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 20th 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