

# Humane Studies Review

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## *The Fatal Conceit* by F. A. Hayek A Special Symposium

### Editor's Introduction by Tom G. Palmer

**A**t nearly ninety years of age, Nobel Laureate F. A. Hayek has published an important and original work, *The Fatal Conceit: The Errors of Socialism* (ed. by W. W. Bartley, III, Chicago: University of Chicago Press, and London: Routledge). In one volume, Hayek has drawn together the many strands of his distinguished career as scientist, scholar, and man of letters. Insights from decades of study in anthropology, law, economics, history, psychology, and many other fields are woven together into a compelling case against socialism and for the free society.

The work is controversial, to be sure. Not only socialists and other statists will be challenged, but even Hayek's fellow defenders of liberty. For Hayek has traced a careful pathway through the thickets of moral and social philosophy, cutting across established oppositions (nature versus convention, for example) and pointing the way toward an exciting research program for a new generation of classical liberal thinkers. He has issued a bold challenge that is already causing classical liberal thinkers to reexamine old commitments and categories.

Among the highlights of the work are his history of the evolution of liberty, property, and justice, in which he shows how "the revival of European civilisation" and the growth of the market order during the later Middle Ages "owes its origins and *raison d'être* to political anarchy," i.e., to the competition among overlapping political and legal jurisdictions. Hayek cites here the pioneering work of the French historian Jean Baechler (*The Origins of Capitalism* [Oxford: Basil Blackwell, 1975]), who has shown how competition among political jurisdictions to attract capital and population produced results as salutary as does the more widely appreciated competition among firms to attract customers.

This emphasis on the centrality to the growth of liberty and the rule of law of competition among legal and political entities is strongly corroborated by recent scholarship in economic and legal history. Economic historian E.L. Jones has argued that Europe's remarkable economic growth is attributable in large part to the plurality of competing jurisdictions, in which "Playing two authorities against one

another was a ploy made commoner by the many and overlapping jurisdictions in Europe." (*The European Miracle: Environments, Economies, and Geopolitics in the History of Europe and Asia* [Cambridge: Cambridge University Press, 1981], p. 91. See also Nathan Rosenberg and L. E. Birdzell, Jr., *How The West Grew Rich: The Economic Transformation of the Industrial World* [New York: Basic Books, 1986].)

In his magisterial *Law and Revolution: The Formation of the Western Legal Tradition* (Cambridge, Mass.: Harvard University Press, 1983) legal historian Harold Berman has revealed "The source of the supremacy of law in the plurality of legal jurisdictions and legal systems within the same legal order" (p. 38) and shown how "Given plural legal systems, victims of unjust laws could run from one jurisdiction to another for relief in the name of reason and conscience." (p. 146) This competition among a plurality of sources of law is responsible for a uniquely Western institution: the rule of law, i.e., the conception of the law as an evolving body (*corpus juris*) distinct from the whims, interests, or dictates of this or that ruler.

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Another highlight of the book—and a powerful challenge to those who would follow the path he has blazed—is Hayek's recasting of the age-old opposition between law as conventional (*nomos*) and law as natural (*physis*). Here Hayek draws his inspiration from David Hume and other thinkers of the Scottish Enlightenment; as Hume argued, "though the rules of justice be *artificial* they are not arbitrary." This idea has been powerfully advanced by economist Robert Sugden in his book *The Economics of Rights, Co-operation, and Welfare* (Oxford: Basil Blackwell, 1986). Sugden shows how "if individuals pursue their own interests in a state of anarchy, order—in the form of conventions of

## Evolutionary Functionalism

by John Gray

Jesus College  
Oxford University  
Oxford, United Kingdom

In this, the first volume of his collected words, the central elements of Hayek's system of ideas are freshly summarized and restated. More clearly and insistently than ever before, Hayek demonstrates that socialism is above all an *intellectual* error in that it presupposes an epistemological impossibility—the centralization of dispersed social knowledge in the planning authorities. This new volume of Hayek's is invaluable in that it illuminates the function of markets as devices for economizing on the most radical and invaluable of scarcities—that of human knowledge.

