessarily turn out to be abridgements of our traditions themselves. Like Hayek, then, Oakeshott maintains that all moral or political criticism must be immanent criticism, but, unlike Hayek, he denies that there is any inherent or evolutionary tendency for the development of traditional practices to converge on liberal institutions. For this reason Oakeshott would insist that his conception of civil association or nomocracy—upon which, as we have already seen, Hayek draws in his conception of the juridical framework of the liberal order—is a description of a strand of practice in the modern European state and has no necessary application beyond the cultural milieu in which it came to birth. Oakeshott would accordingly repudiate the implicit universalism of Hayek’s argument for the liberal order.

To some extent, of course, Hayek concedes that there cannot be universal scope for liberal principles when he allows that the Great or Open Society is itself an evolutionary emergence from rude beginnings. Where he differs from Oakeshott is in affirming that the Great or Open Society in which liberal principles are uniquely appropriate represents the future of all mankind. In this respect, Hayek continues to subscribe to an Enlightenment doctrine of universal human progress which Oakeshott has abandoned. I do not mean that Hayek has ever endorsed the belief that historical change is governed by a law of progressive development, but rather that he seems to take for granted (what surely is most disputable) that the unhampered natural selection of rival practices and traditions will result in a general convergence on liberal society.

Hayek’s Variant of Classical Liberalism: A Fusing of Libertarian & Traditionalistic Ideals?

A contrast of Hayek’s thought with that of Oakeshott revives one of the commonest criticisms of Hayek’s work, namely, that it straddles incompatible conservative and libertarian standpoints. The upshot of my discussion thus far may support this standard criticism in that it suggests that Hayek’s system is
poised uneasily between the constructivist (but not uncritical) rationalism of a Buchanan and the out-and-out traditionalism of an Oakeshott.

At the same time, however, elements of Hayek's conception of social evolution via the competitive selection of rival traditions may provide a point of convergence, if not of fusion, for some libertarian and conservative concerns. One central argument in contemporary neo-conservatism, after all, is in the claim that the stability of the free society depends upon its containing strong supportive traditions. Modern neo-conservatives such as Irving Kristol and Daniel Bell take up the doubts expressed by writers of the Scottish Enlightenment such as Smith and Ferguson about the effect on society's moral traditions of the workings of the commercial marketplace itself. A major difficulty in the neo-conservative analysis is the lack of any very convincing prognosis: if free markets have corrosive effects in respect of the moral traditions which support them, so that capitalism institutions contain cultural contradictions which make them over the long run self-destroying, what is to be done?

This is an especially hard question if we recognize (as some of the neo-conservatives themselves sometimes fail to do) that merely capturing positions of power in the apparatus of the contemporary democratic state affords no longrun security for the market order.

*Hayek's Voluntaristic Traditionalism: A Market in Traditions*

There is in Hayek's work an argument for voluntaristic traditionalism which goes some way toward answering this question. Hayek sees that the principal cause of the erosion of definitive moral traditions in advanced societies is not so much the market itself, but rather interventionist policies sponsored by governments. Often with the support of business, governments have contributed to the erosion of moral traditions by their educational, housing, and welfare policies. Hayek's argument for a voluntaristic traditionalism distinguishes him from neo-conservatives, firstly in that he would argue that it is government interventionism which causes much of the contemporary moral malaise and because he would not seek to use government power to prop up faltering traditions. Rather, he seeks to establish something like a *market in traditions*, in the hope that the traditions which would emerge from an unhampered social life would be most congenial to the stability of the market order itself. In his argument for a competitive and voluntaristic traditionalism, Hayek plain-
ly treats particular traditional communities as filter devices for social practices of the sort Robert Nozick discusses in his fascinating and profound account of the framework of utopia.99

It cannot be said unequivocally that Hayek’s libertarian traditionalism answers the most profoundly disturbing doubts of the neo-conservatives. In particular, Hayek’s advocacy of procedural justice, with the role of chance in distributing incomes being recognized clearly, confronts the difficulty that the moral defense of capitalism has chiefly been conducted by reference to the notion of desert. By comparison with this traditional defense, Hayek’s apologia for the market order may be, as Kristol observes, “nihilistic.”101

Against this criticism Hayek may justifiably maintain that there is a sheer conflict between traditional sentiments of desert and merit and any clear-sighted defense of the market order—a conflict which the neo-conservative endorsement of the market order does nothing to resolve.

Kristol’s criticism of Hayek has other, and perhaps profounder aspects, however. Hayek recognizes that contemporary moral sentiment is by no means uniformly, or even generally, favorable to the market order, and, both in his writings on Mandeville and elsewhere, Hayek has implicitly acknowledged that the spontaneous growth of moral norms may not, in fact, yield results congenial to a stable market order. At the same time, Hayek continues to advocate a strong form of moral conventionalism, resisting the claims of those who see modern morality as in need of radical reform. There is thus a tension, perhaps irresolvable in terms of Hayek’s system, between his Mandevillian moral iconoclasm and his moral conservatism.

Conclusion: Hayek’s Research Program & Classical Liberalism

In his argument for a voluntaristic traditionalism, Hayek (as we have seen) answers some of the concerns of contemporary conservatives. His argument for a market in traditions may be vulnerable to criticism, inasmuch as the growth of anti-market ethics over the past centuries seems to belie his expectation that natural selection of moral traditions will filter out those unfriendly to the market process. In recognition of this, Hayek would in consistency be compelled to adopt, in respect of moral convention, a more “rationalist” stance than he usually recommends. He would need to undertake a systematic criticism of modern morality in regard to its viability as part of an ongoing market order. In so doing, he would be resuming the task undertaken by those moderate rationalists, Bernard Mandeville and David Hume,
whom Hayek rightly sees as the fountainheads of classical liberalism. Even if his own system of ideas should prove unstable, it recalls to us the insights of the great classical liberals, and intimates the most powerful research program in classical liberal political philosophy. And, in recalling that intellectual tradition from what had sometimes seemed an irrecoverable oblivion, Hayek's work is a hopeful augury for an uncertain future.103

Footnotes

For full citations of books and articles mentioned in these notes, see the following bibliography. References to Hayek's works are cited by title or by alphabetic letter followed by numbers to identify books (B-), articles (A-), edited works (E-), and pamphlets (P-). See the following Hayek bibliography for more information. References to books or articles about Hayek and related matters are found in the last section of the bibliography.

