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Friedrich A. Hayek [Ideological Profiles of the Economics Laureates]

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Abstract

Friedrich A. Hayek is among the 71 individuals who were awarded the Sveriges Riksbank Prize in Economic Sciences in Memory of Alfred Nobel between 1969 and 2012. This ideological profile is part of the project called “The Ideological Migration of the Economics Laureates,” which fills the [September 2013 issue of *Econ Journal Watch*](#).

Keywords

Classical liberalism, economists, Nobel Prize in economics, ideology, ideological migration, intellectual biography.

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Friedrich A. Hayek

by Daniel B. Klein

Friedrich A. Hayek (1899–1992) was one of the leading classical liberal thinkers of the twentieth century. The works that are most notable for his political thought are *The Road to Serfdom* (1944), *Individualism and Economic Order* (1948), *The Constitution of Liberty* (1960), the three volumes of *Law, Legislation and Liberty* (1973; 1976a; 1979), and *The Fatal Conceit* (1988). Hayek's scholarship also reaches into psychology and the history of ideas. In 1974 he shared the Nobel Prize with Gunnar Myrdal.

Hayek experienced two ideological migrations in the classical liberal direction. The first was dramatic and came when Hayek was in his early to mid twenties. The second was gradual and not dramatic, taking place during the several decades of his fully mature years.

Hayek served briefly in the Austrian army during the First World War and enrolled at the University of Vienna in 1918. He described the political outlook of his generation:

We felt that the civilization in which we had grown up had collapsed.
We were determined to build a better world, and it was this desire

to reconstruct society that led many of us to the study of economics. Socialism promised to fulfil our hopes for a more rational, more just world. (Hayek 1981/1978, xix)

In a private letter of 1962, Hayek wrote, “It was a lay enthusiasm for Henry George which led me to economics” (quoted in Andelson 2000, 110). Bruce Caldwell (2004, 141) writes of Hayek’s political affiliations during his student days: “Like many of his contemporaries, his sympathies lay with the Left. Describing himself as a bit of a Fabian socialist, he and some friends once tried to organize an Austrian Democratic Party that would lie between the Catholics, on the one side, and the socialists and Communists, on the other.”

During his university studies in Vienna, Hayek studied especially with the economist Friedrich von Wieser:

I was attracted to [Wieser]... because unlike most of the other members of the Austrian School [of economics] he had a good deal of sympathy with [the] mild Fabian Socialism to which I was inclined as a young man. He in fact prided himself that his theory of marginal utility had provided the basis of progressive taxation, which then seemed to me one of the ideals of social justice. (Hayek 1983, 17)

Hayek received a law degree in 1921 and a degree in political science two years later.

Ludwig von Mises was an unpaid lecturer at the university, though Hayek did not interact with him then. Hayek recalled a negative first impression of Mises: “I had looked in at one of his lectures and found that a man so conspicuously antipathetic to the kind of Fabian views which I then held was not the sort of person to whom I wanted to go” (Hayek 1978a). But in 1921 Hayek took a government position in an office where Mises was a director (Kresge 1994, 6). After spending a year in New York (1923–24), Hayek, age 25, returned to Vienna and joined Mises’s *Privatseminar*, a regularly scheduled discussion group. Mises had articulated a highly libertarian view of liberalism, and he had ferociously challenged socialism in a major work (Mises 1981/1922). Hayek tells of its impact:

[I]t was a great surprise to me when this book, *Socialism*, was first published. For all I knew, [Mises] could hardly have had much free time for academic pursuits during the preceding (and extremely busy) ten years. Yet this was a major treatise on social philosophy, giving every evidence of independent thought and reflecting, through Mises’ criticism, an acquaintance with most of the literature on the subject. ... [I]ts impact was profound. It gradually but fundamentally altered the outlook of many of the young idealists returning to their university

studies after World War I. I know, for I was one of them. ... *Socialism* told us that we had been looking for improvement in the wrong direction. (Hayek 1981/1978, xix-xx)

Caldwell (2004, 141) writes that Hayek “had no truck with Marxism,” and quotes Hayek: “I was never captured by Marxist socialism. On the contrary, when I encountered socialism in its Marxist, frightfully doctrinaire form, and the Vienna socialists, Marxists, were more doctrinaire than most other places, it only repelled me.”

Until his departure for London in 1931, Hayek was in regular contact with Mises. As Jeremy Shearmur (1996, 34) notes, “Mises’ impact on Hayek was profound.” It would appear that Hayek’s first migration occurred after his formal education, especially during the years when he was 23 to 26 years old. Years later, Hayek likened the effect of Mises’s work to “shock therapy” that “converted me to a consistent free market position” (Hayek 1976b). Hayek also told, in a 1944 address to the students at the London School of Economics, of “the extremely painful process of disillusionment which led me to my present views” (Hayek 1991/1944, 47). Hayek (1976b) perhaps overstated the consistency of his early “free market position.” It is clear that by age 26 or 27 he had adopted classical liberal tendencies like those of Mises, and such tendencies surely account in part for Hayek’s own movement away from technical economics and toward the broad intellectual defense of liberalism. In *The Road to Serfdom* (1944), Hayek explores the affinities between fascism and economic planning. In *The Constitution of Liberty* (1960), Hayek offers a broad account of liberal principles and a defense of those principles. These works are not, however, highly outspoken or radically libertarian. They contain passages that seem to favor government activism beyond the functions of the night-watchman state.

In *The Road to Serfdom*, Hayek wrote:

There is no reason why in a society which has reached the general level of wealth which ours has attained the first kind of security should not be guaranteed to all without endangering general freedom. There are difficult questions about the precise standard which should thus be assured; there is particularly the important question whether those who thus rely on the community should indefinitely enjoy all the same liberties as the rest. An incautious handling of these questions might well cause serious and perhaps even dangerous political problems; but there can be no doubt that some minimum of food, shelter, and clothing, sufficient to preserve health and the capacity to work, can be assured to everybody. ...