In addition to this seminal insight of Hayek's, the book develops two themes that have come increasingly to preoccupy him in recent years. The first is the importance of traditional morality as a condition of a stable market order and the threat to it posed by modern rationalism. This is a concern Hayek has in common with many of the Scottish thinkers and with today's neoconservative theorists, but it consorts badly with his admiration for Mandeville and with his observation that much traditional morality (such as that theorized by Aristotle) is anti-market. The second theme is cultural evolution, in which Hayek argues for a sort of natural selection of traditions (including religious traditions) whereby the "fittest" are selected out and prevail, with the test of fitness being the carrying capacity of a tradition as measured by the number of people it can support. Hayek is surely right to point out that it was capitalism that created the proletariat inasmuch as without capitalist productivity the huge increase in proletarian numbers could not have occurred. For myself, however, I remain wholly unconvinced by the version of evolutionary functionalism that this argument invokes. It detects in human history a persistent mechanism where I can see only singularities and contingencies and has many unfortunate echoes of Spencer. With reference to the selection of religions, for example, it has typically been the capture of state power rather than any Darwinian procreative advantage that has accounted for the triumph and longevity of the dominant faiths. Again, the vast populations of communist states are able to subsist, perhaps indefinitely, as parasites on the world's surviving market economies. None of this (with its anti-Malthusian implication that there cannot be overpopulation) is at all persuasive. In this part of his argument, Hayek has followed Spencer in seeking to ground the institution of the market in a larger synthetic philosophy that has some of the characteristics of the scientism he has elsewhere brilliantly criticized.

Notwithstanding these critical reservations, this volume is to be welcomed for its freshness and vigor and is significant in inaugurating a most notable collection of Hayek's works.

## Spontaneous Order in Hayek's *The Fatal Conceit*

by Tyler Cowen

Department of Economics  
University of California at Irvine  
Irvine, California USA

Hayek's most recent work, *The Fatal Conceit*, suggests conflicting interpretations of the concept of "spontaneous order." Spontaneous order has traditionally referred to institutions that are the result of human action but not of human design, such as money or language. Classical liberals often portray spontaneous order as a voluntarist or market-based concept that stands in opposition to coercive central planning. The question arises, however, whether we should consider public sector institutions as part of the spontaneous order.

Hayek appears to want to have his cake and eat it too. On the one hand, he continually refers to socialism and central planning as elements external to the spontaneous order; socialism attempts to impose the discipline of planning upon an order that is too complex to be effectively directed by conscious engineering.

On the other hand, Hayek (p. 37) stresses the importance of institutions based upon deliberate organization as a part of the spontaneous order. Such institutions include "firms and associations, as well as...administrative bodies". Although many elements of these structures are planned, they "have a place only within an even more comprehensive spontaneous order" (p. 37). Hayek's prose is not unambiguous here, but from reading this passage and many others in *The Fatal Conceit*, one might take Hayek to be suggesting that the state has evolved within society and is part of a broader spontaneous order.

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Social sciences such as anthropology, political science, and public choice economics imply that governmental structures have evolved within the context of a broader spontaneous order. It would surely be strange if a theory of the importance of unintended consequences excluded the public sector from participation in evolutionary feedback mechanisms. While many governmental structures were consciously planned, the evolutionary, unplanned elements appear no less important. Consider, for instance, the evolution of the committee system in Congress or the American two-party system. Neither institution was designed according to a master plan, yet both are an integral part of our government.

We can attempt to resolve the tension in Hayek's theory of spontaneous order in a number of different ways, each of

which raises further questions. We might argue, for instance, that Hayek is not fully consistent and that only the market is a spontaneous order; the state, qua state, is the product of a rationalist or “constructivist” planning. I believe, however, that this view is empirically false, for reasons briefly noted above. In addition, this is probably not the correct interpretation of Hayek, as it leads to libertarian or anarchistic conclusions that Hayek unequivocally rejects.

Another possibility is that Hayek means to draw a distinction in kind between “government” and “socialism”. Western style mixed-economy governments may be part of the spontaneous order but totalitarian regimes, such as Stalinist Russia or Pol Pot’s Cambodia, are not. Even if such a distinction can be defended, it leads only to a rather obvious and unoriginal condemnation of totalitarianism. Hayek appears to be saying more than merely regurgitating Mises’s critique of the total command economy.