1a. Hayek does not consistently employ the idea of spontaneous social order as an explanatory device of this sort, and some of the difficulties of his thought arise from this ambiguity. At the same time, Hayek's use of the idea of a spontaneous order in society is his most brilliant use in the context of social theory of his conception of knowledge as at bottom at once conceptual and practical. The spontaneous or undesigned patterns of order in society have the advantage over planned or constructed orders, first and foremost, because planned orders can utilize only explicit or conscious knowledge. Hayek's great thesis, then, is that, contrary to Descartes' unwitting interventionist disciples, spontaneous order is the fundamental order in society because it embodies that practical or tacit knowledge of which theory is only a precipitate or an abridgement. If we accept that the Cartesian view of knowledge and mind is in error, we have no alternative but to acknowledge that the constructivist projects of modern interventionism are all attempts to do the impossible—to replace articulate and tacit knowledge by articulate theory, and spontaneous order by conscious control.


2. Hayek, [B-10], Sensory Order, p. 5, para. 1.12. At times, Hayek goes so far as almost to relativize any distinction between appearance and reality. When he adopts such a position, he breaks with a decisive element in Kantian critical philosophy, for which the distinction between how things seem to us and how they are in themselves must be fundamental.

4. Hayek, [B-10], Sensory Order, p. 42, para. 2.15.
5. Hayek, [B-10], Sensory Order, p. 165, para. 8.2.

7. Hayek, Sensory Order, [B-10], pp. 178-9, para. 8.45. Hayek's affirmation of a practical dualism in the theory of the mind may well have been influenced by Mises, who adopts a very similar standpoint in several of his writings.
10. See W. V. Quine, Ontological Relativity, New York: 1969. Unlike Hayek, Quine sees compelling reasons for postulating a realm of abstract entities, including numbers, but, like Hayek, he admits no ontological gulf between body and mind. Hayek's objection to the neutral monism defended by William James, Bertrand Russell, and John Dewey seems to be on the grounds of its psychologistic features as it is stated by these writers: see Sensory Order, p. 176, para. 8.38. Neutral monism need not have these features, however, and perhaps Hayek's system need not exclude it.
19a. In attributing a pragmatist aspect to Hayek's Kantianism, I do not mean to ascribe to Hayek any of the doctrines of modern Pragmatism, but rather to note the sense in which for Hayek action or practice has primacy in the generation of knowledge. For Hayek, in some contrast with Kant, knowledge emanates from practical life in the sense that it is ultimately embodied in judgments and dispositions to act.
19b. In his [B-13], Studies in Philosophy, Politics and Economics, p. 24, speaking of "the erroneous belief that if we look only long enough, or at a sufficient number of instances of natural events, a pattern will always reveal itself," Hayek remarks that "in those cases the theorizing has been done already by our senses."
23. Hayek, [B-13], Studies in Philosophy, Politics and Economics, London: Routledge and Kegan Paul, 1967, pp. 60-62. Hayek's belief that the reflexive investigation of our own minds must always be incomplete, inasmuch as it will always be governed by meta-conscious rules beyond the range of critical scrutiny, is not one that Kant could easily have accepted.
25. Hayek, [B-13], Studies, Chapter 4.

29. Hayek goes so far as to assert that "the idea of a mind fully explaining itself involves a logical contradiction." See [B-13], Studies, p. 34.


31. Descartes may not always have committed the errors Hayek finds in him or his disciples. See on this Stuart Hampshire, "On Having a Reason," Chapter 5 of G. A. Vesey, ed., Human Values, Royal Institute of Philosophy Lectures, vol. II, 1976-1977, Harvester Press, 1976, where on p. 88 Hampshire speaks in Hayekian fashion of "a Cartesian error, which was not consistently Descartes', and which consists of assuming a necessary connection between thought on the one side and consciousness and explicitness on the other...


36. Hayek, [B-13], p. 76. "The problems of how galaxies or solar systems are formed and what is their resulting structure is much more like the problems which the social sciences have to face than the problems of mechanics..." See also [B-16], Law, Legislation and Liberty, Vol. II, pp. 39-40.

37. Hayek, [B-17], New Studies, p. 250.


41. Hayek, [B-13], Studies, Chap. 4.

42. Personal communication from Professor Hayek to the author.

43. See Hayek, [B-13], Studies, p. 61: "...if 'to have meaning' is to have a place in an order which we share with other people, this order itself cannot have meaning because it cannot have a place in itself."

44. See Hayek, [B-12], The Constitution of Liberty, p. 160.


47. Hayek, [B-7], Individualism, p. 50.


52. Hayek, [B-13], Studies, p. 35.


58. Hayek, [B-17], New Studies, pp. 51-52.

60. Hayek, [B-13], *Studies*, p. 6: "while this possibility [of falsification] always exists, its likelihood in the case of a well-confirmed hypothesis is so small that we often disregard it in practice."

61. Hayek, [B-13], *Studies*, p. 16.

62. Hayek, [B-13], *Studies*, p. 36. See also *Studies*, p. 18: "Where our predictions are thus limited to some general and perhaps only negative attributes of what is likely to happen, we evidently also shall have little power to control developments."
And on p. 19: "the wise legislator or statesman will probably attempt to cultivate rather than to control the forces of the social process."


70. Hayek, [B-13], *Studies*, p. 113. Hayek acknowledges earlier in his Hume essay (p. 109, note 5: "My attention was first directed to these parts of Hume's works many years ago by Professor Sir Arnold Plant, whose development of the Humean theory of property we are still eagerly awaiting.") Hayek is alluding to his discussions with Sir Arnold in the early 1930s at the London School of Economics, where Hayek had migrated to take up the Tooke Professorship. See Sir Arnold Plant, "A Tribute to Hayek—The Rational Persuader," *Economic Age* 2, no. 2 (January-February 1970): 4-8, especially p. 5: "I myself had returned to LSE in the middle of 1930 after six years at the University of Cape Town, where I had developed a special interest in the scope of and functions of property and ownership, both private and public. It was a delight to find Hayek as well seized of the economic significance of the ramifications of property law as I was myself. I recall his excitement when I called his attention to the profound discussion of these matters in David Hume's *Enquiry concerning the Principles of Morals: section III, Of Justice, and my own gratitude to him for his influence on my own thinking about so-called intellectual and industrial property law." The entirety of Sir Arnold's article should be consulted for the light it sheds on LSE during the 30s as a seedbed for transmitting Austrian economics (one visitor described LSE as "ein Vorort von Wien"—a suburb of Vienna; Plant, p. 6). See also Hayek's important inaugural lecture delivered at LSE March 1, 1933, "The Trend of Economic Thinking," (A-20) and his revealing article on the history of "The London School of Economics, 1895-1945," (A-60). During the 1940s Hayek was also editor of LSE's *Journal, Economica*.


