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# The Mengerian Roots of Hayek's Conservative Liberalism

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# Friedrich August von Hayek

- the most influential Austrian economist
- the only one to receive a Nobel prize
- inspired both Ronald Reagan and Margaret Thatcher
- If 20<sup>th</sup> century divided into quarters, then Lenin, Hitler, Keynes and Hayek could be meaningful labels of the epochs



# Hayek Mengerian rather than Misesian

- Menger, Mises and Hayek share most premises, all Austrians, subjectivists, liberals
- But Hayek perhaps closer to Menger than to Mises
- Fact obscured by his understandable reluctance to criticise Mises
- Understandable because Mises was isolated, but an intellectual hero
- Mises a rationalist, Menger and Hayek evolutionists, keenly aware of individual ignorance



# Menger's crucial question

- “How can it be that institutions which serve the common welfare and are extremely significant for its development come into being without a common will directed toward establishing them?”
- Examples: money, the law, markets, and the state
- Rejects utilitarian liberalism as “the not infrequently impetuous effort to get away with what exists, with what is not sufficiently understood”
- Such liberalism “contrary to the intention of its representatives, inexorably leads to socialism”

# Socialism as Intellectual Error

- Considering situations on their own merits, and not in the light of general principles, leads to interventionism and finally, to socialism
- Failure to distinguish between purposeful institutions (e.g. a private company) and purposeless and spontaneous orders (e.g. language or the market) leads to a demand for a rational reconstruction of society
- The market is a process in time subject to individual ignorance
- Menger and Hayek therefore sceptical about individual reason
- Menger however also criticised the German historical school as unable rationally to evaluate traditions

# The Liberal Research Programme

- To make the invisible hand visible
- To explain unintended results of the actions of many men
- In contrast to conspiracy theories (Popper) or hidden-hand explanations (Nozick)
- Example. Income distribution is a modern, complex society the outcome of choices, and not a choice itself
- Redistributionists guilty of a category error



# Hayek's Conservative Liberalism

- Not conservatism (as noun). Hayek's critique similar to that of Menger: unable to distinguish between good and bad traditions, or to present an intellectual alternative to present practices
- But conservative (as adjective) in its respect for traditions and awareness of the limitations of individual human reason
- The question is how the marvelous civilisation of the West was and is possible despite individual ignorance
- The main answer is the transmission and creation of knowledge, made possible by prices and traditions





Hayek's Admonition