A third way of resolving the tension in Hayek’s thought is to accept the state, in all its manifestations, as part of a spontaneous order that encompasses all aspects of social life. Current governments have evolved within this spontaneous order, although we need not believe that they are necessarily benign. We may believe, however, that the historical successes enjoyed by Western society give us valuable information about the desirability of the underlying institutional structure. (I do not think that Hayek’s argument relies upon any [false] analogy with the theory of group selection in population biology, as some critics have alleged. It is an empirical fact that successful socioeconomic systems, such as the Roman Empire, the European democracies, and America have spread their influence. In Asian history, the most successful cultures of antiquity were also the most influential, e.g., China and India.) Such successes include large populations, maintaining a high standard of living and education, and producing and spreading cultural products.

One can thus read Hayek as having produced a sophisticated “historicist” defense of Western civilization. Although this historicism may not be inconsistent with the desire of classical liberals to expand the scope of the market economy, Hayek’s theory of spontaneous order does not itself imply a fundamental critique of existing government interventions. Such interventions have evolved as part of a spontaneous order (just as markets have evolved) and are part of the most successful socioeconomic systems the world has seen to date.

Some passages in Hayek’s words are inconsistent with the historicist interpretation of *The Fatal Conceit*. I am thus offering only a possible reading of Hayek, not an account of what he “really meant”. Like many other great thinkers (Mill, Hume, Marx, and Quine, to name a few) Hayek’s thought is riddled with tensions and problems, some of which border on outright inconsistencies. The reader’s attempt to wrestle with such tensions is precisely what makes Hayek’s work so rewarding; like many of Hayek’s earlier works, *The Fatal Conceit* should be a source of inspiration for future scholars.

Hayek’s work is drained of much of its richness if we try to defeat or eliminate these tensions by interpreting Hayek in either purely libertarian or conservative fashion. Libertarians wish to rely upon the results of market evolution but do not rely upon evolution in general to produce the proper mix between market and state. In contrast, conservatives give evolution a large place in deciding the proper mix of state

and private sector activities but are more willing than libertarians to interfere with market evolution. Hayek’s theory of spontaneous order, as it currently stands, does not allow us to easily endorse one kind of evolution and reject the other. *The Fatal Conceit* thus shows how subtly the presuppositions behind either conservatism or libertarianism can be used to support the *other* doctrine; perhaps this is the greatest contribution in Hayek’s new book.

## Is the Great Society in “Ideological Disequilibrium”?

by *Hartmut Kliemt*

Department of Philosophy  
University of Duisburg  
Duisburg, Federal Republic of Germany

**F**riedrich August von Hayek has again drawn our attention to the fact that collectivist notions that once were adequate to understand and to guide life in small groups of hunter-gatherers may seriously distort our views of the great society. This puts freedom itself at risk because “ill-considered notions of what is reasonable, right and good may change the facts and the circumstances in which we live...” (p. 27). This raises two questions that might merit further exploration. First, how could our “ill-considered” small group notions survive the experience of living in a great society for an extended period of time? Second, can there be a more adequate conviction system or ideology that supports the maintenance of the institutions of the great society and at the same time is itself supported by common experience in this society?

It does not seem completely convincing to answer the first question simply by pointing out that the biological evolution of human instincts could not keep up with cultural evolution. Our ideas may be influenced by our instincts. But they are also shaped by our experience. We are no helpless victims of our natural inclinations. We can learn; we can modify our behavioral dispositions in the course of time. As Hayek himself insists, traditions shape our view of the world. If common experience of individuals who are living in a great society would not reinforce collectivist views somehow then they certainly would have been gradually weeded out. There must be something in the structure of a great society itself that systematically supports ideas which eventually undermine the basis of that society.

As Hayek himself notes, “the structures of the extended order are made up...of many, often overlapping, sub-orders within which old instinctual responses, such as solidarity and altruism, continue to retain some importance by assisting voluntary collaboration” (p. 18). In a great society individuals can successfully pursue their ends most of the time only by way of membership in subgroups like clubs, the family, or the firm. The success of these subgroups will in general be furthered considerably if they can command feelings of solidarity, altruism, or loyalty among their members. Therefore, in the market for subgroup membership within the great society there will be a high premium on individuals who react in collectivist ways. This provides an incentive to nourish old instinctual responses assisting voluntary collabo-