72. See, especially, Henry Sidgwick's masterpiece, *The Method of Ethics*, in which Sidgwick defends an indirect form of utilitarian morality.

73. For Hayek's criticism of the standard variety of utilitarian theory, see especially Hayek, [B-16], *Law, Legislation and Liberty*, vol. II, pp. 17-23.

74. See Hayek, [B-13], *Studies in Philosophy, Politics and Economics*, p. 173: "An optimal policy in a catallaxy may aim, and ought to aim, at increasing the chances of any member of society taken at random of having a high income, or, what amounts to the same thing, the chance that, whatever his share in total income may be, the real equivalent of this share will be as large as we know how to make it."

75. See Hayek, [B-16], *Law, Legislation and Liberty*, vol. II: *The Mirage of Social Justice*, p. xiii, for his endorsement of some aspects of Rawls' theory.


77. See footnote 76 above.

78. See footnote 76 above.


81. Hayek, [B-13], *Studies*, pp. 116-117.

86. Hayek, [B-13], Studies, pp. 116-117: "What Kant had to say about this [justice] seems to derive directly from Hume."
89. Hayek, [B-13], Studies, p. 166.
90. See Hayek, [B-13], Studies, p. 163.
91. Hayek, [B-13], Studies, p. 116. Hayek's argument for a procedural conception of justice—an argument which, unlike Nozick's, does not depend on one's prior acceptance of Lockean rights theory—is one of the fundamentally important theses of his later philosophy, all the more important because his claim is that the procedural view of justice follows from the Kantian principle and is uniquely consonant with the requirements of the free market process.
92. Hamowy, "Law and the Liberal Society."
94. See J. L. Mackie, *Ethics*, p. 88: "This . . . thesis is well formulated by Hobbes: 'that a man . . . be contented with so much liberty against other men, as he would allow other men against himself.' Hobbes equates this with the Golden Rule of the New Testament . . . ."
95. See James M. Buchanan, "Cultural Evolution and Institutional Reform" (unpub.) I am most grateful to Professor Buchanan for allowing me to read this paper.
98. See Oakeshott's "Rationalism in Politics," in the book of that name for his most explicit criticism of Hayek.
100. See Hayek's *Law, Legislation and Liberty*, vol. II, Chapter Ten, for the clearest acknowledgement of the role of chance in the alemic of catallaxy.
102. See Hayek's "Dr. Bernard Mandeville," *New Studies*, pp. 249-266; and his remarks on contemporary morality in the Epilogue to vol. III of *Law, Legislation and Liberty*, pp. 165-166.
103. For their detailed comments on an earlier draft of this article, I am indebted to James M. Buchanan, Jeremy Shearmur, David Gordon, and Lester Hunt. I am also indebted to Michael Oakeshott and Robert Nozick for illuminating conversation on the themes addressed in this article.

BIBLIOGRAPHY OF FRIEDRICH A. HAYEK

The following bibliography of the writings by and about Friedrich A. Hayek was compiled near the end of 1982 by John Cody assisted by Nancy Ostrem. We gratefully acknowledge the helpful suggestions of Kurt R. Leube (Editor-in-chief of the International Carl Menger Library, Vienna), Prof. Albert H. Zlabinger of Jacksonville University (and co-editor with Kurt Leube of Philosophia Verlag), Prof. Paul Michelson of Huntington College, Paul Varnell of Chicago, and members of the Institute for Humane Studies staff, including Leonard P. Liggio, Walter Grinder, and John Blundell.

While aiming to be the most comprehensive, accurate, and up-to-date listing of Hayekian scholarship yet assembled, this bibliography—owing to the prolific and dispersed nature of the materials involved—must unavoidably contain errors, incomplete citations, and omissions. Among the omissions are a great many of Hayek's voluminous letters-to-editors, short notes or comments, interviews (including tape recordings, video-cassettes, and films), and book reviews. Such journals as the Schriften des Vereins für Sozialpolitik, Jahrbücher für Nationalökonomie und Statistik, Zeitschrift für Volkswirtschaft und Sozialpolitik (after 1927 superseded by Zeitschrift für Nationalökonomie), and Economica contain many items not listed in this edition of the bibliography. Many additional bibliographical items by or about Hayek came to our attention only after our typesetting deadline precluded further citations. To remedy our omissions and to amend our inaccuracies for a possible subsequent publication of an enlarged Hayek bibliography we welcome our readers' comments and assistance.

Earlier bibliographical orientations to Hayek's writings that proved helpful in creating the present Bibliography are:


Books


[Hayek's *Geldtheorie* (1929) together with its English translation (1933) is an expanded version of the paper (A-7a) delivered at a meeting of the Verein für Sozialpolitik, held in Zurich, in September 1928 (See A-7a with annotations). Hayek cites earlier studies as the foundations for his *Geldtheorie*: A-2a, A-6, A-7a, A-9a, A-13. Hayek presents, from the Austrian School perspective, a critical assessment of rival theories on the cause of trade cycle. He argues that the cause of all significant trade cycle fluctuations are monetary interventions which distort relative price relationships.]


[The 1st edition of *Prices* (1931) literally reproduced Hayek's four lectures on industrial fluctuations presented at the University of London (LSE) during the session 1930-1931. The "Preface to the Second Edition" of *Prices* (1935) states how Hayek developed Austrian capital theory following the four lectures. These developments were contained in the 2nd edition and prepared for by A-11a, A-12, A-13, A-14, A-21, A-22, A-23, A-24a, as well as by the first German edition of *Preise* (1931), the English version (B-1), and A-9a. Economist Sudha R. Shenoy, in an unpublished manuscript, has done a detailed comparative analysis of the differences between the 1931 and 1935 editions of *Prices*.]


[Revised version of five lectures delivered at the *Institut Universitaire de Hautes Études Internationales* at Geneva. Hayek surveys the consequence of alternative monetary arrangements, such as gold vs. paper currency and flexible vs. fixed exchange rates.]


[Collection of essays, mostly reprints or revised versions of earlier essays, which are attempts "to improve and develop the outline of a Theory of Industrial Fluctuations contained in" B-1 and B-2. The first chapter, "Profits, Interest and Investment" is new; the other chapters are revisions of A-37a, A-27a, A-26, A-19, A-21, A-14, A-9a. Hayek's essays defend the Austrian School's theory of the trade cycle. He argues that monetary interventions cause far-ranging economic distortions that bring about malinvestments and unemployment.]

[Growing out of Hayek's concern for the causes of the trade cycle or industrial fluctuations, this work deals with capital, interest, and time components in the structure of production.]


