











FRIEDRICH A. HAYEK

NOBEL PRIZE-WINNING ECONOMIST

Friedrich A. von Hayek

Interviewed by
Earlene Craver, Axel Leijonhufvud, Leo Rosten
Jack High, James Buchanan, Robert Bork
Thomas Hazlett, Armen A. Alchian, Robert Chitester

Completed under the auspices
of the
Oral History Program
University of California
Los Angeles

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FUNDING FOR THIS INTERVIEW WAS PROVIDED BY THE
PACIFIC ACADEMY FOR ADVANCED STUDIES.

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INTRODUCTION

The idea of capturing visually and orally the personality of Friedrich von Hayek, 1974 Nobel laureate, was so attractive that when the Earhart Foundation agreed to fund such an arrangement, the Pacific Academy for Advanced Studies was proud to undertake the pleasant task. No attempt was made in these interviews to restate or review Hayek's staggering intellectual accomplishments or his influence on contemporary understanding of social, political, and economic events. Nor is this introduction the place to recount them. Either you know of the man's contributions or you do not. If the latter is true, then I suggest you read some of his books, the most popular lay book being The Road to Serfdom.

A series of conversations with Hayek was conducted in a television studio. This volume provides an edited transcript of those conversations. An integral part of Hayek's recorded oral history, indeed the most interesting, are the videotapes. Seeing the man gives a reliable picture of his personality and traits: calm, imperturbable, systematic, questioning, uncompromising, explicit, and relaxed. It is the personality of the man that was sought, and the video and audio record helps capture it faithfully.

The economist has only to grieve that similar tapes do not exist for Adam Smith or David Ricardo. What a treat

if one could see such a record of those men, a treat such as is here made available to future generations. .Incidentally, it was and still is the hope of the Pacific Academy for Advanced Studies to obtain such interviews with all the Nobel laureates in economics--or at least all except those two who have experienced the inevitable. As for many desirable things, the costs are still insurmountable.

So, here is the man, alive and influential, whether this be read in 1984 or in the inscrutable future years of 2034, 2084, or, hope of hopes, 2984. Here are represented the visions and beliefs of a group of people in 1978. See and hear their manner of expression, their subtle prejudices and misconceptions, fully apparent only to people a century from now. Perhaps we in 1983 will be envied, perhaps we will evoke sympathy. Whatever it may be, if not both, here is the personality, appearance, and style of Friedrich von Hayek, a man for all generations, who believes mightily in the freedom of the individual, convinced that the open, competitive survival of diffused, decentralized ideas and spontaneous organizations, customs, and procedures in a capitalist, private-property system is preferable to consciously rational-directed systems of organizing the human cosmos--a judgment that distant future viewers and readers may more acutely assess.

--Armen A. Alchian
May 1983

INTERVIEW HISTORY

INTERVIEWER: Armen A. Alchian, Earlene Craver, Axel Leijonhufvud, Thomas Hazlett, Jack High, Department of Economics, UCLA; Robert Bork, Yale University Law School; James Buchanan, Center for the Study of Public Choice, Virginia Polytechnic Institute; Robert Chitester, president, Public Broadcasting of Northwestern Pennsylvania; Leo Rosten, author, New York City.

TIME AND SETTING OF INTERVIEW:

Place: Studios of station KTEH, Channel 54, in San Jose, California.

Dates: October 28, November 4, 11, 12, 1978.

Time of day, length of sessions, and total number of recording hours: Sessions were conducted between 10 a.m. and 2 p.m., with a short break for lunch. Time allotted to the individual interviewers varied, so that in a single four-hour session Professor Hayek sometimes spoke sequentially with more than one interviewer. A total of fifteen and one-quarter hours of conversation was recorded. All sessions were videotaped.

Persons present during interview: Hayek and the interviewer. In addition, Alchian and/or Leijonhufvud attended each session.

CONDUCT OF THE INTERVIEW:

This series of oral history interviews was organized by Alchian and Leijonhufvud and was prompted by Hayek's visit to the Hoover Institution at Stanford University in the fall of 1978. Some of the interviewers were selected because they knew and had worked with Hayek; others were chosen because they were familiar with and interested in his work. Each interviewer was assigned a particular area of discussion from Hayek's life and work. Some interviews were primarily biographical; some were primarily topical.

After the interviews were completed, Alchian and Leijonhufvud initiated discussions with the Pacific Academy for Advanced Studies, which agreed to finance the processing of the interviews through the UCLA Oral History Program.

EDITING:

Editing was done by Rick Harmon, editor, Oral History Program. He checked the verbatim transcript against the original tape recordings, provided paragraphing and punctuation, and verified proper nouns. Words and phrases inserted by the editor have been bracketed. The final manuscript of the individual interviews remains in the same order as the original tape material, but the sequence of the interviews was rearranged in order to group together interviews that focused on similar issues.

Craver reviewed and approved the edited transcript. Hayek responded to a list of questions about the editing of the transcript prepared by Harmon and sent to him at the University of Freiburg in West Germany.

The index and table of contents were prepared by Harmon.

TAPE: CRAVER I, SIDE ONE

TAPE DATE UNSPECIFIED

CRAVER: Professor Hayek, when you returned to Vienna after the war in 1918, what sorts of opportunities were there for a young man of talent, or a young man who thought he had talent?

HAYEK: Well, immediately it was absolutely uncertain, you know. The world changed--the great collapse of the old Austrian Empire. I hadn't any idea [what to do]; so for the time being I just went on with what I had decided upon in the year-- Well, it was almost two years I spent in the army making plans for the future, but even these were upset. It's a very complicated story. I had decided to enter the diplomatic academy, but for a very peculiar reason. We all felt the war would go on indefinitely, and I wanted to get out of the army, but I didn't want to be a coward. So I decided, in the end, to volunteer for the air force in order to prove that I wasn't a coward. But it gave me the opportunity to study for what I expected to be the entrance examination for the diplomatic academy, and if I had lived through six months as an air fighter, I thought I would be entitled to clear out. Now, all that collapsed because of the end of the war. [tape recorder turned off] In fact, I got as far as having my orders to join the flying school, which I never did in

the end. And of course Hungary collapsed, the diplomatic academy disappeared, and the motivation, which had been really to get honorably out of the fighting, lapsed.

[laughter]

But I had more or less planned, in this connection, to combine law and economics as part of my career. I imagined it would be a diplomatic career, really. So I came to the university with only a general idea of what my career would be. My interests, even from the beginning, were-- My reading was largely philosophical--well, not philosophical; it was method of science. You see, I had shifted from the wholly biological approach to the social field, in the vital sense, and I was searching for the scientific character of the approach to the social sciences. And I think my career, my development, during those three years exactly at the university was in no way governed by thoughts about my future career, except, of course, that tradition in our family made us feel that a university professor was the sum of achievement, the maximum you could hope for, but even that wasn't very likely. It reminds me that my closest friend predicted that I would end as a senior official in one of the ministries.

CRAVER: It's sometimes hard for Americans-- Maybe after 1974 it's not so hard for an American student with a

doctorate to realize how difficult it can be to get a university post. But still, it's hard for us to realize how hard it was. I think it would be helpful if you could tell us exactly, if you had hopes of an academic career, how likely it was to realize it.

HAYEK: Yes, but it would never have been an academic career from the beginning in the then Austrian conditions, unless you were in one of the experimental fields where you could get a paid assistantship. Until you got a professorship you could not live on the income from an academic career, you see. The aim would be to get what I best describe as a license to lecture as a so-called Privatdozent. This allowed one to lecture but practically to earn no money. When I finally achieved it, what I got from student fees just served to pay my taxi, which I had to take once a week from my office to give a lecture at the university. That's all I got from the university.

So outside the exact sciences there was, in a sense, no academic career. You had to find an occupation outside which enabled you to devote enough time to your work. And, in fact, the whole crowd of my friends in the social sciences, law and so on, were all people who were earning their incomes elsewhere and aiming at a Privatdozent position. Then even for years you would continue, at the same time, to have a bread-earning occupation and on the side do

academic work. That was particularly marked in Vienna because you had this large intellectual Jewish community, most of whom couldn't really hope to get a university post. So in this circle in which I lived, my closest friends were either practicing lawyers-- The philosopher and mathematician was the director of the Anglo-Persian Oil Company in Vienna; another one, a sociologist, was the secretary of one of the banking associations; one or two were actually in some low civil service positions. But among my friends, I don't think a single one, up to their middle thirties or later thirties, could live on this income from an academic position. Even if you acquired the lectures, you see, it didn't mean you could live on that. You lived on something, some other income, which may have been completely unconnected with academic activities. So even if you ultimately aimed at a professorship, your immediate concern was to find something else which you could combine with academic activities.

What I finally got was by pure accident, I think. I did not expect it to the very last moment. That was a job in a newly created government office, and it was comparatively well paid because it required a combination of law, economics, and languages, which was rather rare. This gave me, for the first five years, a comparatively well-paid position in Vienna.

CRAVER: Could there be roadblocks even in getting accepted as a Privatdozent?

HAYEK: Oh, yes, of course. You were very much dependent on the sympathy, or otherwise, of the professor in charge. You had to find what was called a Habilitations-Vater, a man who would sponsor you. And if you didn't happen to agree with the professor in charge, and there were usually only two or three--in fact, even in a big subject like economics, there were only two or three professors--unless one of them liked you, well there was just no possibility.

CRAVER: I thought it might be useful if you gave the names of some rather famous men who were at the university and who never were anything more than Privatdozents, not only in economics but in other fields.

HAYEK: Well, in law it wouldn't mean anything because they weren't very eminent. But Heinrich Gomperz, a philosopher, for example, is a clear instance. Though [Ludwig von] Mises, my teacher, had such a good position that I doubt whether he would have wished to start at a lower level, even for an extraordinary professor, it was a great chagrin to him that [a chair] was never offered to him. But again, the medical faculty was full of such men who had academic ambitions, who did little teaching at the university, but who made their incomes as practicing

doctors. There were even one or two distinguished mathematicians, whose names I do not know, who partly because of a shortage of positions, partly because of anti-Jewish prejudice, were part and then not part of the university.

I mean this really created, to a large extent, a peculiar intellectual atmosphere in Vienna that was not confined to the people who were actually inside the university. So many people had just a foot in the university, which meant there was a large intellectual audience to whom you could speak who were not solely or mainly professors but who gave you an audience of general interest, which I don't think was of the same character anywhere else. I emphasized the anti-Semitism as one of the causes, but it wasn't only that. The tradition that you might do scholarly work on the side with a practical occupation became quite general, perhaps because of the example of the people who were kept out. But there were any number of people who in other countries might have been private scholars with a private income, but there were very few wealthy people of that kind who could [manage it in Austria]--or were allowed to. There were mostly people who had decided to earn their living outside of the university, and yet to pursue their scholarly interests in addition.

CRAVER: So this gave Vienna a very lively intellectual life, and much of that was going on outside the university?

HAYEK: Outside and in little circles. You probably wouldn't be aware that there was such a large community, because it never met as a whole. And there were also scientific societies and discussion clubs, but even they were in a cruel way split up, and that again was connected with what you might call the race problem, the anti-Semitism. There was a purely non-Jewish group; there was an almost purely Jewish group; and there was a small intermediate group where the two groups mixed. And that split up the society.

On the other hand, I have only recently become aware that the leading people were really a very small group of people who somehow were connected with each other. It was only a short while ago, when somebody like you inquired about whom I knew among the famous people of Vienna, that I began to go through the list, and I found I knew almost every one of them personally. And with most of them I was somehow connected by friendship or family relations and so on. I think the discussion began, "Did you know [Erwin] Schrödinger?" "Oh, yes, of course; Schrödinger was the son of a colleague of my father's and came as a young man in our house." Or, ["Did you know Karl von] Frisch, the bee Frisch?" "Oh, yes, he was the

youngest of a group of friends of my father's; so we knew the family quite well." Or, ["Did you know Konrad Lorenz?" "Oh, yes, I know the whole family. I've seen Lorenz watching ducks when he was three years old." And so it went on. [laughter] Every one of the people who are now famous, except, again, the purely Jewish ones-- Freud and his circle I never had any contact with. They were a different world.

CRAVER: But you had this intermediate group who were Jewish or who were part Jewish?

HAYEK: One did always hear what happened to them, but we didn't know the people personally.

CRAVER: Yes. I certainly got this impression from reading Karl Popper, also, of how small the group was, and how--I don't know if he was the one who mentioned it--how [Anton] Bruckner, for example, might be playing the piano for someone else who was a philosopher.

HAYEK: Oh, yes. Again, you see, there were bridges. The Wittgensteins had a great musical salon. Now, see, the Wittgensteins themselves were three-quarters Jewish, but Ludwig Wittgenstein's grandmother was the sister of my great grandfather; so we were again related. I personally was too young. You see, the Wittgenstein salon ended with the outbreak of war. Both the old men had died, and after the breakdown it never reassembled. But that was one of

the centers where art and science met in a very wealthy background and, again, was one of the bridges between the two societies.

CRAVER: When you were a young man at this time, let's say about when you were finishing your degree in economics in the faculty of law, which is how it was organized, what were your dreams? your fantasies of what you might do with your career?

HAYEK: Well, at that time I really wanted a job in which I could do scientific work on the side. That was the main problem. It was a little later that I formed an idea. I made a joke to my first wife, I think just before we married, that if I could plan my life I would like to begin as a professor of economics in London, which was the center of economics. I would do this for ten or fifteen years, and then return to Austria as president of the national bank, and ultimately go back to London as the Austrian ambassador. A most unlikely thing happened that I got the professorship in London, which I thought was absolutely a wish-dream of an unlikely nature. Even the second step-- Not at the time but forty years later, I was once negotiating a possible presidency of the Austrian National Bank. [laughter]

CRAVER: You were? [laughter]

HAYEK: It did not come off.



CRAVER: This means you were an Anglophile early. What made you an Anglophile, do you think?

HAYEK: Why it was as early as that, I really can't say. Once I got to England, it was just a temperamental similarity. I felt at home among the English because of a similar temperament. This, of course, is not a general feeling, but I think most Austrians I know who have lived in England are acclimatized extraordinarily easily. There must be some similarity of traditions, because I don't easily adapt to other countries. I had been in America before I ever came to England. I was here as a graduate student in '23 and '24, and although I found it extremely stimulating and even knew I could have started on in an assistantship or something for an economic career, I didn't want to. I still was too much a European and didn't the least feel that I belonged to this society. But at the moment I arrived in England, I belonged to it.

CRAVER: Let's see, we talked a little bit about Vienna and the circles and the intellectual life outside the university. Did England, when you went there, have more of that than what you saw when you were in the United States?

HAYEK: Yes, yes, it had more. It wasn't quite the same. I might have had more if I had gone to one of the old universities or even one of the specialized colleges of the University of London. The London School of Economics,

which first was an attraction to me, was extremely good in the social sciences, but it was completely specialized to social sciences. While, at first, moving among very good people in my field was very attractive, I admit that at the end of twenty years I longed to get back to a general university atmosphere, which the London School of Economics is not. It is very much a specialized school, where you spend all your time among other social scientists and see nobody else.

CRAVER: Many young men of your generation have been socialists when they were young, or at least social democrats. Had you been influenced at one time by this atmosphere?

HAYEK: Oh, yes, very much so. I never was a social democrat formally, but I would have been what in England would be described as a Fabian socialist. I was especially influenced--in fact the influence very much contributed to my interest in economics--by the writings of a man called Walter Rathenau, who was an industrialist and later a statesman and finally a politician in Germany, who wrote extremely well. He was Rohstoffdiktator in Germany during the war, and he had become an enthusiastic planner. And I think his ideas about how to reorganize the economy were probably the beginning of my interest in economics. And they were very definitely mildly socialist.

Perhaps I should say I found a neutral judge. That's what made me interested in economics. I mean, how realistic were these socialist plans which were found very attractive? So there was a great deal of socialist inclination which led me to-- I never was 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. But of the mild kind, I think German Sozialpolitik, state socialism of the Rathenau type, was one of the inducements which led me to the study of economics.

CRAVER: I've talked to a number of people who went through the University of Vienna in this period, and a number of them have spoken--in fact, some from the German universities also--have spoken of the influential role, once they were studying economics, of Mises's-- I think it's a 1919 article on the problems of economic calculation.

HAYEK: I think it was 1920.

CRAVER: I'm sorry. [laughter] You would know better than I.

HAYEK: He wrote that article and then particularly a book, Die Gemeinwirtschaft, Untersuchungen über den Sozialismus, which had the decisive influence of curing us, although it was a very long struggle. At first we all felt he was

frightfully exaggerating and even offensive in tone. You see, he hurt all our deepest feelings, but gradually he won us around, although for a long time I had to-- I just learned he was usually right in his conclusions, but I was not completely satisfied with his argument. That, I think, followed me right through my life. I was always influenced by Mises's answers, but not fully satisfied by his arguments. It became very largely an attempt to improve the argument, which I realized led to correct conclusions. But the question of why it hadn't persuaded most other people became important to me; so I became anxious to put it in a more effective form.

CRAVER: I'd like to move into maybe a slightly different area, but it still pertains to this. In the economics faculty, prior to the First World War, it had had a grand reputation that started with [Karl] Menger, and then there was [Friedrich von] Wieser and [Eugen von] Böhm-Bawerk. Now when you came into economics after the First World War, what was the situation at that time?

HAYEK: At first it was dreadful, but only for a year. There was nobody there. Wieser had left the university to become a minister in the last Austrian government; Böhm-Bawerk had died shortly before; [Eugen von] Philippovich, another great figure, had died shortly before; and when I arrived there was nobody but a socialist economic historian.

Then Wieser came back, and he became my teacher. He was a most impressive teacher, a very distinguished man whom I came to admire very much. I think it's the only instance where, as very young men do, I fell for a particular teacher. He was the great admired figure, sort of a grandfather figure of the two generations between us. He was a very kindly man who usually, I would say, floated high above the students as a sort of God, but when he took an interest in a student, he became extremely helpful and kind. He took me into his family; I was asked to take meals with him and so on. So he was for a long time my ideal in the field, from whom I got my main general introduction to economics.

