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A COMMENT ON HAYEK'S IDEAS
OF FREE MARKET AND CIVILIZATION

as discussed in his lecture

The Defense of Our Civilization Against Intellectual Error

This paper is to contribute to the discussion concerning complexity of social systems and its methodological implications¹. It should direct attention to some vital points which were forcefully defended by the eminent social philosopher and economist Friedrich A. Hayek (1899–1992), a pupil and collaborator of Ludwig von Mises in Vienna; both have become the most prominent representatives of what is known under the name of the Austrian Economic School, the one so firmly fighting for liberal ideas in economics and social philosophy. Hayek was awarded the Nobel Memorial Prize for Economics in 1974.

After a successful career in the London School of Economics, since 1931, he took up an appointment at the University of Chicago, 1951, and then since 1962 at University of Freiburg (Germany). His many books include *The Road to Serfdom*, *Individualism and Economic Order*, *The Pure Theory of Capital*, *The Constitution of Liberty*, *The Fatal Conceit*, and *Law, Legislation, and Liberty*. An impressive summary of Hayek's ideas and attitudes has been done in a talk of him, entitled as quoted above (in the title of this comment)².

My endorsement of Hayek's ideas is related to the following personal experience. Once upon a time I wrote the essay entitled *Economics and the*

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² The lecture is made available at the following page, providing also necessary bibliographical data: www.libertyhaven.com/thinkers/friedrichvonhayek/defensecivil.html.

*Idea of Information. Why socialism must have collapsed?*³. When arguing on its main point in talks with some colleagues, mainly philosophers, I did not succeed in gaining a sympathetic attitude. The issue was perceived as rather boring and irrelevant. The ideas of Friedrich Hayek, much in that old essay of mine appreciated, seemed to be rather alien to quite a number of philosophers in this country (I mean Poland, but the same might be true of other places).

However, anybody who keeps up times, is likely to observe that Hayek's key notions, those of information, complexity, self-organization, etc. become ever more in vogue in the current science and philosophy. Moreover, the notion of computational (i.e., dealing with information processing) complexity proves to be crucial in computer science. How closely are these concepts related to physics and cosmology, one can learn from *The Anthropic Cosmological Principle* by John D. Barrow and Frank J. Tipler (Oxford University Press, 1996).

The same principles of information, complexity and self-organization which rule cosmic evolution also rule – according to Hayek – social and economic processes. This is why in the cosmological study by the physicists Barrow and Tipler, as mentioned above (p. 140), we find the following quotation from Hayek's "The pretence of knowledge" (1974 Nobel Lecture). Here is the passage involved.

[1] – "Organized complexity here means that the character of the structures showing it depends not only on the properties of the individual elements of which they are composed, but also on the manner in which the individual elements are connected with each other. [...] This is particularly true of our theories accounting for the determination of the system of relative prices and wages that will form themselves on a well-functioning market. Into the determination of these prices and wages there will enter the effects of particular information possessed by every one of the participants in the market process – a sum of facts which in their totality cannot be known to the scientific observer, or to any other single brain. It is indeed the source of the superiority of the market order, and the reason why [...] it regularly displaces other types of order."

Hayek's idea of free market has found an inspiring expression in the following passage where a market is seen as an information-processing unit (functioning in a real time – it can be added to use a metaphor taken from computer science). This point was a subject of controversy between Hayek

³ The essay was published in the collection *Social System, Rationality and Revolution* edited by Leszek Nowak and Marcin Paprzycki, Editions Rodopi, Amsterdam 1993.

and those socialistic authors (as e.g. Oskar Lange) who believed that free market should have been replaced by a central planning unit sufficiently equipped with computational power.

[2] – “The whole acts as one market, not because any of its members survey the whole field, but because their limited individual fields of vision sufficiently overlap so that through many intermediaries the relevant information is communicated to all.” (F. A. Hayek, “The Use of Knowledge in Society”, *The American Economic Review*. 35, September 1945, pp. 519–530, cit. p. 526).

It is inspiring to see how the idea of spontaneous order, as characteristic of free market, is by Hayek generalized towards the all-embracing system of civilization. Here are extensive quotations on this subject taken from Hayek's address entitled “The Defense of Our Civilization Against Intellectual Error” (in the collection of tributes published in honor of Leonard E. Read's seventieth birthday, 1968).

[3] – “In the first instance I wanted to emphasize that what is threatened by our present political trends is not just economic prosperity, not just our comfort, or the rate of economic growth. It is very much more. It is what I meant to be understood by the phrase “our civilization.” Modern man prides himself that he has built that civilization as if in doing so he had carried out a plan which he had before formed in his mind. The fact is, of course, that if at any point of the past man had mapped out his future on the basis of the then-existing knowledge and then followed this plan, we would not be where we are. We would not only be much poorer, we would not only be less wise, but we would also be less gentle, less moral; in fact we would still have brutally to fight each other for our very lives. We owe the fact that not only our knowledge has grown, but also our morals have improved – and I think they have improved, and especially that the concern for our neighbor has increased – not to anybody planning for such a development, but to the fact that in an essentially free society certain trends have prevailed because they made for a peaceful, orderly, and progressive society.”