[Hayek wrote The Road to Serfdom in his "spare time from 1940 to 1943" while he was engaged in pure economic theory. The central argument was first sketched in A-37b (1938) and expanded in P-2 (1939). Hayek’s thesis is that social-political planning endangers both political and economic liberties of the individual.]


[During the 1920s the Mill-Taylor correspondence became available for scholarly assessment of how much ideological influence Harriet Taylor exerted on the political, economic, and social ideas of her intimate friend and eventual husband, John Stuart Mill. Hayek's volume presenting their correspondence allows the reader to judge the nature of their relationship.]


[The two major sections of this volume first appeared as articles in Economica as A-46 (1942-1944) and A-42 (1941), respectively; the third study first appeared as A-70 (1951). Hayek analyzes the intellectual origins of social planning and engineering. Topics covered include: scientism and the methodology of studying society, collectivism, historicism, non-spontaneous or rationalistic social planning, as well as the role of Saint-Simon, Comte, and Hegel in legitimizing scientific sociology.]


[Though published in 1952, the "whole principle" of The Sensory Order was conceived 30 years earlier by Hayek in a draft of a student paper composed around 1919-1920, while he was still uncertain whether to become a psychologist or an economist. Three decades later his concern about the logical character of social theory led him to reexamine favorably his youthful conclusions on certain topics of]
epistemology and theoretical psychology: concepts of mind, classification, and the ordering of our mental and sensory world. In his 1952 Preface Hayek acknowledges his indebtedness "particularly" to Ernst Mach and his analysis of perceptual organization."

B-11 The Political Ideal of the Rule of Law. Cairo: National Bank of Egypt, Fiftieth Anniversary Commemorative Lectures, 1955, 76 pp. [Publication of four lectures Hayek delivered at the invitation of the National Bank of Egypt. These essays form a historical survey of the evolution of freedom and the rule of law in Britain, France, Germany, and America.] [Reprinted in a revised, edited, and abridged format as Chapters 11 and 13-16 of Hayek's B-12; Chapters 11 and 16 of the B-12 version were reprinted under the title, The Rule of Law. Menlo Park, California: Institute for Humane Studies (Studies in Law, No. 3), 1975.]


Vol. I, Rules and Order, 1973
Vol. III, The Political Order of a Free People, 1979
These volumes are also available in paperback, Phoenix Books editions of the University of Chicago Press. A French translation, Droit, Législation et Liberté, is available from Presses Universitaires de France in the Collection Libre Échange, edited by Florian Aftalion and Georges Gallais-Hammonno. [Vol. I distinguishes between liberal spontaneous order ('cosmos') and planned or engineered, rationalistic social orders ('taxis'). Hayek also traces the changing concept of law, principles vs. expediency in politics, and the 'law of legislation'.]


Pamphlets

P-1  Das Mieterschutzproblem, Nationalökonomische Betrachtungen. Vienna: Steyermüth-Verlag, Bibliothek für Volkswirtschaft und Politik, No. 2, 1929. ["The Rent Control Problem, Political Economic Considerations." Hayek's later article (A-9b) was adapted from P-1 (the more detailed study on the effects of rent control) and both were used to form the substance of Hayek's "The Repercussions of Rent Restrictions," in F. A. Hayek, Milton Friedman, et al. Rent Control: A Popular Paradox. Evidence on The Effects of Rent Control. Vancouver: The Fraser Institute, 1975, pp. 67-83; this last volume grew out of an earlier version: Arthur Seldon, ed. Verdict on Rent Control. London: Institute of Economic Affairs, 1972.]


P-4  Report on the Changes in the Cost of Living in Gibraltar 1939-1944 and on Wages and Salaries. Gibraltar, no date (1945).


P-10 Der Wettbewerb als Entdeckungsverfahren. Kiel: (Kieler Vorträge, N.S. 56), 1968, 20 pp. ["Competition as a Discovery Procedure." Originally delivered in English as a lecture to the Philadelphia Society at Chicago on March 29, 1968 and later on July 5, 1968, in German, to the Institut für Weltwirtschaft of the University of Kiel. The German version was published first, but it lacked the final section found in the English version published in Chapter 12 of New Studies (B-17). The German version also was reprinted in F. A. H.'s German collection of essays entitled Freiburger Studien (B-14), 1979.]


P-21 Wissenschaft und Sozialismus. Tübingen: Walter Eucken Institut, (Vorträge und Aufsätze 71) [J. C. B. Mohr/P. Siebeck], 1979. ["Science and Socialism."]

P-22 Liberalismus. Translated from English by Eva von Malchus. Tübingen: Walter Eucken Institut (Vorträge und Aufsätze 72) [J. C. B. Mohr/P. Siebeck 1979], 47 pp. ["Liberalism and Socialism."]

P-22 Reprint-translation into German of article in New Studies (B-17).
Books Edited or Introduced


[This edition includes von Wieser’s Collected Writings published between 1876 and 1923. Friedrich Freiherr von Wieser (1851-1926) was Hayek’s mentor at the University of Vienna and represented the “older Austrian school” of Economics. See A-4 and A-125b.]


["Contributions on Monetary Theory."


["Collected Works"]


[Hayek’s Introduction is entitled, “John Stuart Mill at the Age of Twenty-Four,” and surveys Mill’s intellectual development at the time of Mill’s famous essay, “The Spirit of the Age,” which represented important deviations from Benthamite Utilitarian liberalism.]


[Hayek’s Foreword pays tribute to Mises for the anti-socialist impact that Mises’ *Die Gemeinwirtschaft: Untersuchungen über den Sozialismus* (Jena: Gustav Fischer, 1922) created on many intellectuals after the First World War.]


**Articles in Journals, Newspapers, or Collections of Essays**


[“The Stabilization Problem for Countries on the Gold Standard.” See note A-2a for the biographical context of Hayek's first two article publications. The journal in which Hayek published some of his first articles was closely associated with the Austrian School of economics through its editorial direction. It underwent several name changes:

1892-1918: The journal was known as *Zeitschrift für Volkswirtschaft, Socialpolitik und Verwaltung. Organ der Gesellschaft österreichischer Volkswirt.* ("Journal of Political Economy, Social Policy, and Administration. Publication of the Society of Austrian Political Economy"), and was published in Vienna by F. Tempsky.

1919-1920: Suspended publication.

1921-1927: It was known as *Zeitschrift für Volkswirtschaft und Socialpolitik.* ("Journal of Political Economy and Social Policy") and was published in Vienna and Leipzig by F. Deuticke.