CRAVER: How did he take notice of you? How did that happen?

HAYEK: I first flattered myself that [it was because] I had gone up to him once or twice after the lecture to ask intelligent questions, but later I began to wonder whether it was more the fact that he knew I was against some of his closest friends. [laughter]

CRAVER: I know that there were three chairs at the university, and Wieser retired at what time?

HAYEK: Well, I'm afraid Wieser was responsible for rather poor appointments. The first one was Othmar Spann, a very curious mind, an original mind, himself originally still a pupil of Menger's. But he was a very emotional person who

moved from an extreme socialist position to an extreme nationalist position and ended up as a devout Roman Catholic, always with rather fantastic philosophical ideas. He soon ceased to be interested in technical economics and was developing what he called a universalist social philosophy. But he, being a young and enthusiastic man, for a very short time had a constant influence on all these young people. Well, he was resorting to taking us to a midsummer celebration up in the woods, where we jumped over fires and-- It's so funny [laughter], but it didn't last long, because we soon discovered that he really didn't have anything to tell us about economics.

As long as I was there, there were really only these two professorships, and of course when Wieser retired, which happened in the year when I finished my first degree, he was succeeded by Hans Meyer, his favorite disciple. An extremely thoughtful man, but a bad neurotic. [He was] a man who could never do anything on time, who was always late for any appointment, for every lecture, who never completed things he was working on, and in a way a tragic figure, a man who had been very promising. Perhaps it's unjust to blame Wieser for appointing him because everybody thought a great deal would come from him. And probably there is still more in his very fragmentary work than is appreciated, but one of his defects was that he worked so intensely on the

most fundamental, basic problems--utility and value--there was never time for anything else in economics. So he was, in a sense, a narrow figure.

The third professorship was only filled a year or two after I had left. The man, Count [Ferdinand] Degenfeld-[Schonburg], played a certain role when I finally got my Privatdozentur, but I never had any contact with him otherwise. There were a few Privatdozents, or men with the title of professor like Mises, but my contact with him was entirely outside the university. No, the faculty, except for Wieser, as a person, as an individual, was not very distinguished in economics, really. It was a great tradition, which Wieser kept up, but except for him the economics part of the university was not very distinguished.

CRAVER: When I look at this period, a lot of people--this is true also before the war and for those who were young men after the war--often describe themselves as positivists or antipositivists, and I have difficulty in knowing what positivism actually meant at that time.

HAYEK: Well, it was almost entirely the influence of Ernst Mach, the physicist, and his disciples. He was the most influential figure philosophically. At that time, apart from what I had been reading before I joined the army, I think my introduction to what I now almost hesitate to call philosophy--scientific method, I think, is a better

description--was to Machian philosophy. It was very good on the history of science generally, and it dominated discussion in Vienna. For instance, Joseph Schumpeter had fully fallen for Mach, and when-- While I was still at the university, this very interesting figure, Moritz Schlick, became one of the professors of philosophy. It was the beginning of the Vienna Circle, of which I was, of course, never a member but whose members were in close contact with us. [There was] one man who was supposedly a member of our particular circle, the Geistkreis, and also the Schlick circle, the Vienna Circle proper, and so we were currently informed of what was happening there. [tape recorder turned off]

Well, what converted me is that the social scientists, the science specialists in the tradition of Otto Neurath, just were so extreme and so naive on economics that it was through [Neurath] that I became aware that positivism was just as misleading as the social sciences. I owe it to his extreme position that I soon recognized it wouldn't do.

TAPE: CRAVER I, SIDE TWO

TAPE DATE UNSPECIFIED

HAYEK: And it took me a long time, really, to emancipate myself from it. It was only after I had left Vienna, in London, that I began to think systematically on problems of methodology in the social sciences, and I began to recognize that positivism in that field was definitely misleading.

In a discussion I had on a visit to Vienna from London with my friend [Gottfried] Haberler, I explained to him that I had come to the conclusion that all this Machian positivism was no good for our purposes. Then he countered, "Oh, there's a very good new book that came out in the circle of Vienna positivists by a man called Karl Popper on the logic of scientific research." So I became one of the early readers. It had just come out a few weeks before. I found that Haberler had been rather mistaken by the setting in which the book had appeared. While it came formally out of that circle, it was really an attack on that system. [laughter] And to me it was so satisfactory because it confirmed this certain view I had already formed due to an experience very similar to Karl Popper's. Karl Popper is four or five years my junior; so we did not belong to the same academic generation. But our environment in which we formed our ideas was very much the same. It was

very largely dominated by discussion, on the one hand, with Marxists and, on the other hand, with Freudians.

Both these groups had one very irritating attribute: they insisted that their theories were, in principle, irrefutable. Their system was so built up that there was no possibility-- I remember particularly one occasion when I suddenly began to see how ridiculous it all was when I was arguing with Freudians, and they explained, "Oh, well, this is due to the death instinct." And I said, "But this can't be due to the [death instinct]." "Oh, then this is due to the life instinct." [laughter] Well, if you have these two alternatives, of course there's no way of checking whether the theory is true or not. And that led me, already, to the understanding of what became Popper's main systematic point: that the test of empirical science was that it could be refuted, and that any system which claimed that it was irrefutable was by definition not scientific. I was not a trained philosopher; I didn't elaborate this. It was sufficient for me to have recognized this, but when I found this thing explicitly argued and justified in Popper, I just accepted the Popperian philosophy for spelling out what I had always felt.

Ever since, I have been moving with Popper. We became ultimately very close friends, although we had not known each other in Vienna. And to a very large extent I have



agreed with him, although not always immediately. Popper has had his own interesting developments, but on the whole I agree with him more than with anybody else on philosophical matters.

CRAVER: Do you think you reacted to this kind of dogmatism also because of your rejection of this form of dogmatism in the church, in the Roman Catholic church?

HAYEK: Possibly, although I had so completely overcome [church dogma] by that time that it really never-- You see, that goes back so far in my family. If you have a grandfather who's an enthusiastic Darwinian; a father who is also a biologist; a maternal grandfather who evidently only believed in statistics, though he never spoke about it; and one grandmother who was very devoted to the ceremonial [aspects] of the Catholic church but was evidently not really interested in the purely literal aspect of it-- And then I was very young--I must have been thirteen or fourteen-- when I began pestering all the priests I knew to explain to me what they meant by the word God. None of them could. [laughter] That was the end of it for me.

CRAVER: Was this true of most of the intellectuals in these circles we were talking about--that they weren't people who had rebelled, let's say, against Roman Catholicism, but they came from families who had a sort of enlightened background?

HAYEK: Yes, it was predominantly true. It was very rare in this circle to find anybody who had any definite religious beliefs. In fact, there was, I think, in university circles a very small minority who by having these beliefs almost isolated themselves from the rest.

CRAVER: Can you say more about your initial interest in the social sciences?

HAYEK: I remember the very specific occasion, which must have been a few weeks before I joined the army, when we had a class in the elements of philosophy--logic and philosophical propaedeutic, it was called--and he gave us a sort of survey of the history of philosophy. [The teacher] was speaking about Aristotle and explained to us that Aristotle defined ethics as consisting of three parts: I believe it was morals, politics, and economics. When I heard this [my response was], "Well these are the things I want to study." It had a comic aftereffect when I went home and told my father, "I know what I'm going to study. I'm going to study ethics." He was absolutely shocked. [laughter] And it had a curious aftereffect. A few days later he brought me three volumes of the philosopher Ludwig Feuerbach, which he had seen in the shop window of a second-hand bookseller. Feuerbach was, of course, at that time a hard-line positivist of a rather crude kind. This was in order to cure me of my interest in ethics. Well, I

think the real effect was that an attempt to read this book gave me a very definite distaste for philosophy for some time.

But, of course, what I had meant by ethics wasn't at all what my father understood when I mentioned the term. But it does mean that as early as probably late 1916, when I was seventeen, I was clear that my main interests were in the social sciences, and the transition must have come fairly quickly. I do remember roughly that until fifteen or so I was purely interested in biology, originally what my father did systematically. He was mainly a plant geographer, which is now ecology, but the taxonomic part soon did not satisfy me. At one stage, when my father discovered this, he put a little too early in my hand what was then a major treatise on the theory of evolution, something called Deszendenz-theorie. I believe it was by [August] Weismann. I think it was just a bit too early. At fourteen or fifteen I was not yet ready to follow a sustained theoretical argument. If he had given me this a year later, I probably would have stuck with biology. The things did interest me intensely.

But, in fact, my interests very rapidly moved, then, to some extent already toward evolution, and for a while I played with paleontology. We had in our circle of friends a very distinguished paleontologist; in fact,

two: an ordinary one (D. Abel) and an insect paleontologist (Handlirsch). Then somehow I got interested in psychiatry, and it seems that it was through psychiatry that I somehow got to the problems of political order. One of my great desires had been to get a very expensive volume which described, as it were, the organizations of public life. I wanted to learn how society was organized. I remember--I have never read it--it contained chapters on government and one on the press and about information.

So then I turned to certain practical aspects of social life. If I may add, in general, up to my student days at the university, my tendencies were very definitely practical. I wanted to be efficient. My ideal, for a long time, was that of a fireman's horse. I once did see how, before the time of the automobile, the fire equipment was--The horse was standing in its stable ready to be put on the carriage with everything hanging over it; so it required only two or three pressings of buttons and the horse was finished to go out. So I felt, "I must be like that, ready for every possibility in life, and be very efficient." Just as in the area of sports--mountaineering, climbing, skiing, cycling, photography--I was for a time extremely interested in technical efficiency of this kind, something which I completely lost in my later life.

CRAVER: Did you read [Frederick] Taylor? Was the American

Taylor being read in your circles at all?

HAYEK: Well, yes, there was a stage in which I was reading all the Taylor stuff, but that was a little later. I think it was at the beginning of my economics reading, but that was the time of the great fashion of Taylorism. But I had this passion for understanding all sorts of functioning in the organization of complicated phenomena, and I mention this because nowadays all my friends think I'm completely indifferent to technical things. I am no longer really interested, but I had a great passion for that at one time.

CRAVER: I think when you were still at the university you would go over to lectures sometimes. Was it in psychiatry, or in the biology department?

HAYEK: In anatomy. It was largely in connection with my then-growing interest in physiological psychology. I had easy access. My brother was studying in the anatomy department; so I just gate-crashed into lectures occasionally and even in the dissecting room.

CRAVER: Was it common for students at that time to gate-crash in lectures in another discipline outside of their own specialization?

HAYEK: Oh, very common, yes. That part of the students who were really very intellectually interested was substantial. But, of course, if you take a faculty like law--I suppose the law faculty in Vienna in my time was something like 2,000

or 3,000 students--perhaps 300 had really intellectual interests, and the others just wanted to get through their exams. You can't generalize about the students, but a small group certainly did not specialize solely in one discipline but sampled all the way around. I would go to lectures on biology, to lectures on art history, to lectures on philosophy, certainly, and certain biological lectures. I sampled around.

I sometimes marvel how much I could do in the three years when you think, as I mentioned before, my official study was law. I did all my exams with distinction in law, and yet I divided my time about equally between economics and psychology. I had been to all these other lectures and to the theater every evening almost.

CRAVER: You didn't see this when you came to the United States for that year?

HAYEK: Oh, no. This sort of life was completely absent. But it was also, of course, that in the United States I was so desperately poor that I couldn't do anything. I didn't see anything of what the cultural life of New York was because I couldn't afford to go anywhere. And I had no real contacts, you see. I wasn't a regular student. I was sitting in the New York Public Library, and there were four or five people at the same desk who I came to know, but that was the total of my acquaintance with Americans.

I met a few Austrian families, but I really had very little contact with American life during that year, mainly because of financial limitation. And I was so poor that my dear old mother used to remind me to the end of her life that when I came back from America I wore two pair of socks, one over the other, because each had so many holes it was the only way. [laughter]

CRAVER: In your case, you were also poor, as you say, when you were a student in America. But do you think the fact that you and many other economists I know from Vienna were so reluctant to come to take a position in America, even though it was an academic position, was partly related to what they had observed here?

HAYEK: No, it doesn't apply to the others. You see, I was the only one who did not come away in the comfort of the Rockefeller Foundation. All the later visitors visited America very comfortably and could travel and see everything. My case was unique. I was the only one who came on his own, at his own risk, and with practically no money to spare, and who lived for the whole of a fifteen-month period on sixty dollars a month. It would have been miserable if I hadn't known that if I was in a real difficulty I would just cable my parents, "Please send me the money for the return." But apart from this confidence that nothing could really happen to me, I lived as poorly and miserably as you can possibly live.

TAPE: LEIJONHUFVUD I, SIDE ONE

TAPE DATE UNSPECIFIED

LEIJONHUFVUD: Doctor Hayek, in your early studies you pursued not just law but psychology and economics at the law school in Vienna. Was this sort of triple-threat competence common among your contemporaries?

HAYEK: Well, common among that group who studied not merely for entering a profession but because of intellectual interest, yes; but it was a small part of the total student population. They were the same people who even in their subject would do more than was essential for examinations. Most of those who would voluntarily attend a seminar beyond the formal lectures would not be interested only in economics but would go outside.

But it's partly, of course, connected with the whole organization of the study. I mean, in general, and certainly in all the nonexperimental subjects, instruction was almost entirely confined to formal lectures. There were no tests except three main examinations, mostly at the very end of your study; so beyond the purely formal requirement that the professor testified to your attendance in your lecture book, you were under no control whatever. You chose your own lectures. Very few of them were compulsory, and most of [the students] would not confine themselves to lectures required for their exam. We were entirely free, really, in

what we did, provided that we were ready to be orally examined. You see, the examinations were oral examinations only. We did no written work at all for our whole study, or no obligatory written work. There were some practical exercises in legal subjects where we discussed particular things, but even they were not obligatory at that time. And in the law faculty, especially, I think, the majority of the students hardly ever saw the university, but went to coach and the coach prepared them for their final exam.

So even the attendance of the lectures would be small, and the part of those who were really intellectually interested was even smaller. But I think what it amounts to, say of the 600 or 800 students in one year of law--it was larger in the immediate postwar period because many years had been compressed in that period--perhaps a hundred would attend the lectures; perhaps twenty would have an acute intellectual interest. But if you were in that group, you then constantly would meet the same men in your law lectures and the art history lectures, or in anything else. It all happened in one building. Except for the institutes and the experimental subjects, it was all in the university building; so even if you had in your regular program an hour free, you walked over to the philosophy faculty and tried different lectures, [some of] which you liked and [some of]

which you did not like.

LEIJONHUFVUD: And that is the atmosphere that you came to miss, eventually, in London. Do you feel that, in this respect, things have changed in your lifetime? In the universities you visit now, is it becoming more uncommon, perhaps?

HAYEK: Oh, I'm sure that it has become more uncommon. I'm sure even in Vienna [it has become uncommon], although I've been very much out of contact with that university. In more than one respect, it's not what it used to be. It certainly is not in existence in England. But of course there's another point. In the continental universities at that time there was a very great break between the discipline of school and the complete freedom at the university. And a good many people got lost in that tradition. You had to learn to find your own way, and most of those who were any good learned to study on their own with just a little advice and stimulus from the lectures.

LEIJONHUFVUD: But a great number of students did not finish their degrees?

HAYEK: Oh, a great many fell by the way, yes. I think the proportion of those who entered the universities who completed must have been-- I don't suppose more than half of them who entered ever completed the course.

LEIJONHUFVUD: What are your views on the advantages of

specializing or of pursuing more than one field seriously, the way you and the best of your contemporaries did?

HAYEK: Well, it certainly was very beneficial in our time, but it's possible that the amount of factual knowledge you have to acquire even for a first degree-- I think we were more likely and more ready to ask questions, but we knew factually less than a present-day student does. We were able to pick and choose very largely. It didn't matter if you neglected one subject, up to a point. I think on any sort of test of competence in our special subject we were probably less well trained than the present-day student. On the other hand, we preserved an open mind; we were interested in a great many things; we were not well-trained specialists, but we knew how to acquire knowledge on a subject. And I find nowadays that even men of high reputations in their subject won't know what to do for their own purposes if they have to learn a new subject. To us this was no problem. We constantly did it. We had the confidence, more or less, that if you seriously wanted to pursue a subject, you knew the technique of how to learn about it.

LEIJONHUFVUD: Another aspect of that was that many of your contemporaries were very interested in methodology and philosophy and retained that interest throughout their careers. It's a common attitude that you often meet today

that this is not worthwhile. But if you were not as competent, perhaps, in your specialized subjects, from the contrast between the various fields that you pursued came this interest in methodology.

HAYEK: I'm not sure what the answer is. It may have been purely accidental in our circle that the interest in methodology was so high. It was, to some extent, brought by some of my colleagues who went elsewhere for a semester. When people like [Alfred] Schutz and [Felix] Kaufmann went to Freiburg to study under [Edmund] Husserl, or when [Herbert] Furth and [Ilse] Minz went to Heidelberg to study there for a semester, they brought back philosophical ideas, partly because an Austrian student going to another German university doesn't use that semester to continue law, but he looks around for other subjects.

So we had special stimuli in our discussion circle who were interested in philosophical problems, and whether apart from these special reasons it would have been--

Well, of course, there was also a great general fashion in Vienna due to the influence of Mach on the whole intellectual outlook. There was this almost excitement about matters of scientific method due to the influence of Mach, very largely. All that came together, and there were probably more-- I don't know in Vienna of any other similar group like our little group, the Geistkreis. There

may have been others, but I don't know them.

LEIJONHUFVUD: Yes. Well, it was sort of carried on, this influence from Mach, by the Vienna Circle of [Moritz] Schlick and [Rudolf] Carnap, and by [Ludwig] Wittgenstein.