Nor is there any reason why the state should not assist the individuals in providing for those common hazards of life against which, because of their uncertainty, few individuals can make adequate provision. Where, as in the case of sickness and accident, neither the desire to avoid such calamities nor the efforts to overcome their consequences are as a rule weakened by the provision of assistance—where, in short, we deal with genuinely insurable risks—the case for the state’s helping to organize a comprehensive system of social insurance is very strong. There are many points of detail where those wishing to preserve the competitive system and those wishing to supercede it by something different will disagree on the details of such schemes; and it is possible under the name of social insurance to introduce measures which tend to make competition more or less ineffective. But there is no incompatibility in principle between the state’s providing greater security in this way and the preservation of individual freedom. To the same category belongs also the increase of security through the state’s rendering assistance to the victims of such “acts of God” as earthquakes or floods. Wherever communal action can mitigate disasters against which the individual can neither attempt to guard himself nor make provision for the consequences, such communal action should undoubtedly be taken. (Hayek 1944, 120-121)

Hayek remarks that there is “a wide and unquestioned field for state activity” in the provision of collective goods (1944, 39, see also 18).

Hayek reiterated his support for government guaranteeing minimum incomes in a radio interview of 1945 (Hayek 1994, 114), and he indicated several other areas for activist government. He said that laws limiting maximum work hours and minimum wages are “permissible,” though presumably not necessarily desirable, in his system of proper law (*ibid.*, 112). When asked about the Tennessee Valley Authority, Hayek responded: “There is a great deal of the TVA to which no economist in repute, and certainly not the laissez-faire people, will object. Flood control and building of dams are recognized functions of the government” (*ibid.*, 113). Regarding the monetary system, Hayek said: “That the monetary system must be under central control has never, to my mind, been denied by any sensible person. It is part of the framework within which competition can work” (*ibid.*, 116).

In *The Constitution of Liberty* (1960), Hayek countenances such governmental actions as safety regulations on buildings (p. 225), poor relief (285), assistance to the “indigent, unfortunate, and disabled” (257), mandatory participation in social insurance, though he opposed a unitary government scheme (286), health pro-

grams and the dissemination of knowledge (257, 365), school vouchers (381), the monetary system (223, 327), the provision of “parks and museums, theaters and facilities for sports” (259), and “preservation of natural beauty or of historical sites or places of scientific interest” (375). Hayek is not necessarily favoring government action in these cases, and he says clearly that amenities such as parks are better handled “by local rather than national authorities” (1960, 259). Hayek says government ought to deny the validity of “contracts in restraint of trade” (*ibid.*, 279).²⁹

It seems, however, that Hayek later became somewhat more decidedly libertarian. In the preface to the 1976 edition of *The Road to Serfdom*, he expresses regret about positions taken when writing the book in 1944: “I had not wholly freed myself from all the current interventionist superstitions, and in consequence still made various concessions which I now think unwarranted” (Hayek 1976c, xxi). In a separate work, *The Denationalisation of Money* (1990/1976), Hayek elaborated a new-found radicalism on one issue in particular:

I have now no doubt whatever that private enterprise, if it had not been prevented by government, could and would long ago have provided the public with a choice of currencies, and those that prevailed in the competition would have been essentially stable in value and would have prevented both excessive stimulation of investment and the consequent periods of contraction. (Hayek 1990/1976, 14)

In the third volume of *Law, Legislation and Liberty* (1979) Hayek showed more inclination to look to voluntary association for solutions:

It should be remembered that long before government entered [various fields of social services], many of the now generally recognized collective needs were met by the efforts of the public-spirited individuals or groups providing means for public purposes which they regarded as important. Public education and public hospitals, libraries and museums, theaters and parks, were not first created by governments. And although in these fields in which private benefactors have led the way, governments have now largely taken over, there is still need for initiative in many areas whose importance

29. And yet, cf. Hayek (1960, 265): “Current policy fails to recognize that it is not monopoly as such, or bigness, but only obstacles to entry into an industry or trade and certain other monopolistic practices that are harmful. Monopoly is certainly undesirable, but only in the same sense in which scarcity is undesirable; in neither case does this mean that we can avoid it. It is one of the unpleasant facts of life that certain capacities (and also certain advantages and traditions of particular organizations) cannot be duplicated, as it is a fact that certain goods are scarce. It does not make sense to disregard this fact and to attempt to create conditions ‘as if’ competition were effective.”

is not yet generally recognized and where it is not possible or desirable that government take over. (Hayek 1979, 50)

One of the major themes of Hayek's later works is the Upper Paleolithic basis of human genes and basic instincts, and how modern politics might be a reassertion of certain traits and mentalities evolved during the millions of years of life in the small band (Hayek 1967/1963; 1976a; 1978b; 1979, 153-176; 1988). Such reassertions, he said, are not, however, suited to the modern world; hence he used the term *atavism* in describing such reassertions. It is plausible that the more Hayek dwelled in the atavism thesis about modern politics, the more he suspected that unfortunate biases lay behind rationales for the governmentalization of social affairs, even when the rationales are widely accepted and endorsed by experts.

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James J. Heckman

by Daniel B. Klein and Ryan Daza

James Heckman (1944–) was born in Chicago, of a family of modest means. Heckman was raised under a tradition of fundamentalist Protestant Christianity. At the age of eight he was a child minister who gave sermons on Sunday evenings. By fifteen, however, he decided against becoming a minister (Heckman 2009, 300-301). Heckman described the change in his religious attitudes:

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