After 1927, the journal was superseded by *Zeitschrift für Nationalökonomie.* ("Journal of National Economy"). See Bibliography A-22, etc.

The heavily Austrian School of economics-oriented editorial staff included:

1892-1918 Ernst von Plener (1841-1923)

1892-1914 Eugen von Böhm-Bawerk (1851-1914)

1892-1907 Karl Theodor von Inama-Sternegg (1843-1908)

1904-1916 Eugen von Philippovich (1856-1917)

1904-1918 Friedrich Freiherr von Wieser (1851-1926)

1911-1916 Robert Meyer (1855-1914)

1921-1927 R. Reisch (1868-?), Ochmar Spann (1879-1950), and others.]
A-1b "Dioktontopolitik und Warenpreise." Der Österreichische Volkswirt 17 (1,2), (Vienna 1924).
["Discount Policy and Commodity Prices."]

["The Monetary Policy in the United States Since Overcoming the Crisis of 1920."]
Both this article and A-1a grew out of Hayek's post-graduate studies in America which he pursued from March 1923 to June 1924 at New York University. On the chronology of the Nobel Prize biography of Hayek: Official Announcement of the Royal Academy of Sciences, republished in the Swedish Journal of Economics 76 (December 1974): 469 ff. Also see Machlup, ed. (1976). pp. 16-17, as well as the annotation in the present Hayek Bibliography on item A-64. Hayek's American academic sojourn took place while he was on a leave of absence from his Austrian civil service position (1921-1926) as a legal consultant (along with Ludwig von Mises) for carrying out the provisions of the Treaty of St. Germain; see Bibliography A-145, p. 1 for Hayek's anecdote and background for his introduction to von Mises through von Wieser.

A-2b "Das amerikanische Bankwesen seit der Reform von 1914." Der Österreichische Volkswirt 17 (29-33), (Vienna 1925).
["The American Banking System since the Reform of 1914."]


["The meaning of Business Cycle Research for Economic Life."]


["On the Setting of the Problem of Rent Theory."]

["Business Cycle Research in Austria."]

A-6 "Das intertemporale Gleichgewichtssystem der Preise und die Bewegungen des 'Geldwertes.'" Weltwirtschaftliches Archiv 28 (1928): 33-78.
["The Intertemporal Equilibrium System of Prices and the Movements of the Value of Money."]

A-7a "Einige Bemerkungen über das Verhältnis der Geldtheorie zur Konjunkturtheorie." Schriften des Vereins für Sozialpolitik 173/2 (1928): 247-295. Also see same journal, Volume 175, for a discussion.
["Some Remarks on the Relationship Between Monetary Theory and Business Cycle Theory."]
[See B-1 with annotation. The journal in which Hayek published this article was the publication of the influential Verein für Sozialpolitik, founded in 1872 by (among others) Gustav Schmoller (1838-1917). This organization for social reform did not express a monolithic unity of doctrine, but was, nevertheless, excoriated by its opponents as a union of 'Professorial Socialists' (Katheder Sozialisten). See the interesting group photograph of a meeting of the Verein at the University of Zurich, September 11-13, 1928, showing the wonderfully variegated grouping that includes Hayek, von Mises, Machlup, A. Rüstow, Hunold, Morgenstern, Strigel, and Sombart; in Albert Hunold, "How Mises Changed My Mind." The Mont Pèlerin Quarterly 3 (October 1961): 16-19. For background on the Verein, see Haney (1949), pp. 546, 820, 885. It was at the September 1928 meeting of the Verein that Hayek presented his paper, A-7a, which eventually grew into his Geldtheorie (1929).]
A-7b "Diskussionsbemerkungen über 'Kredit und Konjunktur.'" Shriften des Vereins für Sozialpolitik 175, Verhandlungen 1928, (1928).
["Discussion Comments on 'Credit and Business Cycle' ... (Transactions 1928).]
[In Hungarian-German printing.]
[English version: "The Paradox of Saving." Economica 11, no. 32 (May 1931). Reprinted in B-4 ("Appendix"). The English translation was done by Nicholas Kaldor and Georg Tugendhat.]
A-9b "Wirkungen der Mietzinbeschränkungen." Munich: Schriften des Vereins für Sozialpolitik 182 (1930)
["The Repercussions of Rent Restrictions." See P-1 for different treatments of the effects of rent control. A-9b formed the substance of Hayek's article in the Hayek-Friedman volume mentioned in P-1.]
["Comments on the Preceding Reply of Prof. Emil Lederer."]
[See also A-11b.]
[In the same issue of Economica, pp. 387-397, Keynes' article appears: "A Reply to Dr. Hayek."]
[See also A-10 and A-11a.]
A-11c "Das Schicksal der Goldwährung." Der Deutsche Volkswirt 6 (20), (1932).
["The Fate of the Gold Standard." See P-8.]
["Capital Consumption."]
[Reprinted in B-4.]
[Henry Dunning Macleod (1821-1902) was a Scottish economist who wrote The Theory and Practice of Banking, 2 vols, (1856) and The Theory of Credit, 2 vols, (1889-1891).]
[Reprinted in revised form in B-4.]
[Hayek's first inaugural lecture given at the University of London about a year after he assumed the Tooke professorship, in which speech he explained his general economic philosophy. See B-13, p. 254.]
[Translated into English in B-4 (Chapter 6) as "The Present State and Immediate Prospects of the Study of Industrial Fluctuations." Arthur Spiethoff, (1873-1957),
who is honored in this Festschrift, was born in 1873, studied under Schmoller, and devised a "non-monetary overinvestment theory" of the business cycle. See Haney (1949), p. 673.)
["Concerning Neutral Money."]
A-24c "Stable Prices or Neutral Money." The Economist 7 (1934).
A-26 "Preiswertungen, Monetäre Störungen und Fehlinvestitionen." Nationalökonomisk Tidskrift 73, no. 3 (1935).  
[Reprinted in a revised form in B-4 as "Price Expectations, Monetary Disturbances and Malinvestments." Originally delivered as a lecture on December 7, 1933 in the Sozialökonomisk Samfund in Copenhagen. First published in German and later in French in the Revue de Science Economique, Liège (October, 1935).]
[Reprinted in B-4.]
[Cannan (1861-1935) is also celebrated by Hayek in A-72. Cannan associated himself at the London School of Economics with a group who developed liberal theory. This group included Lionel Robbins, Cannan's successor, and his colleague Sir Arnold Plant (see Plant, 1969), Sir Theodore Gregory (Athens), F.C. Benkam (Singapore), W.H. Hutt (South Africa), and F.W. Paish (Paris).
["Technical Progress and Overcapacity."]
A-33 "La situation monétaire internationale." Bulletin Périodique de la Société Belge d'Études et d'Expansion (Brussels), No. 103. (1936).  
["The International Monetary Situation."]
["Introduction to a Theory of Capital."]
["The Gold Problem."]
[Reprinted in B-4.]
[Reprinted in enlarged form in P-2.]
[Reprinted in B-7.]
[Reprinted in B-7.]
A-47  "A Comment on an Article by Mr. Kaldor: 'Professor Hayek and the Concertina Effect.'
A-54  "Richard von Strigl" (Obituary). *Economic Journal* 54 (1944): 284-286. [Strigl who died in 1944 was a "Neo-Austrian" who developed the theory of saving and investment and analyzed monopolistic competition theory.]