In the next passage, there appears the consequential notion of emergence. Even if Hayek employed it in the everyday meaning, this meaning accords with a more technical one as used nowadays in the theory of dynamic complex systems. One speaks there of emergence when a process of system's becoming ever more complex surpasses a treshhold, and a new significant quality of the system unexpectedly appears. Thus the idea of emergence nicely agrees with Hayek's claim concerning unpredictability of social processes.

[4] – “This process of growth to which we owe the emergence of what we now most value, including the growth of the very values we now hold, is today often presented as if it were something not worthy of a reasonable being, because it was not guided by a clear design of what men were aiming at. But our civilization is indeed largely an unforeseen and unintended outcome of our submitting to moral and legal rules which were never “invented” with such a result in mind, but which grew because those societies which developed them piecemeal prevailed at every step over other groups which followed different rules, less conducive to the growth of civilization. It is against this fact to which we owe most of our achievements that the rationalist constructivism so characteristic of our times revolts. Since the so-called Age of Reason it seemed to an ever-increasing number of people not worthy of a rational being that he should be guided in his actions by moral and legal rules which he did not fully understand; and it was demanded that we should not regard any rules obligatory on us except such as clearly and recognizably served the achievement of particular, foreseeable aims.”

In the next passages, Hayek deplores the great intellectual error as mentioned in the title of his address. However, it seems that recently we can see the history of views on civilization in a more optimistic way. It was not so that once people had had right views, and then some of them committed the error of disregarding the spontaneous order. Contrary to that most people (if not all) first believed in abilities of a single leader to order things according to his wisdom and with good results. The less advanced is a society in civilisation, the less people can see the incredible complexity of social affairs, and the more they believe in the existence of simple solutions as promised by their leaders, successful in seducing. Only recent insights of modern science, those connected with complexity, chaos, self-organization, emergence, the anthropic principle, etc. increase our capability of perceiving the spontaneous order. Here are Hayek’s claims.

[5] – “It is, of course, true that we only slowly and gradually begin to understand the manner in which the rules which we traditionally obey constitute the condition for the social order in which civilization has arisen. But in the meantime, uncomprehending criticism of what seemed not “rational” has done so much harm that it sometimes seems to me as if what I am tempted to call *The Destruction of Values by Scientific Error* were the great tragedy of our time. They are errors which are almost inevitable if one starts out from the conception that man either has, or at least ought to have, deliberately made his civilization. But they are nevertheless intellectual errors which bid fair to deprive us of values which, though we have not yet learned to comprehend their role, are nevertheless indispensable foundations of our civilization.

This has already brought me to the second part of my definition of our task. When I stressed that it is genuine intellectual error that we have to fight, what I meant to bring out is that we ought to remain aware that our opponents are often high-minded idealists whose harmful teachings are inspired by very noble ideals. It seems to me that the worst mistake a fighter for our ideals can make is to ascribe to our opponents dishonest or immoral aims. I know it is sometimes difficult not to be irritated into a feeling that most of them are a bunch of irresponsible demagogues who ought to know better. But though many of the followers of what we regard as the wrong prophets are either just plain silly, or merely mischievous trouble-makers, we ought to realize that their conceptions derive from serious thinkers whose ultimate ideals are not so very different from our own and with whom we differ not so much on ultimate values, but on the effective means of achieving them.

I am indeed profoundly convinced that there is much less difference between us and our opponents on the ultimate values to be achieved than is commonly believed, and that the differences between us are chiefly intellectual differences. We at least believe that we have attained an understanding of the forces which have shaped civilization which our opponents lack. Yet if we have not yet convinced them, the reason must be that our arguments are not yet quite good enough, that we have not yet made explicit some of the foundations on which our conclusions rest. Our chief task therefore must still be to improve the argument on which our case for a free society rests.”

To sum up the answers as given by Hayek, let me put the main economic problem to be answered. For this purpose, let me use the following statement by the competent Hayekian Brent M. Johnstone from his paper “Information and the Economic Problem”⁴.

“Information, it will be seen, is the key to solving the economic problem. That problem is this: How do you get people to cooperate in the production of goods and services necessary to society? No one person or family can, beyond a bare subsistence level, produce everything it needs. People must rely on outsiders to help them get what they want: individuals who may very well live in different lands, worship different gods, speak different languages, and who may have very different goals, values, needs, and desires. These different people may very well even hate each other. How, then, can we get them to cooperate?”

⁴ The text can be found at the following page: www.libertyhaven.com/theoreticalorphilosophicalissues/austrianeconomics/inforeconomic.shtml.

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The answer, as we have seen in Hayek's statements, is found in acknowledging the immense complexity of economic and social life, and respecting those rules which govern so complex universe.