

HAYEK, Friedrich (1899-1992)

Friedrich August von Hayek was born in Vienna on 8 May 1899 and died in Freiburg, West Germany on 23 March, 1992, at the age of 92. Hayek was born into a family of intellectuals - he was the oldest of three boys all of which were to become professors. His earliest education was in the field of biology. One is readily able to see the connection between the evolutionary view of the world in biology and Hayek's later work in economics, political science and philosophy. At the University of Vienna, where he studied under Friedrich Weiser, Hayek, although enrolled as a law student, focused on economics, earning doctorates in 1921 and 1923.

In the 1920's, Hayek worked for the Austrian government and later accepted a position as the Director of the Institute for Business Cycle Research in Vienna. At this time, Hayek came under the influence of the Austrian Economist, Ludwig von Mises. Mises' work on the socialist calculation and the impossibility of socialism shifted Hayek away from the Fabian socialist ideals acquired as a youth. Early in his career, Hayek distinguished himself with his *Prices and Production* (1931) and *Monetary Theory and the Trade Cycle* (1933), in which he developed the Austrian Business Cycle theory. In short, this theory postulated that business cycles were not the result of structural problems inherent in the market economy but rather were a result of credit expansion by central banks. In the 1930s, the Austrian Business Cycle Theory became the main rival to Cambridge economist John Maynard Keynes' theory that business cycles were the result of inherent flaws in the unhampered market. It was through his work on business cycles and capital theory through which Hayek first gained his reputation as a prominent economist. In 1931, Hayek was appointed to the faculty of the London School of Economics.

Hayek also made key contributions to the famous socialist calculation debate building on the work of his teacher Ludwig von Mises. Mises had argued that socialism was impossible because of inability of the socialist planners to engage in economic calculation. Without private property, Mises contended, there could be no markets. With no markets there could be no prices and with no prices there could be no economic calculation. Hayek further developed this argument, claiming that socialism would ultimately fail because central planners could not possess the essential economic information – the tacit knowledge of time and place – which was dispersed throughout the economy and was continually changing. Prices served to economize on this dispersed information. Following Mises, Hayek argued that this communication mechanism would be missing in the absence of private property and hence, markets. Hayek's work on dispersed knowledge culminated in a series of essays in the 1940s, which are collected in *Individualism and Economic Order* (1948). In addition to the aforementioned contributions to the socialist calculation debate, his focus on the importance of dispersed knowledge was the foundation of Hayek's later work in political philosophy.

While the general intellectual climate in the 1930s and 1940s was not overly receptive to Hayek's work on business cycles and the socialist calculation debate, this wasn't the case in the context of the general public. In 1944, Hayek published *The Road to Serfdom*, which was widely recognized throughout the United States and appeared in an abridged version in *Reader's Digest*. Hayek's argument was that socialism, rising in popularity among the educated class, had the same essential features as fascism.

In addition to his scholarly work, Hayek also worked to organize intellectuals in the classical liberal tradition to reinvigorate the movement in support of a free society. He founded the Mount Pelerin Society in 1946 which had a large influence on economic policy in the second half of the 20th century. Active members include such Nobel Prize winners in economics as Milton Friedman, George Stigler, Ronald Coase, Gary Becker and James Buchanan.

Hayek immigrated to the United States in 1950 and accepted a position at the University of Chicago on the Committee for Social Thought. In 1962, he returned to Europe at the University of Friburg in Germany. He moved again in 1968 to Austria, accepting a position at the University of Salzburg. At Chicago, Friburg and Salzburg, Hayek pursued research in areas other than technical economics. For example, in 1952, he published *The Sensory Order*, a study of psychology and the philosophy of the mind, and *The Counter-Revolution of Science* on the philosophy of science. In his later career, he published his political treatise, *The Constitution of Liberty* (1960) and his three-volume legal study, *Law Legislation and Liberty* in the years spanning 1973 through 1979. In 1988, Hayek published *The Fatal Conceit*, a summary of his life's work focusing on the evolution of society and the errors of "socialists of all parties."

In 1974, Hayek was awarded the Nobel Prize in Economics for his work in the theory of money and economic fluctuations and his interdisciplinary analysis of economic, social and institutional phenomena. Many view his work as the dominant influence on the Reagan revolution in the U.S. and the Thatcher administration in Great Britain. Hayek was awarded the Companion of Honour in Britain in 1984 and the Medal of Freedom by the U.S. in 1991.

Hayek's career, which drew from the multiple disciplines of economics, political science and philosophy, was dedicated to the study of spontaneous orders. Spontaneous orders are institutions, economic orders or norms that serve a social purpose but which are not the result of intentional human planning. The Scottish philosopher, Adam Ferguson, characterized spontaneous orders as "the product of human action but not human design." Hayek spent his career criticizing the notion of rational constructivism. Hayek emphasized the ability and need for societies to develop institutions that reflect the experience of past generations. In contrast, proponents of government planning attempted to destroy these orders and replace them with "rational" orders. For Hayek, the information and knowledge necessary for a successful and well functioning society is not in the mind of one individual, but rather is distributed across millions of individual agents. Planning will ultimately fail because no single mind or group of minds can possess, let alone process, the underlying knowledge and experience of an entire society.

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