[Reprinted in B-13 and by the Institute for Humane Studies, 1971.]


[Reprinted as Chapter 19 in B-13. Also in German (1951) and Spanish (1960).]


["Equality and Justice."]


[Reprinted in B-9.]


["The Injustice of the Progressive Income Tax."] cf. A-79 and A-73b of which this is a translation.]


["The Rise and Fall of the Ideal of the Constitutional State."]


["Market Economy and The Economic Policy."]


["Economic History and Politics." See E:10.]


[Received by journal Nov. 11, 1964. Hayek acknowledges indebtedness to Chester Barnard, Heinrich Klüver, Herbert Lamm, Michael Polanyi, Karl Popper, Warren Weaver and the members of a Faculty Seminar of the Committee of Social Thought in the University of Chicago "for reading and commenting on an earlier draft of this paper." Reprinted in revised form in B-13, Chapter 1.]


A-82a “Was ist und was heißt ‚sozial‘?” In Albert Hunold (ed.) Masse und Demokratie. Zürich: 1957. [“What is ‘Social’—What Does It Mean?” Translated in an unauthorized English translation in Freedom and Serfdom (ed. A. Hunold), Dordrecht, 1961. The reprint in B-13, Chapter 17 is a revised version of the unauthorized English translation “which in parts gravely misrepresented the meaning of the original.”]


A-85a “La Libertad, La Economía Planificada y el Derecho.” Temas Contemporaneos (Buenos Aires) 3 (1958). [“Liberty, the Planned Economy, and the Law.”]


A-88b “Atualità di un insegnamento,” In: Angelo Dalle Mole, ed. Il Maestro dell’ Economia di Domani (Festschrift for Luigi Einaudi on his 85th Birthday). Verona, 1958, pp. 20-24. [“The Reality of a Teaching.” In The Master of the Economics of the Future. Luigi Einaudi (1874-1961), who is honored in this Festschrift, was a classical liberal Italian economist and statesman. He was the first president of Italy (1945-1955). Following World War II he was governor of the Bank of Italy and devised programs for monetary stabilization. Einaudi is celebrated by Hayek, in an allusion, in A-72.]


A-100a "Die Ursachen der ständigen Gefährdung der Freiheit." Ordo 12 (1961): 103-112. ["The Origins of the Constant Danger to Freedom."]


A-103a "Wiener Schule." Handwörterbuch der Sozialwissenschaften 12 (Stuttgart-Tübingen-Göttingen, 1962). ["The Vienna School."]

A-103b "The Uses of 'Gresham's Law' as an Illustration of 'Historical Theory'." History and Theory 1 (1962). [Reprinted in B-13, Chapter 24.]


A-108 "The Legal and Political Philosophy of David Hume." Il Politico 28, no. 4 (December 1963): 691-704. [Lecture delivered for the Faculty of Law and Political Science of the University of Freiburg im Breisgau on July 18, 1963. Reprinted as chapter 7 of B-13. Also (in German) in B-14.]

["The Perception of the Majority and Contemporary Democracy." Reprinted in B-14.]

[Reprinted in B-13, Chapter 5. Originally delivered as a lecture on April 27, 1964 at Rikkyo University, Tokyo. German translation in B-14.]

[German translation in B-14. Reprinted in B-17.]


["Lecture on a Master Mind" delivered to the British Academy on March 23, 1966. Reprinted as Chapter 15 of B-17. German translation in B-14.]


[Translated in English in B-13 as "The Results of Human Action but not of Human Design." German translation in B-14.]

[See (B-10) for the influence of Mach (1838-1916) on Hayek. A-119 is part of a symposium commemorating the 50th anniversary of Mach's death: "Ernst Mach and Social Science Thought in Vienna."]

["Legal Order and Commercial Order." Reprinted in B-14.]

[German translation in Ordo 19 (1968) and in B-14.]

Also translated in the same journal as "Bruno Leoni lo studioso." (pp. 26-30). In commemoration of Leoni's death (November 21, 1967).

["Juridical Regulation and Social Order."]


[Reprinted in B-12 and (in German) in B-14.]

[Reprinted in B-I.]

["Market Economy or Syndicalism?"]

[Translated with an English summary as "The Competitive System as a Tool of Knowledge."]


[Reprinted as Chapter 19 in B-17.]

[This actually appeared in a pamphlet format (P-11b) to which Hayek adds a new article, "The Campaign Against Keynesian Inflation." This article is also reprinted as Chapter 13 of B-17.]


[Reprinted from The Daily Telegraph of London (October 15 and 16, 1974).]

[Reprinted from The Daily Telegraph of London.]


Hayek did not continue his intention to complete this book. The "Introduction"
along with comment and discussion by Hayek, Lionel Robbins, and others is available in transcription at the Institute for Humane Studies.]  

[Reprinted in Full Employment at Any Price [P-13]. (Occasional Paper 45), Institute of Economic Affairs, London 1975. Also reprinted in Unemployment and Monetary Policy: Government as Generator of the Business Cycle with a foreword by Gerald O'Driscoll Jr. San Francisco: Cato Institute, 1979, pp. 23-36. This has also been reprinted as Chapter 2 of B-17.]  


A-133a "Die Erhaltung des liberalen Gedankengutes." In Friedrich A. Lutz (ed.) Der Streit um die Gesellschaftsordnung (Zurich 1975).  
["The Preservation of the Liberal Ideal of Thought."]  


[Unpublished typescript, available at the Institute for Humane Studies.]  

A-134a "Types of Mind." Encounter 45 (September 1975).  
[This was revised and retitled "Two Types of Mind" in Chapter 4 of B-17.]  

A-134b "Politicians Can't Be Trusted with Money." (Newspaper editor's title. Paper delivered in September at the Gold and Monetary Conference in Lausanne, Switzerland.) The Daily Telegraph of London, Part I (September 30, 1975); Part II "Financial Power to the People" (newspaper editor's title October 1, 1975).]  


