

Friedrich August von Hayek (1899-1992)

Friedrich August von Hayek, 1974 Nobel laureate in economics, was among the most influential intellectuals of the twentieth century. A multidisciplinary scholar in economics, social theory and political philosophy, Hayek spent a life dedicated to the idea of a free society. Although Hayek exerted, perhaps his greatest influence on the conservative movement in the UK and US, he considered himself a classical liberal. Many view his work as the dominant influence over the Reagan revolution in the United States and the Thatcher administration in Great Britain, and the general movement toward a renewed appreciation of the free market economy and globalization during the last decades of the 20th century and the beginning of the 21st century. Hayek was awarded the Companion of Honour in Britain in 1984, and the Medal Freedom by the US in 1991.

Hayek's career across multiple disciplines was dedicated to the study of what he called spontaneous orders. A spontaneous order is an institution, economic outcome, or social norm that serves a social purpose even though it was not planned by any one set of individuals intentionally. In the words of Scottish philosopher Adam Ferguson, the spontaneous order of society and economy are "the product of human action but not of human design." A devotee of the philosophers of the Scottish enlightenment – such as David Hume and Adam Smith – Hayek spent a career criticizing the idea of "rational constructivism" by government. In his understanding, societies have the capacity to spontaneously build up laws and institutions that contain and reflect the experience and understanding of past generations. Proponents of expansive government and socialist central planning commit what Hayek labeled "the fatal conceit" by attempting to destroy these traditional orders in order to build up 'rational' orders in their place. In his understanding, the most important knowledge available to us for the purposes of operating a society are not given to one mind but are distributed among millions of actors and develop by trial and error over time. Rationalist central planners of economies or societies are doomed to fail because no group of minds can contain, process or even confront the personal and dispersed information and experience of an entire society – let alone the received institutions and mores of past generations.

This general outlook has striking similarity to the traditionalist strain in conservatism, epitomized by Edmund Burke. Burke's conservatism was based on a suspicion of the "leveling instinct" that dominated enlightenment thought in the 18th century. This tendency among would-be social planners threatened to wipe out traditional institutions, such as the British common law constitution, which Burke believed contained the experience and intuitions of past generations. However, Hayek refused to be labeled a conservative (see Hayek 1960, 397-411). Because interventions by government are almost invariably rationalist replacements of the spontaneous order developed naturally by tradition and complex social interaction, Hayek favored a strictly limited government in *both* economic and moral spheres.

His policy outlook was unquestionably classical liberal – the only form of government that he believed allowed a society to contain and use the collective experience, local knowledge and traditional inheritance of its people.

Hayek was born in 1899 in Austria to a family of intellectuals. His earliest education was in biology – a field that had an inherent saturation in the evolutionary understanding that would eventually suffuse Hayek’s work. Later, at the University of Vienna, Hayek specialized in economics, studying under Friedrich Weiser. Hayek took positions in the Austrian government during the 1920s and later acted as Director of the Institute for Business Cycle Research in Vienna. During this period, Hayek was deeply influenced by the work done by the Austrian economist, Ludwig von Mises. It was Mises’s work focused on the impossibility of socialist central planning that turned Hayek away from the Fabian socialist leanings of his youth.

Hayek distinguished himself early in his career by elucidating and building the Austrian theory of the business cycle with Mises (1931 and 1933). This theory held that business cycles were caused not by inherent structural problems in laissez-faire economies, but rather by credit expansion by central banks. Through this work and work on capital theory, Hayek became prominent and was eventually appointed to the faculty of the prestigious London School of Economics. In the 1930s, Hayek’s business cycle theory became the main rival to the developing interventionist theories of the Cambridge economist, John Maynard Keynes, who taught that business cycles were the results of inherent flaws in capitalist economies.

Hayek also became involved in the famous socialist calculation debates, again building off of the work of his mentor, Mises. Hayek contended that socialism was doomed to fail because central planners could not process essential economic information, which was dispersed among all participants in an economy and were changing constantly. Prices – which are absent in socialism – are the only mechanism capable of absorbing, codifying and communicating information of time and place that are essential for healthy economies. Hayek’s work on dispersed information, lead him to write several landmark pieces during the 1940s dealing with the way that local, tacit knowledge of time and place was processed in the spontaneous order of the free-market (Hayek 1948). This insight – that the primary question of economics was the way it processed knowledge – was to become the foundation of his later work in political philosophy and social theory.

The general intellectual climate of opinion, including scientific opinion, was not receptive to Hayek’s criticisms of either Keynesianism or socialism when they were first developed in the 1930s and 1940s. Ironically, during the very period when his influence in the economics profession was declining, one could argue that his influence within a segment of the general public would rise to unexpected heights.

In 1944 he published *The Road to Serfdom*, a work that was widely read in the United States and was even abridged and distributed by *Reader's Digest*. The book argued that expansive governments naturally tended towards authoritarianism and even dictatorship. Hayek's major argument was that socialism – which was rising in favor among the educated classes – had the same essential features as fascism – which the West had just spent a long and bloody war fighting. In addition to his scholarship, Hayek worked tirelessly to organize the intellectual leaders of classical liberalism to reinvigorate the world-wide movement in support of a society of free and responsible individuals. In 1946, he founded the Mont Pelerin Society. The MPS would exert a tremendous influence on the course of economic policy in the second half of the 20th century as its active members included such Nobel Prize winners in economics as Milton Friedman, George Stigler, Ronald Coase, Gary Becker, and James Buchanan.

In 1950, Hayek immigrated to the United States and took a position at the University of Chicago on its Committee for Social Thought. In 1962 he returned to Europe, taking a post at the University of Freiburg in Germany, and then in 1968 he moved to the University of Salzburg in Austria. At Chicago, Freiburg and Salzburg, Hayek pursued academic research in areas other than technical economics. In 1952, for example, Hayek published both *The Sensory Order*, a study on psychology and the philosophy of mind that has had prodigious influence in the field of evolutionary psychology, and his classic work in the philosophy of science, *The Counter-Revolution of Science*. He also published his political treatise, *The Constitution of Liberty* in 1960 and his major legal study, *Law, Legislation and Liberty* between 1973 and 1979. In 1988, Hayek published a summary of his life's work, *The Fatal Conceit*, which outlines his understanding of tradition, the evolution of human society and the ultimate errors of “socialists of all parties.”

Hayek died on March 23, 1992 at the age of 92.

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