HAYEK: But that was much more definitely a philosophical circle. But our group, while we happened to be all ex-law students, law was the least subject we ever considered in our circle. It was either the social sciences or literature or-- Well, sociology is a social science, but sociology in the widest sense. Felix Kaufmann brought in from the Schlick circle the approach of the natural sciences. There were a great deal of semipractical aspects. I mean, the fact that somebody like Alfred Schutz was, by profession, secretary of the banking association, but he was in one sense most philosophical, and he was most intimately connected with daily events.

LEIJONHUFVUD: Do you feel that Vienna was uniquely good in producing this first-rate intellectual talent, who were also men of affairs at the same time?

HAYEK: In that particular period, I don't know of any similar-- Well, yes, it seems to have been also [true] in Budapest. I have only learned about it much later, but in a way Budapest was even more productive than Vienna in the same period. There were a number of distinguished scientists with a broad interest compared with the

population, and even more so if you compare it with the relevant population, which in Budapest was almost-entirely, exclusively, the Jewish population, which of course was not true in Vienna. But I didn't know it at the time.

LEIJONHUFVUD: But these were not ivory-tower people, either.

HAYEK: Oh, no, very far from it. And the Vienna people, for the reasons I discussed already, were very far from ivory-tower people because they had to have a living.

[laughter]

LEIJONHUFVUD: So it was partly out of necessity. How did it come about that you founded a circle like the Geistkreis? It included a great many people of later distinction.

HAYEK: The initiative came from Herbert Furth, whom you know. He first approached me [about] whether I would join with him in asking Jewish people whom we had known in the university, partly active contemporaries in the law faculty, partly a few personal friends of his more than mine, like [Franz] Glück, the art historian-- I had hardly any distinct contribution in the selection of persons. I think part of the reason is that I was away for the most important period of forming the circle. We formed it immediately after we left the university, but I remained only for a year and a half in Vienna before I went to America. The circle started on a very small scale during that period, but it grew

while I was in America. I think that is the reason why Furth made a much more definite contribution to the composition than I did.

LEIJONHUFVUD: What was the method of selection? Did you have something like a program in mind when you approached other people?

HAYEK: No, not at all. I think at the beginning, Herbert Furth and I would just talk. This was a discussion group, selecting from the people we knew; then some other members might make suggestions, and if the rest of us knew about a man and agreed that he was--

LEIJONHUFVUD: But were you intent on making it an economics discussion?

HAYEK: Oh, no, very far from it. I suppose the feeling was rather there were too many economists in it already.

LEIJONHUFVUD: So did you try broadening it?

HAYEK: Yes. I mean, after [Fritz] Machlup, [Gottfried] Haberler, and I-- We were part of the nucleus, and I think we felt that economics was sufficiently represented.

LEIJONHUFVUD: So Machlup, Haberler, and yourself, and Furth. Can you mention some others?

HAYEK: Well, [Furth] wasn't really an economist. He learned a lot of economics by that association, but he was not primarily interested in economics. He finally made use of this when he had to go to the United States to get a

position as an economist, but in Vienna he was not an economist.

LEIJONHUFVUD: He went to the Federal Reserve Board once he came here?

HAYEK: Well, no, I think he began with a teaching post at one of the Negro universities in Washington.

LEIJONHUFVUD: Howard [University]?

HAYEK: Yes, I believe so.

LEIJONHUFVUD: So Furth and Kaufmann [were also members]. And who were some of the others?

HAYEK: [Eric] Voegelin, Schutz--Alfred Schutz, the sociologist--Glück, the art and literary historian. There were one or two people who later left who were very active at the beginning. One or two Germans who had been students in Vienna and returned to Germany: a man called [Walter] Overhoff, who recently died; a man who became a very successful industrialist, whose name I cannot recall. There are several people of whom I have completely lost sight--if I could just remember their names--who were there in the beginning. Furth is the only one who has now a complete list. In fact, I passed on my list to him. He lost all his papers when he left Vienna; so he didn't bring anything himself. And when I found a carbon copy of a list he had sent me many, many years before, I returned it to him so that he should possess the essential information.

LEIJONHUFVUD: Now, in this circle, Kaufmann would talk, for example, on logical positivism. And I suppose that you and Machlup and Haberler would give early versions of the papers you were working on.

HAYEK: Yes, and I spoke on psychology, for instance. I did at that time expound to them what ultimately became my sensory order book [The Sensory Order]. And I think I spoke about American economics when I came back from the United States. Kaufmann was much more generally [concerned with] scientific method. I remember, for instance, we got from him an extremely instructive lecture on entropy and its whole relation to probability problems, and another one on topology. This interest in relevant borderline subjects-- He was an excellent teacher, in the literal sense. After a paper by Kaufmann, you really knew what a subject was about.

LEIJONHUFVUD: Do you remember some other topics that would seem perhaps far from economics and the concerns of an economist?

HAYEK: Voegelin, who is now [in the United States], read a paper on Rembrandt, I remember; and Franz Glück, the literary man, spoke on [Adalbert] Stifter; and Voegelin, again, on semipolitical subjects; Schutz on phenomenology. I think there were very few economics papers, really, in that circle.

LEIJONHUFVUD: So no restriction on subject matter whatsoever. What was the format? Did the famous Vienna cafes play any role?

HAYEK: It was all in private homes. It went around from house to house--afterdinner affairs. I suppose we were always offered a few sandwiches and tea. Sitting around in a circle or sometimes around a table, I suppose a normal attendance would be under a dozen--ten, eleven, something like that.

LEIJONHUFVUD: Was it an exclusively male group? Were you antifeminist?

HAYEK: No, it was impractical, under the then-existing social traditions, which created so many complications, to have a girl among us; so we just decided-- Our name was even given [to us] by a lady whom you probably have met, who resented being excluded, and so gave us the name Geistkreis in order to ridicule the whole affair. [laughter]

LEIJONHUFVUD: But it stuck, and you now remember it?

HAYEK: Oh yes, we remembered it and accepted it. Her name is Stephanie Browne. Do you know her?

LEIJONHUFVUD: Yes, yes.

HAYEK: In fact, if you want the anecdotes of the time, she would be an exhaustive resource. [laughter]

LEIJONHUFVUD: Yes. Let me turn to the other circles in which you moved: first, in economics. There was [Hans] Meyer's

seminar at the university, and then there was [Ludwig von] Mises's seminar that was, in effect, outside the university. Was the Mises seminar the more important?

HAYEK: Oh, yes, very much the most important. Meyer's seminar was almost completely confined to marginal utility analysis. It took place at a time that was inconvenient to most of us who were already in a job. I'm not certain at all that I ever attended a seminar of Meyer's. [laughter] I did see Meyer. Meyer was a coffeehouse man, mainly. If there was any place he was to be found, it was at the coffeehouse at Künstlercafe, opposite the university; and I did sit there with him and a group of his students many times in quite informal talk, which I'm afraid was much more university scandal than anything serious. [laughter] Occasionally there were interesting discussions. You could get very excited, particularly if you strongly disagreed with somebody. And there were all these stories about his constant quarrels with Othmar Spann, which unfortunately dominated the university situation. But, on our generation his influence was very limited. [Paul] Rosenstein-Rodan was the main contact. Of course, Rosenstein-Rodan and [Oskar] Morgenstern were for a time editing for Meyer the Vienna Zeitschrift, in fact. They were the two editorial secretaries and, in fact, ran it for all intents and purposes. Rosenstein-Rodan was never a member

of the Geistkreis--I don't know why--and Morgenstern was. They were the main contacts to the Meyer circle.

After I had returned from America, it was the Mises circle and later the Nationale Ökonomische Gesellschaft, in a more formal manner, which was the real center of discussion. And even the Mises seminar was by no means confined to economics. It was not so much general methodological problems but the relations between economics and history that were very much-discussed problems, to which we always returned. And there, in many ways, you had the same people as in the Geistkreis--but not exactly. There were some, like [Richard] Strigl, among the communists; and [Friedrich] Engel-Janoschi, the historian. I think he became later a member of the Geistkreis, after I had left. Yes, I'm sure he did. And the women, who were excluded from the Geistkreis--Stephanie Browne, Helene Lieser, and Ilse Minz--were all members of the Mises seminar but not of the Geistkreis.

LEIJONHUFVUD: So how large was that group? How many regulars in the Mises seminar?

HAYEK: Oh, it was about the same number, because the non-economists would not go. The real noneconomists were non-social scientists. People like Voegelin and Schutz--oh, Schutz did attend--but Glück, the literary man, and these two Germans I mentioned before who disappeared, were the

people who were not interested in economics. There were a good many not interested in economics in the Geistkreis but none in the Mises seminar, even if they were not technical economists.

LEIJONHUFVUD: These seminars would go on year after year, and people would come-- You attended over six or seven years?

HAYEK: From 1924 until I left: '24 through '31.

LEIJONHUFVUD: Others must have been members for ten years.

HAYEK: Probably. You see, the thing went on until Mises left in '36, and it had started before I came back from America--I believe even before I went to America, but I didn't know about it. So people like Stephanie Browne and Helene Lieser and Strigl probably attended from 1923 to 1936. I think it must have gone on for thirteen years. That's probably a likely duration.

LEIJONHUFVUD: So now this was outside the university, and it was not in [Mises's] capacity as a titular professor or anything like this. It was he who attracted people to the seminar?

HAYEK: Entirely. It was in his office at the chamber of commerce in the evening. It always continued with a visit to the coffeehouse, and the thing was likely to have gone on from six to twelve at night. The whole affair would probably sit for two hours in the official seminar, and then--

LEIJONHUFVUD: How often?

HAYEK: Every two weeks. In the real term-period, probably from late October to early June.

LEIJONHUFVUD: Well, Mises ran at least two famous seminars in his life like this--maybe three: in Geneva as well. But I'm thinking now of, first, Vienna and then, much later in his life, a similar seminar in New York.

HAYEK: Which I once attended, yes. But that was much more an academic institution. I mean, it was in a classroom with relatively large numbers attendant, while in his private seminar he was sitting at his ordinary desk, and there was a small conference table in the room, and we were grouped in the other corner of the room facing him at his desk. But it had no academic atmosphere at all, while in the New York seminar, which I knew, he was on a platform, and so it looked like an academic class. It was probably a much wider range-- There were real students there; there were no students in the Mises seminar in Vienna. We were all graduates or doctors.

LEIJONHUFVUD: Was the Vienna seminar the more fruitful one?

HAYEK: I think it was, yes.

LEIJONHUFVUD: It stimulated more people to do work that then became real contributions.

HAYEK: You know, when I think about it I see I forget a few older people who attended the Mises seminar. There was that

interesting man, [Karl] Schlesinger, who wrote a book on money and who was a banker in Vienna; there was occasionally another, an industrialist, Dr. Geiringer. He must have been originally in industry, but at that time he was also a banker, but one of the joint-stock type. He was a private banker. And there may have been one or two other people. Yes, there was a high government official who occasionally came, a man named Forcheimer, mainly interested in sort of social security problems. The average age in the Vienna seminar must have been at least in the thirties, while as far as I could see as an occasional visitor in the New York seminar, it was much more a students' affair than the so-called Mises seminar in Vienna, which was a discussion club.

LEIJONHUFVUD: Mises personally-- The view here in the United States, I think, is of Mises in his old age, and he's viewed very often, particularly by his enemies, of course, as very doctrinaire. Do you feel that he got doctrinaire with age? Was he a different man in Vienna back then than he became later?

HAYEK: He was always a little doctrinaire. I think he was not so susceptible to take offense as he was later. I think he had a period of-- Well, he always had been rather bitter. He had been treated very badly all through his life, really, and that hard period when he arrived in New York and

was unable to get an appropriate position made him very much more bitter. On the other hand, there was a counter-effect. He became more human when he married. You see, he was a bachelor as long as I knew him in Vienna, and he was in a way harder and even more intolerant of fools than he was later. [laughter] If you look at his autobiography, the contempt of his for most of the German economists was very justified. But I think twenty years later he would have put it in a more conciliatory form. His opinion hadn't really changed, but he wouldn't have spoken up as openly as in that particular very bitter moment when he just arrived in America and didn't know what his future would be.



TAPE: LEIJONHUFVUD I, SIDE TWO

TAPE DATE UNSPECIFIED

HAYEK: On the whole, I think he was softened by marriage.

LEIJONHUFVUD: He mellowed personally, but he became more demanding of intellectual allegiance from--

HAYEK: Yes, he easily took offense even when-- I believe I'm the only one of his disciples who has never quarreled with him.

LEIJONHUFVUD: And that includes all the disciples from Vienna?

HAYEK: No, I'm speaking only about the old ones in Vienna.

LEIJONHUFVUD: Yes, the old ones in Vienna. Now there were some other circles. The Austrian Economic Association was another forum where economists met.

HAYEK: Yes. That had existed from before World War I and was still going when I took my degree--I attended one or two meetings--and then it died during the inflation period. The short but acute inflation period upset social life and a great many things. I think it was partly a question of expense. The economic society used to meet at a coffeehouse and hire a room there, and I think the expense of doing so during the height of the inflation was probably one of the contributing factors. We all were too busy; life was too hard.

The reason why I then took the initiative of re-constituting [the association] was because I rather regretted the division which had arisen between the Mises and the Meyer circle. There was no forum in which they met at all, and by restarting this no-longer existing society there was at least one occasion where they would sit at the same table and discuss. And there were a good many people who either did not come to the Mises seminar or did not come to the Meyer seminar, including a few of the more senior industrialists and civil servants. So it was a larger group, I suppose, than either of the two other groups, which hardly ever counted more than a dozen. In the economic society, the Nationale Ökonomische Gesellschaft, numbers would go up to thirty or so. Even that wasn't large. Later it met in an office in a meeting hall of the banker's association. Helene Lieser was one of the secretaries. In fact, there were two women who were both very competent economists: Marianne Herzfeld--an older woman, although I believe she may be still alive or died only recently in Edinburgh--who wrote once a very good article on inflationism as a philosophy, or something like that; and Helene Lieser, of course.

LEIJONHUFVUD: Lieser became secretary of the International Economic Association.

HAYEK: Yes, for a time she was. Then she died relatively



early--in her fifties or just about sixty. So that was a more mixed group. I believe the only paper I read there was my later pamphlet on rent restriction.

LEIJONHUFVUD: You mentioned the inflation in the context of why the economic association died for a while. There's another thing that I think is interesting to discuss. We have now talked about the various circles in which you moved and the intellectual influence from the people that more-- Some of them dominated their circle, as Mises did to some extent. So there are those influences on you that, in part, determine what kind of work you did on what problems. But there are also the influences of events, the inflation being one. And of course when you came back from the war, you lived through the dissolution of the Austro-Hungarian Empire. The inflation came on top of that, and Vienna became a rather overgrown capital of a very small country. How much did events determine your lifelong interests, and to what extent did purely intellectual influences play a role?

HAYEK: Intellectual influences became more and more pre-dominating. I think in the beginning the practical ones were more important, and I can give you one illustration: I think the first paper I ever wrote--never published, and I haven't even got a copy--was on a thing which had already occurred to me in the last few days in the army,

suggesting that you might have a double government, a cultural and an economic government. I played for a time with this idea in the hope of resolving the conflict between nationalities in the Austro-Hungarian Empire. I did see the benefits of common economic government. On the other hand, I was very much aware of all the conflicts about education and similar problems. And I thought it might be possible in governmental functions to separate the two things--let the nationalities have their own cultural arrangements and yet let the central government provide the framework of a common economic system. That was, I think, the first thing I put on paper.

LEIJONHUFVUD: Have you ever returned to those ideas? There are still areas of the world where the same problems occur.

HAYEK: Yes, but my approach is so completely different. Yes, in a sense, the problem is the same, but I no longer believe that that sort of division is of any practical possibility. But in a way I played with constitutional reform at the beginning and the end of my career.

LEIJONHUFVUD: Well, on the intellectual influences, then, which ones would you mention first from your student days?

HAYEK: Personal influences or literary influences?

LEIJONHUFVUD: Well let's take literary influences first, perhaps.

HAYEK: Well, I think the main point is the accident of, curiously enough, Othmar Spann at that time telling me that the book on economics still to read was [Karl] Menger's Grundsetze. That was the first book which gave me an idea of the possibility of theoretically approaching economic problems. That was probably the most important event. It's a curious factor that Spann, who became such a heterodox person, was among my immediate teachers the only one who had been a personal student under Menger. The book which made [Spann] famous is Haupttheorien der Volkswirtschaftslehre, which in its first edition was a very good popular handbook. It's supposed to really have been a cribbed version of Menger's lectures on the history of England. [laughter]

LEIJONHUFVUD: Yes, I heard that. And personal influences? We have talked about Mises already, but are there also others?

HAYEK: I mean, we have talked more about my contemporaries and to some extent about the influence of my father, which was of some importance. I don't think there are really any personal influences. At the university I did take an interest in a great many men, but no single man had a distinct influence on me.

In a purely literary field, I was reading much more fine literature as a young man and, as you have probably

become aware, I was a great Goethe fan. I am thoroughly familiar with the writings of Goethe and with German literature, generally, which is incidentally partly because of the influence of my father. My father used to read to us after dinner the great German dramas and plays, and he had an extraordinary memory and could quote things like the "Die Glocke," Schiller's poem, from beginning to end by heart, even in his-- I can't say his old age; he died at fifty-seven. He was, in the field of German literature, an extraordinarily educated man. As a young man before the war, and even immediately after, I spent many evenings listening to him. In fact, I was a very young man. Of course, I started writing plays myself, though I didn't get very far with it. But I think if you ask in this sense about general influence, Goethe is really probably the most important literary influence on my early thinking.

LEIJONHUFVUD: In economics, let me come back to a question we have touched upon before. In the twenties in Vienna, was there such a thing as an Austrian school in economics? Did you and your contemporaries perceive an identification with a school?

HAYEK: Yes, yes. Although at the same time [we were] very much aware of the division between not only Meyer and Mises but already [Friedrich von] Wieser and Mises. You see, we were very much aware that there were two traditions--the

[Eugen von] Böhm-Bawerk tradition and the Wieser tradition --and Mises was representing the Böhm-Bawerk tradition, and Meyer was representing the Wieser tradition.