[German translation in Die Industrie 10 (1976).]  


[Reprinted as Chapter 16 of B-17.]  

[The gap in identification number (A-137 through A-141) will be supplied in subsequent revisions of this Hayek bibliography.]  

["The Problem of Money Today."]  


A-144c Persona Orata: Interview with Friedrich Hayek." Interviewed by Albert Zalinger, World Research INK 1, no. 12 (September, 1977): 7-9. Also available as a 30 minute 16mm color movie, entitled "Inside the Hayek Equation," from World Research, Inc.; Campus Studies Division; 11722 Sorrento Valley Rd., San Diego, CA 92121.  


["A slightly revised version later appeared as Chapter 16 of B-18."]

[Revised version of an article which appeared in *Encounter* (March 1978).]

["The Dethronement of Politics" in *Has Democracy Overextended Itself?* See also Chapter 18 of B-18: "The Containment of Power and the Dethronement of Politics."]


["Notes on the Evolution of Systems of Rules of Conduct." Spanish version of Chapt. 4 of B-13.]

[A lecture delivered at the Gold and Monetary Conference, New Orleans, Louisiana (November 10, 1977).]

["Free Choice of Currency Standards."]


["The Muddle of the Middle."]


Works about or relevant to Friedrich A. Hayek

["The Liberal Definition of Liberty."]


[ Dissertation supervised by James M. Buchanan.]


[A major section of this article deals with Hayek.]


["Freedom and the Planned Economy."]


["(The Road) to Serfdom. Reply to von Hayek."]


[In Dutch with a 38-page summary in English. The English summary is available at the Institute for Humane Studies, Menlo Park, CA 94025.]


[Paper available at the Institute for Humane Studies]


[A major section of this article surveys Hayek's proposals for the 'denationalization' of money. See Hayek, P-14, P-16a, and P-16b.]


Buchanan, James M. "Cultural Evolution and Institutional Reform." Unpublished manuscript.


[Classic essays on cost from the London School of Economics, including Hayek.]


[Also see Thomas Cullom Taylor, Jr. (1970).]


[Deals with the assorted problems of Hayek's (P-16b). See Norman P. Barry (May, 1981).]

Corbin, Peter D. (Principal Investigator, Research Coordinator, American Geographic Society.) "Geoinflationary Variations in the U.S. Economy."

[Examination of the Austrian theory of inflation which emphasizes the spatio-temporal aspects of the inflationary process. Available at the Institute for Humane Studies.]


[Outline of Hayek's Social Philosophy on the occasion of the publication of B-12.]


["Recent Theories of Economic Crises Based on Disparities in Prices."]


[Exposition by several authors of the history, principles and applications of the Austrian School of Economics. Among the topics of interest are Israel M. Kirzner's "On the Method of Austrian Economics" and "The Theory of Capital;" Murray N. Rothbard's "The Austrian Theory of Money," and Gerald P. O'Driscoll, Jr.'s and Sudha R. Shenoy's "Inflation, Recession, and Stagflation."]


[Available at the Institute for Humane Studies.]


["Private Competition in Monetary Affairs. Reflections on a Proposal by F.A. von Hayek."]


----------. "Reflections on John Hick's 'The Hayek Story. ' " Unpublished manuscript, no date; 23 pp.: Available from the Institute for Humane Studies, Menlo Park, California 94025.


["The Theory of Capital and Interest of F. A. Hayek."]


Frankel, S.H. "Hayek on Money." Unpublished paper presented to The Carl Menger Society Conference on Hayek at University College, London, October 28, 1978. [This conference was structured around Hayek's newly published *New Studies in Philosophy, Politics, Economics and the History of Ideas*. In addition to Frankel, it featured Thomas Torrance, Hillel Steiner and Jeremy Shearmur.]


["Hayek and Iceland, 1940-1980."]


["Individualism: True and False, according to Hayek."]


["On the 'Denationalisation of Money.' An Interim Statement."]


[" 'Pattern-Prediction' and 'Clarification of Principle' in F.A. von Hayek."]


["Non-nomological Theory in Complex Phenomena."]


Hawtrey, Ralph G. Capital and Employment. London, 1937, especially chapter 8: “Professor Hayek’s Prices and Production.”

———. “The Trade Cycle and Capital Intensity.” Economica n.s. 7 (February 1940): 1-15. [Hawtrey was an economist connected with the British Treasury from 1919 to 1937. He “developed a purely monetary theory of the business cycle on a macro-economic concept of equilibrium.” See citation under Sennholz.]


[Compare with B. Hoselitz.]


[See Richard M. Ebeling citation.]


[Festschrift with bibliography on F.A. Hayek's 80th birthday presented by the Faculty of Economics of the University of Freiburg. Contributors include: Erich Hoppmann, Berhard Stoeckle, Kari Brandt, Christian Watrin, Hans Otto Lenel, and Klaus Peter Krause. Hayek's "Dankadresse," pp. 37-42, surveys highlights in Hayek's intellectual career and writings from the vantage point of his 80th year. The Hoppmann-edited Festschrift honoring Hayek also lists the contributors to the earlier 1979 *Ordo* Festschrift for Hayek, edited by Fritz Meyer, *et al.* (p. 55), and contains valuable updates on bibliography by and about Hayek (pp. 55-60).]


[Compare with E. Heimann.]


[Important along with Carl Schorske's volume on *Fin-de-siècle Vienna* for the cultural-historical context in which Hayek and his cousin Wittgenstein lived. See A-143.]


[Profile and biographical sketch along with photographs of F.A. Hayek.]


["Monetary (Exchange) Models. Representation and Critique of the Monetary (Exchange) Theories of Hawtrey, Wicksell, and Hayek."]


[Lepage, author of the influential Tomorrow, Capitalism, surveys the scholarly achievements of Hayek, covering the Austrian School of Economics, Hayek’s theory of the business cycle, his rivalry with Keynes, the value of liberty, the Road to Serfdom, and Hayek’s “Grand Synthesis” (Law, Legislation and Liberty). The article is sprinkled with anecdotes culled from a long interview with Hayek in February 1979.]


["Friedrich A. von Hayek—Nobel Prize for Economic Science."]

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["F.A. von Hayek. On His 75th Birthday."]

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"Inflationstheorie bei Hayek und Keynes." (Paper prepared for a Seminar at the University of Salzburg, 1975).

["Inflation Theory in Hayek and Keynes."]

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["Foreword and Bibliography to the Second (German) Edition of F.A. Hayek, Geldtheorie, (B-1).]