LEIJONHUFVUD: And where did the line between the two go? Was there a political or politically ideological line involved?

HAYEK: Very little. Böhm-Bawerk had already been an outright liberal, and Mises even more, while Wieser was slightly tainted with Fabian socialist sympathies. In fact, it was his great pride to have given the scientific foundation for progressive taxation. But otherwise there wasn't really-- I mean, Wieser, of course, would have claimed to be liberal, but he was using it much more in a later sense, not a classical liberal.

Of course, Wieser and Böhm-Bawerk had been personally very close friends, although Wieser always refused to discuss economics. In fact, I am told he began to avoid Böhm-Bawerk because Böhm-Bawerk insisted on talking economics all the time. Of course, there's a famous episode which is rather similar: before the war, immediately before, [Alfred] Marshall used to go to the Austrian Dolomites for his summer holiday, and for a time Wieser went to the next village. They knew of each other but made no attempt to make contact. Then Böhm-Bawerk came on a visit and insisted on visiting them both, bringing them together to talk economics, with the result that neither

Wieser nor Marshall returned. [laughter]

LEIJONHUFVUD: So Böhm-Bawerk apparently could be a bit of a bore, insisting on talking economics all the time.

HAYEK: At least to his brother-in-law. No, not all the time. It was my grandfather who was a personal friend, co-mountain climber, and academic colleague of his, who was not interested in economics but was originally a constitutional lawyer and then became head of the Austrian statistical office. I don't think he talked economics with him but general politics--not technical economics, which my grandfather was not interested in.

LEIJONHUFVUD: So what were the differences, then, between the Meyer circle and the Mises circle?

HAYEK: Oh, things like the measurability of utility and such sophisticated points. Wieser and the whole tradition really believed in a measurable utility.

LEIJONHUFVUD: Did not Meyer abandon that?

HAYEK: Yes, of course, Meyer was most sophisticated about it, but he still adhered to this. He was puzzled by such questions as the sum of the utilities; or whether there was a decreasing utility or a total utility which was like the area under the curve; or was it a multiple of the marginal utility--such problems were hotly disputed.

LEIJONHUFVUD: In Meyer's circle?

HAYEK: Yes.

LEIJONHUFVUD: But that doesn't explain a split between the two groups.

HAYEK: Oh, there wasn't really. You see, Meyer--and also Rosenstein, perhaps--kept away from the Mises circle for political reasons. There were no very good Meyer pupils. I mean, [Franz] Mayr, who became his successor, while a very well-informed person, was really a great bore. He had no original ideas of any kind. There were one or two other very young men, whose names I cannot remember now, who died young and who had been more interesting.

Of course, there was one very interesting person whom we haven't mentioned. There was, so to speak, an intermediate generation between the Mises-Meyer-[Joseph] Schumpeter generation and ours. This included Strigl, whom I have mentioned, who was a much more distinguished man than he is remembered for; there was a very interesting man, [Ewald] Schams, who wrote largely on semimethodological problems--very intelligent and well informed; and there was this curious man, Schönfeld, who later wrote under the name of [Hermann] Illig, a complicated story connected with Nazi anti-Semitic things. His adopted father, Schönfeld, was Jewish, but he himself was not Jewish; so he changed the name into Illig. He was probably the only one who made original contributions on the Wieser-Meyer lines. While I could not now explain what it was, I believe there's more

in his work than has yet been absorbed. I think if you want to get the upshot of the other tradition, it's in the work of Schönfeld more than anywhere else that it is to be found.

LEIJONHUFVUD: That is interesting.

HAYEK: Illig, I should say, because his main book is known as a book by Illig.

LEIJONHUFVUD: But Strigl and these other two were older. And is that, in part, why there was no use for you and your contemporaries to wait around for a chair?

HAYEK: Certainly, yes. We all expected that in justice Strigl should have become Meyer's successor, but I don't know whether he lived long enough or died before. Anyhow, we all took it for granted that the claim to the chair was Strigl's.

LEIJONHUFVUD: Well, Meyer survived the war, didn't he?

HAYEK: Oh, yes; you're right. Strigl died during the war, and Meyer survived it, but not in the active occupation of a professorship. He retired, and I believe the appointment was made to Mayr at a time--I'm not sure of that--when Strigl was still alive. I can't say for certain. Anyhow, we took it for granted that there was an obvious successor in the person of Strigl, and we all wished he'd get it. We all agreed he deserved it.

LEIJONHUFVUD: You, Haberler, Machlup, Morgenstern, and several of the others as well moved from Austria, and only a

couple of the members of the Geistkreis were still in Vienna when the Anschluss came.

HAYEK: Well, yes, but the thing was-- I was the only one who was quite independent of politics. You see, at the age of thirty-two, when you're offered a professorship in London you just take it. [laughter] I mean, there's no problem about who's competing. It was as unexpected as forty years later the Nobel Prize. It came like something out of the clear sky when I never expected such a thing to happen, and if it's offered to you, you take it. It was in '31, when Hitler hadn't even risen to power in Germany; so it was in no way affected by political considerations.

In the later thirties, when Haberler and Machlup and Mises left, I think the clouds were so clearly visible that everybody tried to get out in time. So even if they are not technical refugees who were forced to leave, they had left because prospects were so very bad. Of course, Morgenstern was lucky at being in America on a visit when Hitler took over, and he just stayed.

LEIJONHUFVUD: Yes, he told me that he got a telegram from some friend who said, "Do not return"--that he was known to be on a blacklist at that time.

HAYEK: Very likely, yes.

LEIJONHUFVUD: Now, in the twenties, were most of the economists in Vienna at that time liberals in the traditional sense?

HAYEK: No, no. Very few. Strigl was not; he was, if anything, a socialist. Shams was not. Morgenstern was not. I think it reduces to Haberler, Machlup, and myself.

LEIJONHUFVUD: So my previous question was: Was there an Austrian school? and you said yes, definitely.

HAYEK: Theoretically, yes.

LEIJONHUFVUD: In theory.

HAYEK: In that sense, the term, the meaning of the term, has changed. At that time, we would use the term Austrian school quite irrespective of the political consequences which grew from it. It was the marginal utility analysis which to us was the Austrian school.

LEIJONHUFVUD: Deriving from Menger, via either Wieser or Böhm-Bawerk?

HAYEK: Yes, yes.

LEIJONHUFVUD: The association with liberal ideological beliefs was not yet there?

HAYEK: Well, the Menger/Böhm-Bawerk/Mises tradition had always been liberal, but that was not regarded as the essential attribute of the Austrian school. It was that wing which was the liberal wing of the school.

LEIJONHUFVUD: And the Geistkreis was not predominately liberal?

HAYEK: No, far from it.

LEIJONHUFVUD: And what about Mises's seminar?

HAYEK: Again, not. I mean you had [Ewald] Schams and Strigl there; and Engel-Janoschi, the historian; -and Kaufmann, who certainly was not in any sense a liberal; Schutz, who hardly was--he was perhaps closer to us; Voegelin, who was not. Oh, I think the women members of the seminar were very devout Mises pupils, even in that sense. It's perhaps common that women are more susceptible to the views of the master than the men. But among the men, it was certainly not the predominant belief.

LEIJONHUFVUD: So in the revival of interest in the Austrian school that has taken place in recent years in the United States--

HAYEK: It means the Mises school.

LEIJONHUFVUD: It means the Mises group?

HAYEK: I am now being associated with Mises, but initially I think it meant the pupils whom Mises had taught in the United States. Some rather reluctantly now admit me as a second head, and I don't think people like [Murray] Rothbard or some of the immediate Mises pupils are really very happy that they are not-- The rest are not orthodox Misesians but only take part of their views from Mises.

LEIJONHUFVUD: In that group, an attempt is often made to draw connections between the particular interests in theoretical teachings of the Austrian school and liberal, I should say libertarian, ideology. Do you think that

there is something in the theoretical tradition?

HAYEK: Yes. Yes, I would very definitely maintain that methodological individualism does lead to political individualism. I don't think they would all admit it, but in the form in which I have now been led to put it-- this idea of utilization of dispersed knowledge--I would maintain that our political conclusions follow very directly from the theoretical insights. But that's not generally admitted. I'm not speaking about the opponents, of course, but among those of the original group, I think it's even-- Well, I think in the American Austrian school, yes, it is now generally admitted. The young people would not call one an Austrian who is not both a methodological individualist and a political individualist. But that applies to the younger school and was not the tradition.

LEIJONHUFVUD: And, as far as you are concerned, those ideas belonged to the mid-thirties and after, and not to the Austrian school when it still was in Austria.

HAYEK: Yes, you are quite right.

LEIJONHUFVUD: You have developed your own views on methodology over the years. Did you have a conflict with Mises on methodological matters?

HAYEK: No, no conflict, although I failed in my attempt to make him see my point; but he took it more good-naturedly than in most other instances. [laughter] I believe it was

in that same article on economics and knowledge where I make the point that while the analysis of individual planning is in a way an a priori system of logic, the empirical element enters in people learning about what the other people do. And you can't claim, as Mises does, that the whole theory of the market is an a priori system, because of the empirical factor which comes in that one person learns about what another person does. That was a gentle attempt to persuade Mises to give up the a priori claim, but I failed in persuading him.

[laughter]

LEIJONHUFVUD: And you would not share his reliance on introspection?

HAYEK: Well, up to a point, yes, but in a much less intellectual sense. You see, I am neither a utilitarian nor a rationalist in the sense in which Mises was. And his introspection is, of course, essentially a rationalist introspection.

TAPE: LEIJONHUFVUD II, SIDE ONE

TAPE DATE: NOVEMBER 12, 1978 -

LEIJONHUFVUD: Could you explain your intent in writing The Road to Serfdom?

HAYEK: Well, it was aimed against what I would call classical socialism; aimed mainly at the nationalization or socialization of the means of production. Many of the contemporary socialist parties have at least ostensibly given up that and turned to a redistribution/fair taxation idea--welfare--which is not directly applicable. I don't believe it alters the fundamental objection, because I believe this indirect control of the economic world ultimately leads to the same result, with a very much slower process. So when I was then talking about what seemed to be in imminent danger if you changed over to a centrally planned system, which was still the aim of most of the official socialist programs, that is not now of direct relevance. At least the process would be different, since I personally believe that even the-- Some parts of the present welfare state policies--the redistribution aspect of it--ultimately lead to the same result: destroying the market order and making it necessary, against the will of the present-day socialists, gradually to impose more and more central planning. It would lead to the same outcome. But my description of the process,

and particularly the relative speed with which I assumed it would take place, of course, is no longer applicable to all of the socialist program. Partly I flatter myself-- the book has had partly the influence of making socialist parties change their program.

LEIJONHUFVUD: Away from reliance on central planning and toward using the budget for redistribution of income?

HAYEK: Exactly. I don't know whether I should say I flatter myself; I think socialism might have discredited itself sooner if it had stuck to its original program.

[laughter]

LEIJONHUFVUD: So the road has been a different one, historically speaking. The Western European countries, the U.S., took a different road from your "road to serfdom." You're saying that along the present road, your pessimistic conclusions would take a longer time to materialize.

HAYEK: Yes, and it's relatively more easy to reverse the process. No, once you had transferred the whole productive apparatus to government direction, it's much more difficult to reverse this, while such a gradual process can easily be stopped or can even be reversed more easily than the other process.

LEIJONHUFVUD: That's what I wanted to ask. Obviously you feel that it's a downhill road, but can one apply the brakes? How far would you like to see the developments of the last

thirty years reversed? What kind of society would you envisage that could evolve from the present starting point?

HAYEK: Well, I would still aim at completely eliminating all direct interference with the market--that all governmental services be clearly done outside the market, including all provision of a minimum floor for people who cannot make an adequate income in the market. [It would then not be] some attempt to control the market process but would be just providing outside the market a flat minimum for everybody. This, of course, means in effect eliminating completely the social justice aspect of it, i.e., the deliberate redistribution beyond securing a constant minimum for everybody who cannot earn more than that minimum in the market. All the other services of a welfare state are more a matter of degree--how they are organized. I don't object to government rendering quite a number of services; I do object to government having any monopoly in any case. As long as only the government can provide them, all right, but there should be a possibility for others trying to do so.

LEIJONHUFVUD: You do not object, then, to government's production of services, for example, if private production is not precluded.

HAYEK: Yes. Of course there is one great difficulty.

If government does it--supplies it below cost--there's no chance for private competition to come in. I would like to force government, as far as it sells the services, to do so at cost.

LEIJONHUFVUD: Even if it is involved in also financing the demand. You say that you would allow a government to provide a minimum, a floor; are you then also thinking of special, particular functions--health care, for example--or are you thinking simply in terms of an income floor?

HAYEK: Simply in terms of an income. From what I've seen of the British national health service, my doubt and skepticism has rather been increased. No doubt that in the short run it provides services to people who otherwise would not have got it, but that it impedes the progress of medical services--that there as much as anywhere else competition is an essential condition of progress--I have no doubt. And it's particularly bad because while most people in Britain dislike it, everybody agrees it can never be reversed.

LEIJONHUFVUD: But the essential point is whether competition is provided or not, not whether the government is in this line of activities.

HAYEK: Exactly. But you know I now extend it even to money.

LEIJONHUFVUD: Yes. [laughter] I was going to bring that

up. But let's take that topic, then. You returned recently to your early interest in monetary theory. Let me ask, first, why you have come to focus on money again recently. It was an interest of yours through some time in the thirties.

HAYEK: It was a difference between nearly all my friends, who were in favor of flexible exchanges, and my support of fixed exchange rates, which I had intellectually to justify. I was driven to the conclusion that I wanted fixed exchange rates, not because I was convinced that it was necessarily a better system but it was the only discipline on governments which existed. If you released the governments from that discipline, the democratic process, which I have been analyzing in different conditions, was bound to drive it into inflation. Even my defense of fixed exchange rates was, in a way, limited. I was against abandoning them only where people wanted flexible exchanges in order to make inflation easier.

When the problem arose in Germany and Switzerland, when it was a question of protecting them against imported inflation, I was myself supporting [flexible exchanges]. In fact, I argued in Germany that Germany kept too long fixed exchange rates and was forced to inflate by them, which they ought not to have done. It was confirmed to me by the people of the German Bundesbank that they were

aware of this, but they still had the hope that the system of fixed exchange rates would restrain the inflation [in the United States] from doing even more inflation, and that they brought deliberately the sacrifice of swallowing part of the inflation in order to prevent it from becoming too large in the rest of the world.

That was very much my point of view; but that led me, of course, to the question of whether this was the best discipline on monetary policy, and to the realization that what I'd taken for granted--that the discipline of the gold standard was probably the only politically practicable discipline on government--could never be restored. Even a nominal restoration of the gold standard would not be effective because you could never get a government now to obey the rules of the gold standard.

These two things forced me [to the conclusion]--and I first made the suggestion almost as a bitter joke--that so long as governments pursue policies as they do now, there will be no choice but to take the control of money from them. But that led me into this fascinating problem of what would happen if money were provided competitively. It opened a completely new chapter in monetary theory, and discovering there was still so much to be investigated never really made the subject again very interesting to me.

I still hope--the two editions of the pamphlet on denationalizing money were done, incidentally, while I was working on my main book--to do a systematic book which I shall call Good Money. Beginning really with what would be good money --what do we really want money to be--and then going on to the question of how far would the competitive issue of money provide good money in terms of that standard.

LEIJONHUFVUD: Would you agree that the most important step in this direction would have less to do with who issues money than simply separating the so-called unit of account, in which private parties make contracts, from the government-issued money, to get around, in effect, legal tender provisions and so on?

HAYEK: Yes, in a way. You know, I started remarking against the idea of a common European currency, saying why not simply admit all the other currencies competing with yours, and then you don't need a standard currency. People will choose the one which is best. That, of course, led me to the extension: Why confine it to other government moneys and not let private enterprise supply the money?

LEIJONHUFVUD: But there's a question that extends to other aspects of your work--to Law, Legislation and Liberty as well --that I would like to raise here, which bothers me and I think some other people as well. The process whereby the Western countries gave up first the gold standard, and then

what you call a discipline--and I agree there is a discipline--of fixed exchange rates: Is that not an evolutionary process, and are you not, with these proposals, in effect rationally trying to reconstruct, rationally trying to controvert, as it were, a process of evolution?

HAYEK: No, it's a process of evolution only within the limits set by the powers of government. Even within control there is still an evolutionary process, but so many choices are excluded by governmental powers that it's not really a process which tries out all possibilities but a process which is limited to a very few possibilities that are permitted by existing law.

LEIJONHUFVUD: But you have referred to the development of democratic government into omnipotent government, and certainly the trend has been in that direction. Is that not a process of social evolution?

HAYEK: Again, it's an inevitable consequence of giving a government unlimited powers, which excludes experimentation with other forms. A deliberate decision by a man has put us on a one-way track, and the alternative evolutions have been excluded. In a sense, of course, all monopolistic government limits the possibilities of evolution. I think it does it least if it confines itself to the enforcement of general rules of conduct, but I would even go so far as to say that even very good world government

might be a calamity because it would preclude the possibility of trying alternative methods. I'm thoroughly opposed to a world government.

LEIJONHUFVUD: Of any form?

HAYEK: Any form.

LEIJONHUFVUD: So to the question of what mistakes of evolution may be corrected by, as it were, rationalist intervention, you would answer by saying, well, there are certain processes of development where the course taken by the actual development has been dictated by--

HAYEK: --the use of force to exclude others.

LEIJONHUFVUD: Yes. Are those the only instances in which you would interfere with spontaneous changes in social structure?

HAYEK: It depends on what you mean by interfere. They are the only cases in which I would admit intervention in the sense of experimenting with an alternative without excluding what is actually happening. I think there may even be a case for government coming in as a competitor, as it were, with other developments. My objection is that government assumes a monopoly and the right to exclude other possibilities.

LEIJONHUFVUD: So in certain sectors, for example, where we are dissatisfied with the private outcome, you would--

HAYEK: --let the government try and compete with private enterprise.

LEIJONHUFVUD: I see. The most recent thing I've seen from your pen is your Hobhouse lectures. Could you briefly recap what you mean with the "three sources of human values"?

HAYEK: Well, it's directed against the thesis, now advanced by the social biologists, that there are only two sources: innate, physiologically embedded tendencies; and the rationally constructed ones. That leaves out the whole of what we generally call cultural tradition: the development which is learned, which is passed on by learning, but the direction of which is not determined by rational choice but by group competition, essentially--the group which adapts more effective rules, succeeding better than others and being imitated, not because the people understand the particular rules better but [understand] the whole complexes better. That leads, of course, to the conclusion, which I have only added now in a postscript to the postscript, that we must realize that man has been civilized very much against his wishes. That, I think, is the upshot of the whole argument--that it's not in the construction of our intelligence which has created civilization, but really in the taming of many of our innate instincts which resisted civilization. In a way, you see, I am arguing against Freud, but the problem is the same as in Freud's Civilization and Its Discontents. I only

don't believe that you can remove these discontents by protecting--

LEIJONHUFVUD: --becoming uncivilized. [laughter]

HAYEK: You can only become civilized by these repressions which Freud so much dislikes.

LEIJONHUFVUD: I wonder how you would sum up your recent work, the position that you've arrived at now. I tried to think of it the other night when I knew I was coming here, and it seems to me that beyond the concrete issues, such as the denationalization of money, and beyond your proposals for constitutional reform, you are really addressing yourself to intellectuals in general, and that your basic plea is for intellectuals to respect unintelligible products of cultural evolution.

HAYEK: Exactly.

LEIJONHUFVUD: And to handle them a bit more carefully, and with more caution than was done by the main intellectual schools in your lifetime.

HAYEK: Exactly. You see, I am in a way taking up what David Hume did 200 years ago--reaction against Cartesian rationalism. Hume was not very successful in this, although he gave us what alternative we have, but there's hardly been any continuation. Adam Smith was a continuation of Hume, up to a point even [Immanuel] Kant, but then things became stationary and our whole thinking in the past 150 years or

200 years has been dominated by a sort of rationalism. I avoid the word rationalism because it has so many meanings. I now prefer to call it constructivism, this idea that nothing is good except what has been deliberately designed, which is nonsense. Our whole civilization has not been deliberately designed.

LEIJONHUFVUD: Thank you very much.

TAPE: ROSTEN I, SIDE ONE

TAPE DATE: NOVEMBER 15, 1978

ROSTEN: Well, Dr. von Hayek, it's a pleasure to see you after years of reading you and, indeed, listening to you. I was one of the auditors of a course you gave at the London School of Economics many, many years ago. Tell me, did you begin, in your intellectual life as an adult, did you begin as a Fabian? were you a socialist? were you an Adam Smith man?

HAYEK: You could describe it as Fabian. Well, there were, in fact, Fabians in Austria, too, but I didn't know them. The influence which led me to economics was really Walter Rathenau's conception of a grand economy. He had himself been the raw materials dictator in Germany, and he wrote some very persuasive books about the reconstruction after the war. And [those books] are, of course, socialist of a sort--central planning, at least, but not a proletarian socialism. They were very persuasive, indeed. And I found that really to understand this I had to study economics. The first two books of economics [I encountered], which I read while I was fighting in Italy, were so bad that I'm surprised they didn't put me permanently off economics; but when I got back to Vienna somebody put me on to Karl Menger and that caught me definitely.

ROSTEN: Had you read the English economists, the classical economists?

HAYEK: At that time, no. Adam Smith I had read fairly early, but that's the only one--and in a German translation. You see, English is really the third foreign language I learned; it's now the only one I can speak. But I was tortured all my childhood being taught French--irregular verbs and nothing else--and consequently never learned to speak it really. I picked up Italian during the war in Italy--well, sort of Italian.

ROSTEN: Very different.

HAYEK: I don't dare to speak it in polite society.

[laughter] That gave me the confidence to take up English, and ultimately, of course, I really learned it when as a young man after my degree I went to the United States. My first experience with American English was in New York in 1923 and '24.

ROSTEN: I didn't know you'd come to the United States that early.

HAYEK: It was before the time of the Rockefeller Foundation; so it was at my own risk and expense. I arrived in New York in March 1923 with twenty-five dollars in my pocket, with a series of letters of recommendation by [Joseph] Schumpeter, which each earned me a lunch and nothing else. [laughter]

ROSTEN: Had you known Schumpeter in Vienna?

HAYEK: Not really, but he was a visiting professor at

Columbia [University] before the war; so when [Ludwig von] Mises and [Friedrich von] Wieser learned that I wanted to go, they sent me to Schumpeter, who was then a chairman of the bank. He had just been minister of finance and was now chairman, and he equipped me with a number of letters of ministerial size, which I had to get a separate folder for to carry them to America. I delivered them all; so I met all the famous old economists. They all were very kind to me, but did nothing.

I'd gone over there on a promise of a job from Jeremiah W. Jenks, the head trust specialist. But when I arrived, he was away on holiday; so I ran out of money. I then was greatly relieved that the very morning I was to start as a dishwasher in a Sixth Avenue restaurant, a telephone call came that Jenks had returned and was willing to-- I have ever since bitterly regretted that I cannot say I started my career in America [as a dishwasher].

[laughter]

ROSTEN: Now, you say you began as a Fabian socialist, under the influence of Walter Rathenau. In those days, of course, this was a kind of intellectual socialism, and you mentioned the fact that it wasn't proletarian. Did it interest you that so many of the German, Russian, Austrian intellectuals were the ones who became the Marxists, not the masses. It was an intellectual movement that spread

with enormous--

HAYEK: Well, you see, I spent my university days already arguing with these Marxists--my opponents were Marxists and Freudians. We had endless discussions, and it was really what I thought was the poverty of the arguments of the Marxists which turned me against socialism. Incidentally, I'll let you in on another thing: both the Marxists and the Freudians had the dreadful habit of insisting that their theories were irrefutable--logically, absolutely cogent. That led me to see that a theory which cannot be refuted is not scientific, and that made me later praise [Karl] Popper when he spelled the same idea out, which he had gained in the same experience. He was a few years younger; so we didn't know each other. But we both went through this experience, arguing all the time with Marxists and Freudians.

ROSTEN: They were both ideologists of a very strong sort.

HAYEK: Oh, very strong; all very good arguers, and very anxious to discuss.

ROSTEN: They also had, I think, the power of an evangelical movement and a humane movement. By this I mean that those of us who listened to you and read you, or studied under people like Jacob Viner or Frank Knight or Lionel Robbins, always had to come to terms with the fact that the system, a free market system, was not humane, and that we felt that

the society had to undertake something. Remember, this was the Depression, and we were seeing unemployment and poverty, banks failing, people scared and people killing themselves because their earnings had been wiped out; and when the New Deal came along, it seemed that here was the humane answer. Indeed, my parents, who were socialists, stopped voting socialist, even though they liked and loved Norman Thomas, and began to vote for [Franklin] Roosevelt. We all felt that at last government had developed a "heart." Does any of this make--

HAYEK: Well, I didn't see it that way, but of course it tallies completely with what I am doing at the moment. You may be amused that a few days ago, when I was returning the last volume of Law, Legislation and Liberty for being printed, I inserted one sentence into it: "Man was civilized very much against his wishes." It's really the innate instincts which are coming out. [laughter]

ROSTEN: That's a very Freudian statement.

HAYEK: In a way. Well, it's Freudian and anti-Freudian, because Freud, of course, wanted to relieve us of these repressions, and my argument is that by these repressions we became civilized.

ROSTEN: His whole point is that civilization is the repression of guilt, and that without that you can't have--

HAYEK: In his old age, of course.

ROSTEN: --and the repression of aggression, of the hostility.

HAYEK: When he wrote Civilization and Its Discontents, he was already getting upset by what his pupils were making of his original ideas.

ROSTEN: Quite so. I was interested that your works in the last ten years have become, or have returned to, a much more social-philosophical scale. But let's start with the earlier ones. You created a furor in the United States, England, and I imagine around the world, with The Road to Serfdom, because it came out at a time when you were a lone voice speaking in the wilderness about the terrible dangers which were inherent in turning over to government--even good government by a good and well-intentioned people--powers which were both dangerous and inexorable. If you were to write that book over again, first, Would you make any changes? and secondly, what would you call it?

HAYEK: Well, I suppose I would still call it the same, although I was never quite happy with the title, which I really adopted for sound. The idea came from [Alexis de] Tocqueville, who speaks about the road to servitude; I would like to have chosen that title, but it doesn't sound good. So I changed "servitude" into "serfdom," for merely phonetic reasons.

ROSTEN: Has it occurred to you since then that this was one reason there was so much vicious response, because the English and the Americans could not believe that they were in danger of becoming serfs. It seemed unthinkable.

HAYEK: There wasn't the vicious reaction in England. In fact, the English socialists, or most of them, had all themselves become a little apprehensive already at the time.

ROSTEN: That early?

HAYEK: Oh, yes. The book was received in England in the spirit in which I had meant it to be understood: as a serious argument. In fact, I'll tell you one story: Barbara Wootton, who wrote one book against me, told me, "You know, I had been at the point of writing a rather similar book, but you have now so overstated the case that I have to turn against you." [laughter]

ROSTEN: She said you had overstated the case--

HAYEK: --against socialism.

ROSTEN: --against planning.

HAYEK: The United States reception was completely different. Of course, it came here at the height of the enthusiasm for the New Deal. All the intellectuals had just discovered their new great idea, and the extent to which I was abused here-- [I suffered the] worst [abuse], incidentally, by a man who had been my colleague at the-- [laughter]

ROSTEN: Herman Finer. I think that's the most savage book I've ever read.

HAYEK: But there's a comic part. I think I can now tell you the story behind it. Herman Finer had come to hate the London School of Economics, and particularly Harold Laski, because when he had come to the United States and war broke out, he had asked for a leave, an extension of leave, and it was denied him because he was needed for teaching. He was so upset about this that he turned against the London School of Economics, and particularly Laski. Then it happened that I was the first member of the London School of Economics on which he could release all his hatred of the place. So I had to suffer for Harold Laski. [laughter]

ROSTEN: I am horrified to hear you adopt so simple a psychological point of view. [laughter]

HAYEK: It was contributory.

ROSTEN: May I suggest another point. It takes a good deal of sophistication and poise to accept a system which is full of apparent paradoxes. The socialist system is very persuasive and very simple to explain to people. The government will take care of making sure that resources are sensibly and rationally distributed, that people will get what they deserve. There will be no unemployment; there will be no war; there will be no depression. The system

that you have described, and that actually is in the great tradition in economics, is one which demands a very high degree of equilibrium, in the presence not only of complexity but of apparent indifference to human happiness.

That is, profits are wicked and cruel; workers are exploited; imperialism, the search for profits, brings war. And the evidence seems visible. What I'm trying to suggest is that people like Finer, and many political scientists and sociologists, were reacting to what they believed--or felt threatened by--was an intellectual performance of great complexity which "ignored the human problems of the time." Is this correct?

HAYEK: You know, we're coming up to what I am doing at the moment. In fact, what I am writing at the moment is called "The Reactionary Character of the Socialist Conception." My argument there is essentially that our instincts were all formed in the small face-to-face society where we are taught to serve the visible needs of other people. Now, the big society was built up by our obeying signals which enabled us to serve unknown persons, and to use unknown resources for that purpose. It became a purely abstract thing. Now our instinct still is that we want to see to whom we do good, and we want to join with our immediate fellows in serving common purposes. Now, both of these things are incompatible with the great

society. The great society became possible when, instead of aiming at known needs of known people, one is guided by the abstract signals of prices; and when one no longer works for the same purposes with friends, but follows one's own purposes. Both things are according to our instincts. still very bad, and it is these "bad" things which have built up the modern society.

ROSTEN: May I ask you to comment on the fact that it isn't because of instinct that we have been raised that way-- and I don't think that instincts vary very much according to how you're raised, except in intensity--but [because of] the fact that people need to have some kind of religious structure. Now, you can qualify the word religion, [but people need] some scale of what is good and what is evil, some scale of what is worth and not worth living for. Our Judeo-Christian tradition tells us "Love thy neighbor," "Am I my brother's keeper?" and as you very shrewdly pointed out, we start with the family as a little society in which we take care of each other. The mother gives food from her plate to the child, or says to the child, "Now, don't be greedy; give a little to so-and-so. Just because you're older and stronger does not mean that you have the right to it." And the whole structure of a religiously supported and religiously cemented social system is involved when you come to deal with--

HAYEK: Oh, exactly, exactly. But it's that very characteristic which refers to the neighbor, the known fellow man. Our society is built on the fact that we serve people whom we do not know.

ROSTEN: Roosevelt was shrewd enough to say to Latin America, "We shall be your good neighbors. We want to be good neighbors." He didn't realize he was so confirming Hayek. [laughter] But how do you respond to this? Do you find that in societies which have a different religious structure, or a different ethos, that it is permissible to run the society without such values? or that power is in and of itself sufficient?

HAYEK: Well, that's a very long story; I almost hesitate to talk about it. After all, we had succeeded, so long as the great mass of the people were all earning their living in the market, either as head of a household or of a small shop and so on. Everybody learned and unquestionably accepted that what had evolved was--the capitalist ethic was much older than capitalism--the ethics of the market. It's only with the growth of the large organizations and the ever-increasing population that we are no longer brought up on this ethic.

At the same time that we no longer learned the traditional ethics of the market, the philosophers were certainly telling them, "Oh, you must not accept any

ethical laws which are not rationally justifiable."

These two different effects--no longer learning the traditional ethics, and actually being told by the philosophers that it's all nonsense and that we ought not to accept any rules which we do not see have a visible purpose--led to the present situation, which is only a 150-year event. The beginning of it was 150 years ago. Before that, there was never any serious revolt against the market society, because every farmer knew he had to sell his grain.

ROSTEN: Do you think that Marx, who was not alone and who, after all, had his own predecessors-- First of all, his misreading of history was always to me so astonishing, even when I first read it. For example, when he suggests, in effect, that all wars are carried on for purposes of profit as part of the profit-making system-- All you had to do was pick up a map of the world and look at the ferocity and the horrors of wars in the East, say, or in Africa, or a history book of the religious wars, which were very harsh wars, and so on. It is interesting that he captured, and that his disciples then captured, with kind of an umbrella, all of our troubles. They did not distinguish society from a capitalist society; they did not distinguish the group from a capitalist group. They found a convenient way of saying to people, "The reason

you are miserable, or inadequate, or short, or weak, is because the system has been so unjust." And this appeal, then not so much to the Germans as to the Russians, was that it was implemented by to me one of the great tragic disasters of the human race, Lenin, who taught Hitler.

HAYEK: Oh, sure. Well, you see, I think the intellectual history of all this is frightfully complex, because this idea of necessary laws of historical development appears at the same time in [Georg Wilhelm Friedrich] Hegel and [Auguste] Comte. So you had two philosophical traditions-- Hegelian idealism and French positivism--really aiming at a science which was supposed to discover necessary laws of historical development. But it caught the imagination-- [It] not only [caught] the imagination but it appeased certain traditional feelings and emotions. As I said before, once you put it out that the market society does not satisfy our instincts, and once people become aware of this and are not from childhood taught that these rules of the market are essential, of course we revolt against it.

ROSTEN: The interesting thing is the unawareness that people can have about the impersonal consequences of a system. My own intellectual history was enormously affected by a book that you edited, Capitalism and the Historians, in which you have a chapter. That's a remarkable book because, in effect, what it says is that all that my generation had

been taught about the horrors of the Industrial Revolution, based almost entirely on the work of the Hammonds [Barbara and J. L.] was a terribly incorrect and a terribly superficial statement. And I think it was [T. S.] Ashton who points out that, of course, if you went into the slums of London and saw the poverty there, you thought these people were poorly off; but they thought they were very well off. He quotes the letters of the clergyman, who would come to visit London, saying, "I just saw the Jenkinses. Isn't it marvelous. Only last year they were starving in the ditches and sleeping in the barns and had no shoes; their children now are shod and go to school," and so on.

HAYEK: Well, I've long believed that misery becoming visible, not appearing for the first time but being drawn to the attention of the urban population, was really the cause even of an improvement of the status of the poorest class. But so long as they--

ROSTEN: You mean it improved the status of the privileged classes.

HAYEK: Oh, it did improve. But, you see, the people who lived so miserably in town really had been drawn to the town because they were so much better off than they had been before.

You mentioned this book which I edited. Again, as in the former instance of the one on collectivist economic

planning, it was that I found that the general public just did not know the most important work which was being done by the historians. In this case, not only Ashton but [W. H.] Hutt. Hutt's study was of the early industrialization and the misrepresentation by certain parliamentary commissions in inquiring into the state of the poor. For purely political reasons they had distorted the real facts.

ROSTEN: Have you ever run across a book by a young Cambridge graduate called Prelude to Imperialism?

HAYEK: I've only seen the title; no, I don't know it.

ROSTEN: It's an extraordinary book, because it's in the tradition of Ashton and Hutt. What he did was to examine the letters of the Christian missionaries who went to Africa--the letters back to their societies--and what emerges is as startling a transformation of our impressions of what went on in Africa as the one dealing with the Industrial Revolution. The most exploited group in Africa were the wives of the missionaries. They worked much harder than the natives, because they had to teach them their own language, and make a vocabulary, and sing the songs, raise the vegetables, and be the nurses and the doctors, and settle the quarrels. [laughter]

HAYEK: I can quite believe it; it never occurred to me.

ROSTEN: But the book is full of extraordinary examples of what I like to say are the nonvisible and much more

significant consequences. For example, if you were to take ninety percent of the graduating students of the colleges of the United States and ask them what a bank or a banker does, what percentage do you think would answer to your satisfaction?