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["Selected Bibliography to the Second (German) Edition of F.A. Hayek’s Prices and Production.," (B-2).]

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"Bibliographischer Anhang." In F.A. Hayek, Geldtheorie und Konjunkturtheorie. Salzburg: 2. erw.Aufl., 1976, pp. 149-160. [Kurt Leube was from 1969-1977 Hayek’s Research Assistant and associate at the University of Salzburg. He currently is Managing Co-editor with Albert Zlabinger of The International Carl Menger Library, Philosophia-Verlag, and is working on a life of Eugen von Böhm-Bawerk. He has written and lectured extensively on Hayek and The Austrian School of Economics. The “Bibliographical Appendix” in this entry on the German reprinting of Hayek’s Geldtheorie (B-1), is but one of an extensive number of scholarly and bibliographic contributions by Leube on Hayek. In subsequent editions of the present Bibliography we will cite the extensive writings by Leube.]

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["Bibliographical Afterword to the Second (German) Edition of F.A. Hayek: (B-7)."]

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["Who Are the ‘Australians.’"]

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["Economist and Philosopher: On the 80th Birthday of the Austrian Friedrich A. von Hayek."]

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["F.A. Hayek—On His 80th Birthday."]

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["Hayek and the Austrian School of Economics."]


[See also contributions at this conference by Pirie, Ebeling, Steele, Graham Smith, and Shearmur. The edited papers, in the possession of Laurie Ranta, may be published.]


[McClain's premise is that "the Austrian School, through the writings of Ludwig von Mises and Friedrich von Hayek, explicitly and comprehensively fashioned a political theory for capitalism." Chapters on Hayek cover his political thought, concept of liberty, limits of knowledge and the spontaneous order, the rule of law, and constitutionalism.]

[Deals with Hayek's Geldtheorie und Konjunkturtheorie (B-1) and Preise und Produktion (B-2) on pp. 45-87.]

[Machlup has been a close personal and intellectual friend of Hayek's since the early 1920s.]
[Reprinted in revised, updated form as "Hayek's Contribution to Economics" in Machlup's Essays on Hayek (1976).]
[Contains the proceedings of a special regional meeting of the Mont Pélèrin Society (August 24-28, 1975) held at Hillsdale College (Michigan). Contributors to this quasi-Festschrift include Fritz Machlup, William F. Buckley, Jr., Gottfried Dietze, Ronald Max Hartwell, Shirley Robbin Letwin, George C. Roche III, and Arthur Shenfield. This volume contains "Extracts of The Official Announcement of the (Swedish) Royal Academy of Sciences" (p. xv, ff) pertaining to Hayek's Nobel Prize in Economics. Also included is Hayek's brief banquet speech reprinted from the Nobel Foundation's volume Les Prix Nobel 1974, pp. 38-39.]

["Assessment of the Works of Friedrich August von Hayek."]


[See especially Chapter 3, "The Kingdom of Learning," and Chapter 7, "Science and Scholarship."]

["Alterations in Economic Neutrality."]


Milgate, M. "On the Origin of the Notion of 'Intertemporal Equilibrium'." Economica 46 (Fall 1979).
[ Cf. Hayek, A-6.]


Minard, Lawrence. "Wave of the Past? Or Wave of the Future?" Forbes (October 1, 1979): 45-50, 52
[Profile on Hayek with painting of Hayek featured in the cover of this issue of Forbes. This painting is now at the Heritage Foundation in Washington, D.C.]


["Basic Principle of Freedom, Order and Competition."]


[This volume resulted from the Symposium on the Economics of Ludwig von Mises, Atlanta, Georgia, November 5, 1974 to assess the recently deceased Mises' (Sept. 29, 1881-Oct. 10, 1973) contributions to economic and social thought. Among the interesting essays included in this volume are Fritz Machlup's "The Monetary Economics of Ludwig von Mises" and Israel M. Kirzner's "Ludwig von Mises and Economic Calculation under Socialism." Since Hayek's life and writings are intimately connected with those of von Mises, this volume offers a valuable research tool in Fritz Machlup's two Appendices on Mises: "Chronology" and "Major Translated Writings of Ludwig von Mises."]


["The Social and Economic Philosophy of Neoliberalism."]

[Nishiyama's dissertation was done under Hayek's supervision. From 1950-1962 Hayek was professor of social and moral science in the Committee of Social Thought headed by John U. Nef at the University of Chicago. 1960 also saw the publication of Hayek's B-12.]


———. "Comments on Professor Machlup's Paper." Unpublished manuscript presented at a special regional meeting of the Mont Pèlerin Society, held August 24-28, 1975, at Hillsdale College in Hillsdale, Michigan.

(The quasi-Festschrift volume (Essays on Hayek. Edited by Fritz Machlup. New York: New York University Press, 1975) was a product of the Hillsdale Mont Pèlerin meeting and included the important Fritz Machlup bibliographical essay (in revised form) to which Prof. O'Driscoll alludes in his title. O'Driscoll's comments in this unpublished manuscript assess Hayek's contributions to economic and social theory.)


[A wide-ranging anthology of articles, including Hayek's "Scientism and the Study of Society" (A-46), sections from Karl Popper's *The Poverty of Historicism* (1961), etc. The O'Neill anthology presents the methodological debate in the social sciences over scientism and the confrontation between methodological individualism and its opponents. Contains a valuable bibliography on these issues, pp. 339-346. See also Jeffrey Paul (1974).]


[See also John O'Neill, ed. (1973).]


[A paper on the polycentric self-regulating processes of the spontaneous order vs. central planning. Polanyi was the first to coin the term 'spontaneous order' and originally presented the present essay at the University of Chicago in 1950, the]
year in which Hayek joined the Committee on Social Thought at the University of Chicago. See also Polanyi’s *The Logic of Liberty*. London and Chicago, 1951.] Quine, W.V. *Ontological Relativity*. New York, 1969.


Robbins, Lionel. “Hayek on Liberty.” *Economica* (February 1961): 66-81. [Cf. following version of this article.]


Rothbard, Murray N. “Money, the State and Modern Mercantilism.” *Modern Age* (Summer 1963): 279-289.


[Tribute to Hayek’s intellectual achievements: “Laudatio: a Message for the Age,” presented for the Hayek 70th birthday Festschrift.]


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[In his preface, Mitchell refers to von Weiser's recent death (July 23, 1926) and to von Weiser's "pupil and friend, Dr. Friedrich A. von Hayek." The translator, Himrichs, states: "Dr. Friedrich A. von Hayek, a pupil and close friend of von Weiser, has read the proofs and submitted many suggestions."]


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