HAYEK: Hardly any. [laughter]

ROSTEN: Yet they have all been exposed to banks, bankers, economics, and professors. How many of them would know what an executive does?

HAYEK: Well, that is extraordinarily difficult to explain-- that I know from my own experience. The business schools are doing quite a good job, the economics students know nothing about it.

ROSTEN: The ignorance of people about the things they vote about is, of course, very depressing. One must temper one's disillusionment with the fact that these are very complicated [issues], and by uttering the heresy that not all people are intelligent. And you run into the problem of what the fate of the democracy will be when the crises become more acute and depend on more "technical signals," to use your expression, or "information," to use mine.

HAYEK: Well, I'm very pessimistic about this. You see, my concern has increasingly become that in democracy as a system it isn't really the opinion of the majority which governs but the necessity of paying off any number of special

interests. Unless we change the organization of our democratic system, democracy will-- I believe in democracy as a system of peaceful change of government; but that's all its whole advantage is, no other. It just makes it possible to get rid of what government we dislike, but that omnipotent democracy which we have is not going to last long. What I fear is that people will be so disgusted with democracy that they will abandon even its good features.

ROSTEN: If you had magical powers and were to set about restructuring the system-- A friend of mine, in making a witticism, prompted me to retort by saying, "That's a good rule; let's pass a law that for every law that [the U.S.] Congress passes it must simultaneously repeal twenty others."

HAYEK: Twenty others; yes, I agree. [laughter]

ROSTEN: At least twenty. But what would you do?

HAYEK: Oh, in the long run, the only chance is to alter our constitutional structure and have no omnipotent single representative assembly, but divide the powers on the traditional idea of a separation of powers. [You would] have one which is confined to true legislation in the sense of general rules of conduct, and the other a governmental assembly being under the laws laid down by the first: the first being unable to discriminate; the second, in

consequence, being unable to take any coercive action except to enforce general laws.

You see, I believe Schumpeter is right in the sense that while socialism can never satisfy what people expect, our present political structure inevitably drives us into socialism, even if people do not want it in the majority. That can only be prevented by altering the structure of our so-called democratic system. But that's necessarily a very slow process, and I don't think that an effort toward reform will come in time. So I rather fear that we shall have a return to some sort of dictatorial democracy, I would say, where democracy merely serves to authorize the actions of a dictator. And if the system is going to break down, it will be a very long period before real democracy can reemerge.

ROSTEN: Two points, if I may: the Schumpeter book--I assume you mean Capitalism, Socialism and Democracy--which was to me a stupendous piece of work, makes the horrifying point that capitalism will be destroyed because of its successes.

HAYEK: In a way it's true.

ROSTEN: Would you comment on that?

HAYEK: Well, capitalism has, of course, raised expectations which it cannot fulfill. Unless we take from government the powers to meet the demand of particular

groups, which are raised by their success, I think it will destroy itself. This applies to both capitalism and democracy.

ROSTEN: Does it strike you as ironic that perhaps the most influential group, in terms of political leverage, is not the business group or the capitalist group in the United States at all, but the unions?

HAYEK: Oh, you know, my main interest is England; so I cannot be unaware of this.

ROSTEN: I hope that we're in better shape than England.

HAYEK: In that respect, you are still a little behind English development. But I used to say, when I knew the United States better than I do now, that in America, fortunately, the unions are just a capitalist racket; but it's no longer true.

ROSTEN: Unions are part of the establishment in the United States.

HAYEK: Well, so they are in England--much more so. But the American unions did believe, basically, in capitalism, but I fear this is changing.

ROSTEN: In the United States, certainly, the unions have been much more flexible and less doctrinaire.

HAYEK: Yes.

ROSTEN: And it would seem to me that no matter how one read history, in a free society it's impossible to prevent

people from meeting out of a feeling of their joint interests in order to--

HAYEK: Oh, I have no objection against unions as such. I am for--what is the classical phrase?--freedom of association, of course, but not the right to use power to force other people to join and to keep other people out. The privileges which have been granted the unions in America only by the judicature--in England by law, seventy years ago--that they can use force to prevent people from doing the work they would like, is the crux, the dangerous aspect of it. While I think unions are fully justified--as a matter of fact, I support freedom of association--freedom of association means free to join and not to join.

ROSTEN: Freedom of nonassociation.

HAYEK: Yes, yes.

ROSTEN: One interesting fact about this is that the Communist party tried to infiltrate the unions in the United States in the early thirties and the late twenties, and were quite savagely and quite successfully--and I think quite intelligently--kept out of the leadership. This was to a much lesser degree true in England. They don't call themselves Communists; they say they're Marxists.

HAYEK: No, but they do want to destroy the present capitalist system.

ROSTEN: The stewards, or what we would call the foremen,

are surprisingly candid about that. The responses in the polls-- For instance, a friend of ours, Mark Abrams, who is also at the London School of Economics, did a poll in which he asked a group of stewards at one of the large factories--I think it was [British] Leyland, which was in very serious trouble; it was really bankrupt and was being held up by the government--he said, "But if your demands are met, don't you realize it will wreck the company, it will wreck the industry?" They said, "But that's exactly what we want!" I don't think you would find an American labor leader who's responsible who would say that.

HAYEK: They certainly wouldn't admit it. [laughter]

ROSTEN: No, I have the feeling you wouldn't have it any way.

HAYEK: Probably, yes; you're probably right.

ROSTEN: That's why I said, to a degree, that the experience in England--to which I have returned often; it's a country I love--the depth of the class distinction, which is just beginning to disappear, has created degrees of bitterness which I've never found in the United States. There is a hatred.

HAYEK: My impression of England may be wrong in the sense that I only really know the south. All you are speaking about is the north of England, where I think this feeling prevails. But if you live in London-- Right now my relations

are mainly in the southwest of England, where my children live, and I don't find any of this sharp resentment. And the curious thing is that in the countryside of southwest England, the class distinctions are very sharp, but they're not resented. [laughter] They're still accepted as part of the natural order.

ROSTEN: That is so, and one puzzles about that. But as in all of these social things, you can make certain guesses. Are you impressed, as you get older, as I get older, by the unbelievable intensity with which people maintain their beliefs, and the difficulty of getting people to change their minds in the face of the most extraordinarily powerful evidence?

HAYEK: Well, one has to be if one has preached this thing for fifty years without succeeding in persuading. [laughter]

ROSTEN: You mean you still are the voice in the wilderness? Well, you can hardly say that.

HAYEK: No, you see, now I'm in the habit of saying that when I was young only the very old people believed in the sort of libertarian principles in which I believe; when I was in my middle age nobody else did, and I was the only one; I have now lived long enough to have the great pleasure of seeing it reviving among the younger generation, people in their twenties and early thirties. There is an increasing number who are turning to our position. So my

conclusion is that if the politicians do not destroy the world in the next twenty years, there is good hope, because there's another generation coming up which reacts against this. But the chance that they will destroy the world in the next twenty years, I'm afraid, is fairly high.

ROSTEN: The difficulty of contending with government power, when even the press is dominantly committed to the faith or the ideology that you think wrong, only increases the difficulties of the problem. That is, we do have a very, very free press, a free radio, and a free television, but the system which has produced the people who do the writing and the thinking and the talking and so on is such that your hope for a rise of the libertarians, let us call it, seems to me to be a faint one, given the opposition.

HAYEK: Well, I'm not so pessimistic as I used to be on this subject, as a result of recent experience. It has long been a puzzle to me why what one commonly calls the intellectuals, by which I don't mean the original thinkers but what I once called the secondhand dealers in ideas, were so overwhelmingly on the Left. That [phenomenon], provides sufficient explanation of why a whole generation influenced by this has grown up. And I have long been convinced that unless we convince this class which makes

public opinion, there's no hope. But it does seem now that it's beginning to operate. There is now a reaction taking place in that very same class. While even ten years ago there was hardly a respectable journal--either newspaper or periodical--to be found that was not more or less on the Left, that is changing now. And I seriously believe that this sort of thing in twenty or thirty years may have changed public opinion. The question is whether we have so much time.

ROSTEN: When you think of the likelihood of a recession, which most economists say will happen, whether we're in it now or we'll have it at the beginning of '79, you think of the human responses to that recession. You think of the man and his wife and three children, and he's thrown out of work, and there isn't a job anywhere except 500 miles away, and it's in a different business, and so on. Will you not have a revival then of the feeling that the system has let them down, the system has failed, that again we are having unemployment, again we are having inequity?

HAYEK: There will certainly be a reaction of this sort, but I rather hope that for the idea of the system, government will be substituted. I think people are beginning to see that the government is doing a great deal of harm, and this myth of "the system" which is responsible for everything can be exposed, and I think is gradually being

weakened. I may be overoptimistic on this, but I believe government is now destroying its reputation by inflation.

ROSTEN: Isn't that because inflation is the easiest way to meet the demands of the interest groups?

HAYEK: Oh, surely, but at the same time people do see that this is a constant concession to the expediency of the moment, at the price of destroying the whole system.

ROSTEN: Are you a complete monetarist?

HAYEK: Yes, in the sense that I am absolutely convinced that inflation is done by government; nobody else can do anything about it.

ROSTEN: By printing of money.

HAYEK: Yes. Of that I have no doubt; I believe Milton does oversimplify a little--

ROSTEN: Milton Friedman, I should say.

HAYEK: --by concentrating too much on the statistical-magnitude relation between the total quantity of money and the price level. It isn't quite as simple as this. But for all practical purposes we are really--our differences are fine points of abstruse theory--wholly on the same side.

ROSTEN: The political uses of inflation are so attractive and so powerful, but as you say, people begin to realize that they're being gulled, they're being cheated. Sure they get ten dollars a week more, but look at how much more they pay in social security withholding, and how much

more they pay-- Two things astound me that parallel this growing awareness about what inflation does: there has not been a growing awareness about the appalling shabbiness of official figures on almost everything. That is, the figures on inflation itself are outrageously underestimated--

HAYEK: The figures on unemployment, on the other hand--

ROSTEN: Unemployment is overestimated because they ask a person if he's employed or unemployed, and the person says he's unemployed, and that includes many housewives who don't want a job, or don't care about the job. But it's morally more justifiable to say, "Oh, I've been trying to get a job" than to say "Who wants to work?" But it's surprising to me that the figures on both of these very significant indices are continually being put out, the president has regular press conferences, every member of the cabinet [knows them], and no one says, "Tell us, how did you get these figures? how much faith do you put in them? and can we believe them?"

HAYEK: Do you read the Wall Street Journal?

ROSTEN: Oh, yes!

HAYEK: There you get all the facts very clearly put, and it has no effect.

ROSTEN: When you were talking about the growth of new voices-- The Wall Street Journal has become a national

newspaper in a way that it wasn't; it was thought of as a trade journal. I often think that just as you might have chosen a different name for The Road to Serfdom, they would be better off if it wasn't the Wall Street Journal, because to the Midwest that already means bankers and so on.

HAYEK: Of course, yes.

ROSTEN: But also the rise of a magazine like the Public Interest, which has become influential far beyond its circulation, and in the intellectual community. I was interested that one of your fellow Nobel laureates, who I think would be classed as a liberal, Paul Samuelson, in a column several years ago--it was quite a startle--raised the question as to whether imperialism really pays. He had been reading people like Hutt, I suspect, and [John] Jewkes, I suspect, and possibly [Alec] Cairncross, and he came to this extraordinary conclusion. He said, "I would be hard-put to know how to prove it," and explains why. He says on balance it would be very hard to say--this is not to say that, of course, no Englishmen profited--but on balance that the total input, as compared to where it might have gone, that this necessarily represented English interests as against Indian. He said, "I couldn't try to make that case." What he in effect said was we really can no longer continue to hold that position, which was one

of the great props, I think, in socialism.

HAYEK: Well, you see, Samuelson--I think he's an honest person, and he's moving in the right direction. He probably started--well, I wouldn't say far on the Left--but anyhow it was predominantly what you here call liberal, and what I call socialist ideas. But he does see the problems; there are others who don't.

TAPE: ROSTEN I, SIDE TWO

TAPE DATE: NOVEMBER 15, 1978

HAYEK: Even Nobel laureates. [laughter]

ROSTEN: Well, you were a colaureate with a man who probably didn't agree at all with you, right?

HAYEK: Well, [Gunnar] Myrdal.

ROSTEN: But he's not really an economist, is he?

HAYEK: Oh, yes.

ROSTEN: I always thought of him as a sociologist because of his work on the American Negro.

HAYEK: He started with exactly the same sort of problems I did.

ROSTEN: Is that right?

HAYEK: Forty years or fifty years ago.

ROSTEN: Which of the English economists do you feel are beginning to follow the pattern or reexamining what you would call the socialist, what I would call the liberal, tradition?

HAYEK: Well, among the young people, no single very eminent person, but the work being done by the Institute of Economic Affairs in London is, of course, absolutely first class. They are so very good because they are taking up particular problems and illustrating in point after point how the present system doesn't work. I think they have gradually achieved a position of very great

influence indeed, and that is really the main source of resistance. It creates a coherent body of opinion which is probably more important than any of the periodicals or newspapers in England.

ROSTEN: You had said earlier that with Schumpeter you agreed that one of the problems of the free market, or the free society, is that the economic base thereof, capitalism, arouses expectations it cannot fulfill. I wish you would comment on the passion, the drive, or the delusion, or whatever you want to call it, but the power of the movement for equality.

HAYEK: Well, it's, I think, basically a confusion. The idea of equality before the law is an essential basis of a civilized society, but equality before the law is not compatible with trying to make people equal. Because to make people equal who are inevitably, unfortunately, very different in thousands of respects, you have to treat them differently. So between these two conceptions of equality is an irreconcilable conflict. Material equality requires political discrimination, and ultimately really a sort of dictatorial government in which people are told what they must do. I think egalitarianism-- Well, I would even go further: our whole morals have been based on our esteeming people differently according to how they behave, and the modern kind of egalitarianism is destructive of all moral

conceptions which we have had.

ROSTEN: Coming to that problem from an entirely different discipline, since I was in political science and political theory, I have two comments: first, in all of the debates on the [U.S.] Constitution-- In the Federalists the United States had a collection of political brains such as I think existed nowhere in history except in Athens.

HAYEK: I entirely agree, yes.

ROSTEN: The most unbelievable brilliance, resilience, and flexibility. Two very interesting things: nowhere did they worry about the growth of federal power--on the contrary, they were reasonably convinced that the states would be so jealous of their sovereign rights that they would have to coax them into the union and bring them dragging their heels. But the idea of a federal system, which has become a Leviathan, so far as I remember, is nowhere to be found. It's one of the few examples in which their predictive activities were blank.

HAYEK: Yes.

ROSTEN: Now, the equalitarian idea would have seemed to them ludicrous, because what they said was that the kind of society we're trying to form, the very diversity and richness of life, of the farmer to till his soil, of the hunter to do this, and so on-- The awareness that they had

of the fact that freedom would give people an opportunity to express themselves and live their kind of lives, even unto what they believed in or what church they went to, or whether they went to church or not-- None of them, incidentally, used the word God, you know, but rather Providence, Divine Providence.

HAYEK: Well, the one who I think came nearest to seeing the danger of excessive power of the federal government was [James] Madison, a man of whom I think most highly.

ROSTEN: He wrote the Fifth [Amendment].

HAYEK: Yes. As for the others, certainly, you're quite right.

ROSTEN: He also picked up the point of Aristotle about the middle class.

HAYEK: Yes.

ROSTEN: In a most powerful way. Incidentally, it just occurred to me-- We're sitting here talking and I couldn't help but think how few economists I know with whom I could carry on this kind of discussion. In that sense, if I may say so, you are unique, and I'm reminded of the fact that in the United States there were not separate fields called economics and political science. It was called political economy, and it seems to me a great tragedy that the fields were split.

HAYEK: I agree, and I even more regret that there's a

complete split between economics and law. You see, in my time on the Continent, you could study economics only as part of a law degree. That was very beneficial, and I still maintain, as I once put it, that an economist who is only an economist cannot even be a good economist.

ROSTEN: I'm so glad to hear you say that. Incidentally, just as you mentioned the rise of a libertarian movement among the young economists, it's interesting how many new centers there are called the study of law and economics, or economics and law. There's one down in Florida.

HAYEK: I'm going there in February, yes.

ROSTEN: I always anticipate you, or I'm behind you.

[laughter] Let me ask you this question: What would you think if you were talking to a group of working men who said, "These two eggheads and highbrows, they talk on a high level, but I've got a wife and kids to support, and I can't possibly raise them on the salary I'm getting today. It's a rotten society. We have moved twenty times, we were burned out, insurance didn't pay," whatever. What do you think a society owes, if you want to use that term? I'm not talking about the The Social Contract, which was written by another very talented but I think crazy man. What do you think the society owes those of its members who are law-abiding?

HAYEK: Well, "owes," I think, is a somewhat inappropriate

expression; but I think you can reasonably expect a tolerably wealthy society to guarantee a uniform minimum floor below which nobody need descend. The people who cannot earn a certain very low minimum in the market should be assured of physical maintenance. But I'm afraid even this cannot be generalized, because only a tolerably wealthy society can physically do it. The Indians couldn't possibly do it, and many of the other--

ROSTEN: You mean India, not the American Indians.

HAYEK: East Indians, yes. The same is true of many of the underdeveloped countries. But once you have reached a certain level of wealth, I think it's in the common interest of all citizens to be assured that if their widows or their children by some circumstances become unable to support themselves, they would be assured of a certain very low minimum, which on current standards would be miserable but still would secure them against extreme deprivations. But beyond that I don't think we can do anything.

ROSTEN: Do you say we can't do it because we really don't have the resources, or the GNP, or--

HAYEK: No, it would destroy the motive to keep our system going.

ROSTEN: Yes. Now, if people who were getting this minimum income-- I should hasten to add that I'm sure you do not

mean the minimum wage, which is a different animal.

HAYEK: Oh, no. On the contrary.

ROSTEN: But if people could supplement that income by part-time work, handyman work, and so on--

HAYEK: Oh, that's all right. I wouldn't object to that.

ROSTEN: You wouldn't deduct that?

HAYEK: No. Most of the people I have in mind would really not be able to make much of an extra income. But if some widow who had to live on that small minimum income did take in some washing in her kitchen, I just would not notice it.

[laughter]

ROSTEN: I asked what does the society owe, and I feel that, in that sense, a society does owe its people certain things. First military protection.

HAYEK: Oh, yes, of course.

ROSTEN: You can't go out and buy a few bombs to protect your house and so on. We owe, the society owes, and the legislators and the people who have been elected freely--

HAYEK: That would reform the society before we get this protection.

ROSTEN: Exactly. We don't want to be eaten by the nearby cannibals, whatever name they may have.

HAYEK: Yes.

ROSTEN: Incidentally, you were surprisingly lenient, it seemed to me, on the Soviet Union.

HAYEK: In The Road to Serfdom?

ROSTEN: Yes.

HAYEK: Well, you forget that it was our ally in war at the time I wrote and published it.

ROSTEN: Well, what year did it come out?

HAYEK: In '44.

ROSTEN: This was just shortly after the execution of [Henrik] Ehrlich and [Viktor] Alter and the Katine Forest and all of that. No, I'm not criticizing you--

HAYEK: We didn't know about these things yet. You see, in fact, I say it came out in '44, but it was mostly written in '41 and '42.

ROSTEN: I see. And you felt that it was unwise--

HAYEK: I just had to restrain myself to get any hearing. Everybody was enthusiastic about the Russians at that time, and to get a hearing, I just had to tune down what I had said about Russia.

ROSTEN: I see, yes.

HAYEK: You asked me before whether there is anything I would do differently to the book now. Apart from that which is directed against the sort of socialism which is largely abandoned by the official Socialist party, I would certainly speak much more openly about the Communist system than I did in that book.

ROSTEN: I said earlier how people do not change their

opinions. Even today some of the American intellectuals-- the literary community; it's stretching the point to say the intellectual community, but the literary community and the breastbeatings and the mea culpas--temper their due revelation in ways that make me very angry. I went to the Soviet Union very early on, just after Roosevelt recognized it, and spent four months there. We studied in something called the First Moscow University. When I came back, people wanted to know [about it]. I said, "Well, you know, one thing that worries me terribly is that they're going to have to become anti-Semitic." My sociologist friends were horrified and asked why, and I said, "Because Jews ask questions." I tried to find two Jews in Moscow, and I was told they were on vacation; I was told they would be back; and I was told this, and I was told that. [My friends] said, "But you're wrong; this is a dreadful thing to say. In fact, it is against the law to be anti-Semitic!" I said, "My dear man, they're punishing the Jews today not because they're Jews but because their fathers were jewelers." They could actually not get into the university.

TAPE: ROSTEN II, SIDE ONE

TAPE DATE: NOVEMBER 15, 1978

HAYEK: Our discussion turned in a direction which I was always tempted not to speak about. This is supposed to be about my past, not what I am going to do--that's really not the purpose. But at the moment I'm writing an essay under the title "The Reactionary Character of the Socialist Conception," which is all based on the idea that--I explained part of it--natural instincts are being released by, on the one hand, the discipline of a gradually evolved commercial ethics being discredited; on the other hand, rationalism telling people, "Don't believe anything which cannot be explained to you."

I'm having great fun writing this out. It's all meant to be the basis of a public debate, which we intend to hold someday in Paris, on the question, "Was socialism a mistake?" for which I have gained the support of a dozen members of the Mont Pelerin Society. The great problem is how to determine the opposite team, because if we select it, it won't have any credibility. So we have finally decided to postpone the thing, which we meant to hold this coming April, for a year, and try to write out the whole thing as a challenge and ask the other side to form a team from their midst.

ROSTEN: Wouldn't Abba Lerner be someone--

HAYEK: Abba Lerner was certainly on my list, but I have since been told he hardly any longer believes in socialism. [laughter] That's my trouble; the people I knew, who were very honest people, mostly have lost their belief in socialism. I had Solzhenitsyn on my list, and two days after I had put his name down, he declared publicly at Harvard [University] that he was no longer willing to defend socialism. [laughter]

ROSTEN: Well, I think you'll find plenty of intellectuals in the United States who do. Well, you know, in talking to you, we've really neglected--and I would like to repair that neglect--going back to your experiences in England: first, the London School of Economics, where you met Lionel Robbins.

HAYEK: Well, Robbins, of course, got me into the London School of Economics. I didn't know him before, but he got very interested in an essay I had done criticizing-- Do you remember the names of [William] Foster and Catchings?

ROSTEN: Yes, Waddill Catchings.

HAYEK: I had written an essay called "The Paradox of Saving," which fascinated Robbins; so he asked me to give these lectures on prices and production that led to my appointment. We found that Robbins and I were thinking very much on the same lines; he became my closest friend, and still is, although we see each other very rarely now.

For ten years we collaborated very closely, and the center of teaching at the London School of Economics was our joint seminar. Robbins, unfortunately, before he had achieved what he ought to have done-- He might have written the textbook for this generation--and he had it all ready-- but with the outbreak of the war he was drawn into government service. That's a real tragedy in the history of economics. Up to a point, he has since become a statesman as much as an economist, and I don't think he would any longer want to do this sort of thing.

ROSTEN: Would this have been a textbook on the price system?

HAYEK: Yes, just a textbook of economic theory, essentially of the functioning of the market. He was a brilliant teacher, a real master of his subject. Unlike the English of that period, he was not at all insular; he really knew the literature of the world. In a sense, modern economics is his creation, by bringing together what was then a number of diverse schools: the English tradition of Marshall, the Swedish tradition, the Austrian tradition. And he did it very effectively in his lectures, which were masterly. If those had been turned into a textbook, it might have changed the development of economics. Unfortunately, war came and he never did it.

ROSTEN: Was Alfred Marshall much of an influence on you?

HAYEK: Not at all. By the time I came to read Marshall, I was a fully trained economist in the Austrian tradition, and I was never particularly attracted by Marshall. I later discovered [H. B.] Wicksteed, who was a very important English economist. I was more influenced, if influenced [at all], by some of the Americans: John Bates Clark, [Frank A.] Fetter, and that group. But Marshall never really appealed to me. I think this somewhat timid acceptance of the Marshall utility approach--the famous two-scissors affair: it's partly cost and so on--his kind of analysis of the market positions, did not appeal to me.

ROSTEN: How did you get on with [William] Beveridge? Had Beveridge written the Beveridge Report by then?

HAYEK: He never wrote it; he was incapable of doing this. I have never known a man who was known as an economist and who understood so little economics as he. He was very good in picking his skillful assistants. The main part, the report on unemployment, was really done by Nicholas Kaldor. And I think Kaldor, through the Beveridge Report, has done more to spread Keynesian thinking than almost anybody else. Beveridge, who was a splendid organizer--no, not organizer, because he wasn't even good at detail--but conceiving great plans, in formulating them, he was very impressive. But he literally knew no economics. He was the type of a barrister who would prepare, given a

brief, and would speak splendidly to it, and five minutes later would forget what it was all about.

ROSTEN: That's extraordinary.

HAYEK: Everybody knows one famous story: just as I came to London they had written that book on free trade, and then came in '31 the reversal of English policy. Beveridge quite naively turned to his friends, with whom he had just written a book on free trade, and said, "Oughtn't we now to write a book on tariffs?"

ROSTEN: I thought he opposed tariffs.

HAYEK: Oh, he had! The book on tariffs was opposed to it. But after the 1931 change, he suddenly thought that it might after all be a good thing to have a little protection, but his friends of course refused it.

I don't mind putting this on the record now; there was an even more comic scene. Fortunately, he knew that he didn't know much economics; so when he made public speeches, he would let either Robbins or myself look through the draft. Even in the mid-thirties, there was one proposal which was frightfully inflationary; so I pointed out to him, "If you do this, you'll get a great rise in prices." As usual, he took the comment. Fortunately, I saw a second draft of the same lecture, which contained the sentence, "As Professor Hayek has shown, an increase in the quantity of money tends to drive up prices." This was a very great

new discovery. [laughter] One could talk at great length about this extraordinary person.

ROSTEN: What about the others at the London School, such as Harold Laski, who were very much in the Fabian tradition, out of which you came, in one way or another?

HAYEK: Harold Laski, of course, at that time had become a propagandist, very unstable in his opinions. There were many other people whom I greatly respected, like old [Richard Henry] Tawney. I differed from him, but he was a sort of socialist saint, what you Americans call a do-gooder, in a slightly ironic sense. But he was a man who really was only concerned with doing good--my Fabian socialist prototype--and a very wise man.

ROSTEN: You're talking about The Sickness of an Acquisitive Society Tawney.

HAYEK: Yes. Curiously enough, Laski and I had a good deal of contact because we are both passionate book collectors. It was only that way. And he was frightfully offended by my The Road to Serfdom. He was very egocentric and believed it was a book written especially against him.

ROSTEN: Really? He didn't know economics?

HAYEK: No, not at all. And as I say, he must have been a very acute thinker in his youth, but by the time I really came to know him, he had become not only a propagandist but even to the students-- He still had the capacity of getting

students excited at first, but even they noticed after two or three months he was constantly repeating himself. And he was extraordinarily inconsistent.

ROSTEN: In his private life he was extremely generous to the refugees. He concealed his generosity.

HAYEK: Yes, and he was generous to his students. He would do anything to help his students. But he was wholly unreliable, both his stories and his theoretical views. I was present one evening in August 1939, when he held forth for half an hour on the marvels of Communist achievement. Then we listened to the news, and the story of the Hitler-Stalin Pact came through. And when we finished the news, he turned against Communism and denounced them as though he had never said a word in their favor before.

ROSTEN: That's amazing. Now this was the period, of course, when John Maynard Keynes was coming into international repute, and I'd love you to talk about him.

HAYEK: Well, I knew him very well. I made his acquaintance even before I had come to England, in '28, at the meeting of the Trade Cycle Research Institute. There we had our first difference on economics--on the rate of interest, characteristically--and he had a habit of going like a steamroller over a young man who opposed him. But if you stood up against him, he respected you for the

rest of your life. We remained, although we differed in economics, friends till the end. In fact, I owe it to him that I spent the war years at King's College, Cambridge. He got me rooms there. And we talked on a great many things, but we had learned to avoid economics.

ROSTEN: You avoided economics?

HAYEK: Avoided economics.

ROSTEN: But you took on [The] General Theory [of Employment, Interest and Money], didn't you, the moment that it appeared?

HAYEK: No, I didn't; I had spent a great deal of time reviewing his [A] Treatise on Money, and what prevented me from returning to the charge is that when I published the second part of my very long examination of that book, his response was, "Oh, I no longer believe in all this."

ROSTEN: He said so?

HAYEK: Yes. [laughter]

ROSTEN: How much later was this?

HAYEK: That was '32, and the Treatise came out in '30.

He was already then on the lines towards The General Theory, and he still had not replied to my first part when six months later the second part came out. He just said, "Never mind, I no longer believe in this." That's very discouraging for a young man who has spent a year criticizing a major work. I rather expected that when he thought out The General Theory, he would again change his mind in

another year or two; so I thought it wasn't worthwhile investing as much work, and of course that became the frightfully important book. That's one of the things for which I reproach myself, because I'm quite convinced I could have pointed out the mistakes of that book at that time.

ROSTEN: Well, did you seriously think that he would say, "Oh, I no longer believe in the tradeoff between unemployment" and so forth?

HAYEK: I am sure he would have modified.

ROSTEN: You think he did change?

HAYEK: He would have modified his ideas. And in fact, my last experience with him--I saw him last six weeks before his death; that was after the war--I asked him whether he wasn't alarmed about what his pupils did with his ideas in a time when inflation was already the main danger. His answer was, "Oh, never mind, my ideas were frightfully important in the Depression of the 1930s, but you can trust me: if they ever become a danger, I'm going to turn public opinion around like this." But six weeks later he was dead and couldn't do it. I am convinced Keynes would have become one of the great fighters against inflation.

ROSTEN: Do you think he could have done it?

HAYEK: Oh, yes. He wouldn't have had the slightest hesitation. The only thing I blame him for is that what he

knew was a pamphlet for the time, to counteract the deflationary tendencies in the 1930s, he called a general theory. It was not a general theory. It was really a pamphlet for the situation at a particular time. This was partly, I would say, due to the influence of some of his very doctrinaire disciples, who pushed him-- There's a recent essay by Joan Robinson, one of his disciples, in which she quite frankly says they sometimes had great difficulty in making Maynard see the implications of his theory. [laughter]

ROSTEN: I'm interested in the fact that you think it would have been that easy to have reversed opinion, coming out of a deflationary period.

HAYEK: Well, I don't think so, but Keynes--

ROSTEN: Oh, he thought so. I see.

HAYEK: Keynes had a supreme conceit of his power of playing with public opinion. You know, he had done the trick about the peace treaty. And ever since, he believed he could play with public opinion as though it were an instrument. And for that reason, he wasn't at all alarmed by the fact that his ideas were misinterpreted. "Oh, I can correct this anytime." That was his feeling about it.

ROSTEN: It did not upset him when his name or authority was used? He had a great influence on politicians, didn't he?

HAYEK: More in this country even than in England. He had gained great influence in his capacity during the war, when he was advising the government, but of course then he was essentially updating the Breton Woods agreement. In the end he had become very powerful, but of course till the war he partly was a protester and partly liked the pose of being disregarded and neglected by official opinion.

ROSTEN: In the United States, he was in Washington, and when he left the White House--he had already talked to Secretary of the Treasury [Henry] Morgenthau and so on--he made the politically indiscreet remark, which went around all of Washington, that he was quite surprised by how little President Roosevelt knew about economics.

HAYEK: Surprised?

ROSTEN: He said.

HAYEK: Yes, I think it was a very deliberate indiscretion.

[laughter]

ROSTEN: You think he said that intentionally. Was he given to that?

HAYEK: Well, I know he had such a low opinion of the economic knowledge of politicians generally that he cannot really have been surprised.

ROSTEN: How do you think he will rank in the history of economic theory and thought?

HAYEK: As a man with a great many ideas who knew very

little economics. He knew nothing but Marshallian economics; he was completely unaware of what was going on elsewhere; he even knew very little about nineteenth-century economic history. His interests were very largely guided by esthetic appeal. And he hated the nineteenth century, and therefore knew very little about it--even about the scientific literature. But he was a really great expert on the Elizabethan age.

ROSTEN: I'm absolutely astounded that you say that John Maynard Keynes really didn't know the economic literature. He had surely gone through it.

HAYEK: He knew very little. Even within the English tradition he knew very little of the great monetary writers of the nineteenth century. He knew nothing about Henry Thornton; he knew little about [David] Ricardo, just the famous things. But he could have found any number of antecedents of his inflationary ideas in the 1820s and 1830s. When I told him about it, it was all new to him.

ROSTEN: How did he react? Was he sheepish? Was he--

HAYEK: Oh, no, not in the least. He was much too self-assured, convinced that what other people could have said about the subject was not frightfully important. At the end--well, not at the end-- There was a period just after he had written The General Theory when he was so convinced he had redone the whole science that he was rather

contemptuous of anything which had been done before.

ROSTEN: Did he maintain that confidence to the end?

HAYEK: I can't say, because, as I said before, we had almost stopped talking economics. A great many other subjects--his general history of ideas and so on--we were interested in. And, you know, I don't want you to get the impression that I underestimated him as a brain; he was one of the most intelligent and most original thinkers I have known. But economics was just a sideline for him. He had an amazing memory; he was extraordinarily widely read; but economics was not really his main interest. His own opinion was that he could re-create the subject, and he rather had contempt for most of the other economists.

ROSTEN: Does this tie in with your two kinds of minds? You wrote in Encounter some years ago a piece--

HAYEK: Curiously enough, I will say, Keynes was rather my type of mind, not the other. He certainly could not have been described as a master of his subject, as I described the other type. He was an intuitive thinker with a very wide knowledge in many fields, who had never felt that economics was weighty enough to-- He just took it for granted that Marshall's textbook contained everything one needed to know about this subject. There was a certain arrogance of Cambridge economics about-- They thought they were the center of the world, and if you have

learned Cambridge economics, you have nothing else worth learning.

ROSTEN: What was their reaction to The Road to Serfdom?

HAYEK: Well, Keynes, of course, took it extraordinarily kindly. He wrote a very remarkable letter to me, but I think he was the only one in Cambridge to do so. That, I think, shows very clearly the difference between him and his doctrinaire pupils. His pupils were really all socialists, more or less, and Keynes was not.

ROSTEN: What was he? How would you describe him politically?

HAYEK: I think here the American usage of the term liberal is fairly right, fairly close to what he was. He wanted a controlled capitalism.

ROSTEN: And he thought that he could control it.

HAYEK: Oh, yes.

ROSTEN: Or at least advise those in power. Is it true that he said, "I am no longer a Keynesian"?

HAYEK: I haven't heard him say so; it's quite likely. But, after all, Keynesianism spread only just about the time of his death. You mustn't forget that he died as early as '46, just as the thing became generally accepted. In fact, I sometimes say that his death made him a saint whose word was not to be criticized.

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If Keynes had lived, he would greatly have modified his own ideas, as he always was changing opinion. He would

never have stuck to this particular set of beliefs. And you could argue with him. Since we are speaking about him, curiously enough the two persons I found most interesting to talk to for an evening were Keynes and Schumpeter, two economists who were the best conversationalists and the most widely educated people in general terms I knew--with the difference that Schumpeter knew the history of economics intimately and Keynes did not.

ROSTEN: Had Keynes read Schumpeter?

HAYEK: I would assume yes, but he wasn't reading much contemporary economics, either. He probably had an idea [of him]. I have seen them together; so I know he knew Schumpeter. But I doubt whether he carefully studied any of Schumpeter's-- Schumpeter's book on capitalism, which I mentioned before, came out in wartime, when he was much too busy to read anything of the kind. As for Schumpeter's earlier works, I would suspect Keynes had read the brochure Schumpeter wrote on money, because that was in his immediate field, but probably nothing else.

ROSTEN: I'm interested in your earlier comment about the fact that here is a man of immense intelligence, great imagination, wide learning, and so on, and yet was not an economist. I'm not clear whether you mean he didn't have the kind of mind that excels in economics--just as in mathematics, say, you can find people who are brilliant

but who, given mathematics, are just hopeless--or do you mean he didn't have the kind of mind that makes for first-rate economists?

HAYEK: Oh, yes, he had. If he had given his whole mind to economics, he could have become a master of economics, of the existing body. But there were certain parts of economic theory which he had never been interested in. He had never thought about the theory of capital; he was very shaky even on the theory of international trade; he was well informed on contemporary monetary theory, but even there he did not know such things as Henry Thornton or [Knut] Wicksell; and of course his great defect was he didn't read any foreign language except French. The whole German literature was inaccessible to him. He did, curiously enough, review Mises's book on money, but later admitting that in German he could only understand what he knew already. [laughter]

ROSTEN: What he had known before he read the book. How would you distinguish the streams that economics took in Austria and Sweden and England during your time?

HAYEK: Well, in England--unfortunately, Sweden and Austria were moving on parallel lines--if [W. Stanley] Jevons had lived, or if his extraordinarily brilliant pupil Wicksteed had had more influence, things may have developed in a different direction; but Marshall established almost a

monopoly, and by the time I came to England, with the exception of the London School of Economics, where Edwin Cannan had created a different position, and where Robbins was one of the few economists who knew the literature of the world--he drew on everything--England was dominated by Marshallian thinking. And this idea that if you knew Marshall there was nothing else worth reading was very widespread.

ROSTEN: Now, what happened when you came to the University of Chicago? How did you find that?

HAYEK: Well, I was in Chicago not in the economics department; I was on the Committee on Social Thought, and I greatly welcomed this, because I had become a little tired of a purely economics atmosphere like the London School of Economics. I wanted to branch out, and to be offered a position concerned with any borderline subject in the social sciences was just what I wanted.

When I came to Chicago Jacob Viner had already left, but I had known him before, and it was his influence as much as Frank Knight's influence-- So, on the whole, I found there this very sympathetic group of Milton Friedman and soon George Stigler; so I was on very good terms with part of the [economics] department, but numerically it was the econometricians who dominated. The Cowles Commission was then situated in Chicago; so the predominant

group of Chicago economists had really very little in common. Just Frank Knight and his group were the people whom I got along with.

ROSTEN: Frank Knight was a remarkable person, and he was at heart an anarchist. His contempt for all forms of government, or the intelligence or the capacity of people to manage things, was such that he seemed to me to end up as a kind of a philosophical anarchist.

HAYEK: Yes, of course, I know no person more difficult to describe, and who was capable of taking the most unexpected positions on almost anything. But he was extraordinarily stimulating, even in conversation. And his influence was wholly beneficial. It's hardly an exaggeration to say that all the leading economic theorists in this country above the age of fifty, or even forty-five, come out of the Frank Knight tradition, even more than the Harvard tradition. Earlier it was the [Frank W.] Taussig tradition and Harvard, but in the generation slightly younger than myself, I think nearly all the first-class economists at one time or another have been pupils of Frank Knight.

ROSTEN: Yet, as I remember, he only wrote one book: Risk, Uncertainty and Profit. A remarkable book.

HAYEK: Yes, all the others are collections of essays.

ROSTEN: Did you know that he once gave a lecture entitled "Why I Am a Communist"?

HAYEK: I've heard that, yes. [laughter]

ROSTEN: It was one of the most hilarious experiences I had, because we couldn't believe our eyes or ears when we heard this. And what it came down to was the fact that the country was going to ruin so fast, and that the growth of governmental power was so great, and the federation--people from politics and the New Deal--that only a strong Communist threat could awaken the American people to the need for change and the growth of a conservative movement. [laughter]

HAYEK: I've heard him later take a very similar position, then, to my complete surprise; it was on that occasion that I was told about the earlier lecture. But he was completely unpredictable as to what position he would take. I will tell you one amusing episode about Frank Knight: when I had called that first meeting on Mont Pelerin, which led to the formation of the Mont Pelerin Society, I had already had the idea we might turn this into a permanent society, and I proposed that it would be called the Acton-Tocqueville Society, after the two most representative figures.

TAPE: ROSTEN II, SIDE TWO

TAPE DATE: NOVEMBER 15, 1978

HAYEK: Frank Knight put up the greatest indignation: "You can't call a liberal movement after two Catholics!" [laughter] And he completely defeated it; he made it impossible. As a single person, he absolutely obstructed the idea of using these two names, because they were Roman Catholics.

ROSTEN: He was a midwesterner, and he had a kind of a dry and original way of thinking. You knew Viner?

HAYEK: Oh, yes, I knew him quite well.

ROSTEN: Isn't it interesting to you that Viner wrote three papers, I believe, in which he demolished the then-current theory that wars are caused by governments protecting private profits. And he did this extraordinary piece of research in England, France, Russia, and Germany on the origins of the First World War, and in effect pointed out it was exactly the opposite [cause]. How did that revolution in thinking and a breakthrough in research-- Why didn't that have a greater effect?

HAYEK: I don't know. In general, Viner, who was one of the most knowledgeable persons and most sensible persons, had an extraordinarily little effect on the literature. And to my great regret I am told that the manuscripts of three books on which he was working for his last years are

not usable. For some reason or other he seems to have himself become a little uncertain. Incidentally, since you have read these essays of mine on the two types of mind-- I didn't mention it in that essay, but the contrast between Knight and Viner seems to me an ideal illustration of the case. Viner was a perfect master of his subject; he was a greater master of the whole subject than anyone I know. And of course Knight was very much what I called the "muddlehead." [laughter]

ROSTEN: Well, from the way you describe Frank Knight, he was a kind of hick John Maynard Keynes. That is, kind of a midwestern rover.

HAYEK: Yes, yes.

ROSTEN: He had a remarkable founding, or basis, in philosophy, for example. But he surprised you; he would always come up--because I studied under all the people we've been talking about; I was lucky enough for that--he would always surprise you by coming up with a quotation from some very obscure philosopher of the Middle Ages, about whom he knew a great deal.

HAYEK: But you knew he also knew the history of economics very well; he knew exactly-- In that respect, he was quite unlike Keynes. You could hardly mention an ancient or nineteenth-century economist and Knight wouldn't know all about it. But it was not in the sense that he had made

traditional theory his own and that he automatically gave the official reply to any subject. There were some people who had no reason to think because they had the answer ready on everything from the literature they had read. Frank Knight was one of the people who had to think through everything before he formed--

ROSTEN: You mean [think through] anew.

HAYEK: Think anew, yes.

ROSTEN: That is an interesting comment. It gave him this quality that endeared him to students of not answering off-the-cuff or, you know, you press a button-- On the contrary, he took students very seriously; he would get annoyed, he would argue, he would show his discontent, and then he would suddenly go into, "But don't you realize the theological implications?" when you were talking about the Federal Reserve Bank or something.

HAYEK: I don't know how early that was. When I knew him in the fifties, of course, he was preoccupied with religion. Though he was always fundamentally atheistic in the anti-religious attitude, his greatest interest was religion.

ROSTEN: He was agnostic, I would say, not an atheist. He was obviously a man who would refuse to take as firm a position as saying "I know" or "There is no God." Quite the contrary. But, unlike Viner, he was unpredictable: for example, his anarchism. Viner was all of a piece.

HAYEK: Oh, yes.

ROSTEN: And he was enormously homogeneous and wide ranging in his thought.

HAYEK: I was driven once, in a similar discussion about the two men, to describe them both as wise. And then I found I was using wise in altogether different senses in describing the one and the other. I find it very difficult to define it, but I would say that in a sense Frank Knight was a more profound but much less systematic thinker; Viner had a rounded system, where he attempted to reconcile everything with everything else. Viner could have written a very good textbook. Incidentally, the first four chapters of Risk, Uncertainty and Profit, which of course Knight did when he was very young, or relatively young, was at that time the best summary of the current state of theory available anywhere. Robbins, when I came to London, was giving his students the first chapter of Risk, Uncertainty and Profit as an introduction to economic theory, and it was then the best one which was available.

ROSTEN: Did you find the intellectual atmosphere at the University of Chicago wider, so to speak, than at the London School of Economics?

HAYEK: Well, there were interdisciplinary contacts. What I enjoyed in Chicago was returning to a general university atmosphere from the narrow atmosphere of a school devoted

exclusively to social sciences. The faculty club, the Quadrangle Club, in Chicago was a great attraction. You could sit with the historians one day and with the physicists another day and with the biologists the third. In fact, I still know of no other university where there is so much contact between the different subjects as in the University of Chicago.

ROSTEN: Or as much contact between the undergraduate student and the faculty.

HAYEK: Yes, that too.

ROSTEN: That tradition, I hear, has still maintained. I should have thought that you would have found yourself returning to a more congenial university.

HAYEK: In a sense, yes, I had become a little tired of economics after twenty years at the London School of Economics. And of course economics drove me into the examination of political problems. I had already come to the conclusion that with our present political constitution you could not expect government to pursue a sensible economic policy--we're forced to do something else--and that has occupied me ever since.

ROSTEN: Can you give me an example of why this didn't occur to you sooner? Let me put it this way: there is constant argument, whether it's on a very high level or just a journalistic level, between the economist and, say, the

sociologist, or the economist and the political scientist. They say, "You're not dealing with a model in the abstract; you can't say that it's a political problem and therefore you have nothing to say about it." So surely you ran into the interferences with economics because of-- We started out earlier talking about the way in which you were raised in a family, which I thought was a very vivid way of pointing out what is ultimately going to be a problem intellectually, when you deal with what is called the real world.

HAYEK: I think I was just taken in by the theoretical picture of what democracy was--that ultimately we had to put up with many miscarriages, so long as we were governed by the dominant opinion of the majority. It was only when I became clear that there is no predominant opinion of the majority, but that it's an artifact achieved by paying off the interests of particular groups, and that this was inevitable with an omnipotent legislature, that I dared to turn against the existing conception of democracy. That took me a very long time.

In fact, I'd been mainly interested in borderline problems of economics and politics since before the outbreak of war--'38-'39--when I had planned this book on what I was going to call "The Abuse and Decline of Reason." The Counter-Revolution of Science, which I wrote as the

beginning of this study of the rationalist abuse of constructivism, as I now call it, came out of this. Conceptually, I had the big book on the decline of reason ready, and I used the material I had prepared then to write The Road to Serfdom as a pamphlet applied to contemporary affairs. So it's really over the past forty years that my main interest is so much broader than technical economics, but it's only gradually that I've been able to bring the things really together. They arose out of the concern with the same problems, but to treat it as a coherent system, I think I have only succeeded in just completing Law, Legislation and Liberty.

ROSTEN: Did you find many of the political scientists responsive to what you were thinking and doing?

HAYEK: Very few at that time. There was one good man, not very original but sensible, at the London School of Economics--[Kingsley] Smellie, if you remember him. There are a few now developing. There is a man now [in the United States], the Italian [Giovanni] Sartori, who has seen more or less the same problems. But the general answer is no. I had very little real either contact with the political scientists or sympathetic treatment of my ideas.

ROSTEN: But on the Committee on Social Thought you certainly had sociologists like Ed Shils. I think he was then there, wasn't he?

HAYEK: Yes. Ed Shils was the only sociologist. Of course, he was a very intelligent man, but he remained a puzzle to me to the end. I never quite-- He's an extremely knowledgeable and well-informed man--you can talk with him on everything--but if he has a coherent conception of society, I have yet to discover it. He probably has, and I may be unjust. But he was the only sociologist-- We had philosophers, we had art historians, and of course the chairman was a very considerable economic historian, John Neff. We had an anthropologist, [Robert] Redfield, who was one of our members. It was an extremely interesting club. There was a classical scholar, David Green, who was interested in the social ideas of the ancient Greeks. Oh, it was a fascinating group. And if I may say so, the first seminar I held there was one of the great experiences of my life. I announced in Chicago a seminar on scientific method, particularly the differences between the natural and the social sciences, and it attracted some of the most distinguished members of the faculty of Chicago. We had Enrico Fermi and Sewall Wright and a few people of that quality sitting in my seminar discussing the scientific method. That was one of the most exciting experiences of my life.

ROSTEN: What do you think of the newer, younger, so-called

neoconservatives, whether Chicago or not? Some of them have appeared in the Mont Pelerin Society.

HAYEK: The economists among them are very good; I'm not so impressed by the people who think along these lines in political science and so on. But there are a few people now in philosophy, still little-known people, who seem to be very good. So I am rather hoping that these ideas are now spreading. Of course, I think the main thing is that there are economists who are working outside their fields, like Jim Buchanan and [the one] in South Carolina, and some of the people working at UCLA. What I said before--that you cannot be a good economist except by being more than an economist--I think is being recognized by more and more of the economists. This narrow specialization, particularly of the mathematical economists, is, I believe, going out.

ROSTEN: If you were to name five books, ten books, as you look back on your life-- Each of us does this. I was struck by this fact the other day, reading someone who happened to read [Adventures of] Huckleberry Finn at the age of nine and said, "It was an experience from which I never recovered." But if you look back over your own background, your own reading, which five or ten books would you say most influenced your thinking?

HAYEK: That's a tall order to do at a moment's notice.

ROSTEN: Yes, you're a tall man.

HAYEK: There is no doubt about both [Karl] Menger's Grundsetze and [Ludwig von] Mises's On Socialism. Menger I at once absorbed; Mises's was a book with which I struggled for years and years, because I came to the conclusion that his conclusions were almost invariably right, but I wasn't always satisfied by his arguments. But he had probably as great an influence on me as any person I know. On political ideas, I think the same is true of the two men I mentioned before in another connection: [Alexis de] Tocqueville and Lord [John] Acton.

ROSTEN: Do you know how long Tocqueville was in the United States?

HAYEK: Oh, I did know; I have read the diary. A few months, wasn't it?

ROSTEN: Unbelievable.

HAYEK: Yes. And, of course, I will say that as a description of contemporary America that great book is probably not a very good book; but [it was] extraordinarily prophetic. He saw tendencies which only became really effective much later than he wrote.

ROSTEN: Let me go back to something you just said, which interested me very much, on Ludwig von Mises, when you said you agreed with his conclusions but not with the reasoning by which he came to them. Now, on what basis

would you agree with the conclusions if not by his reasoning?

HAYEK: Well, let me put it in a direct answer; I think I can explain. Mises remained to the end a strict rationalist and utilitarian. He would put his argument in the form that man had deliberately chosen intelligent institutions. I am convinced that man has never been intelligent enough for that, but that these institutions have evolved by a process of selection, rather similar to biological selection, and that it was not our reason which helped us to build up a very effective system, but merely trial and error.

So I never could accept the, I would say, almost eighteenth-century rationalism in his argument, nor his utilitarianism. Because in the original form, if you say [David] Hume and [Adam] Smith were utilitarians, they argued that the useful would be successful, not that people designed things because they knew they were useful. It was only [Jeremy] Bentham who really turned it into a rationalist argument, and Mises was in that sense a successor of Bentham: he was a Benthamite utilitarian, and that utilitarianism I could never quite swallow. I'm now more or less coming to the same conclusions by recognizing that spontaneous growth, which led to the selection of the successful, leads to formations which

look as if they had been intelligently designed, but of course they never have been intelligently designed nor been understood by the people who really practice the things.

ROSTEN: So Freud did influence you, in the sense that he exposed the enormous power of the not-rational, or of the rationalizing mechanisms, for the expression of self-interest in the psychological sense.

HAYEK: It may be; I'm certainly not aware of it. My reaction to Freud was always a negative one from the very beginning. I grew up in an atmosphere which was governed by a very great psychiatrist who was absolutely anti-Freudian: [Julius] Wagner-Jauregg, the man who invented the treatment of syphilis by malaria and so on, a Nobel Prize man. In Vienna, Freud was never-- But, of course, that leads to a very complicated issue: the division of Viennese society [into] the Jewish society, the non-Jewish society. I grew up in the non-Jewish society, which was wholly opposed to Freudianism; so I was prejudiced to begin with and then was so irritated by the manner in which the psychoanalysts argued--their insistence that they have a theory which could not be refuted--that my attitude was really anti-Freudian from the beginning. But to the extent that he drew my attention to certain problems, I have no doubt that you are right.

ROSTEN: Two comments on that. You know Bertrand Russell's famous statement--he didn't mention Aristotle--that [although] it has been said that man is a rational animal, "All my life I have been searching for evidence to support this." Did you know Russell? [laughter]

HAYEK: Oh, I knew him, yes, but I had never heard this. I knew him fairly well. In the final years of the war, he was back in Cambridge, and while I was still in Cambridge I saw him. Even before, he once came to talk to my seminar, and then I was in correspondence with him about [Ludwig] Wittgenstein. He, in fact, gave me the whole set of letters which Wittgenstein had written to him, and I had started writing a biography on Wittgenstein around these letters when the literary executors stopped me. They didn't give me permission to publish his letters before they had published them, and in the meantime I lost interest. I had a certain duty, because I am still the only person who knew Wittgenstein both in Vienna and in London. You know, he was a cousin of mine, a distant one.

ROSTEN: No, I did not know.

HAYEK: Oh, yes, he was a second cousin of my mother's, strictly speaking, and I did not know him much in Vienna; but I knew the family, the family background and all that. And then I was in contact with him in England.

ROSTEN: Was he Jewish?

HAYEK: Three-quarter. The common great-grandmother, his and mine, was of a stern country family, who married into these Jewish Vienna connections. So three of his grandparents were Jewish.

ROSTEN: You got interested in Wittgenstein very early, before you were working on your material in philosophy.

HAYEK: Yes, I read the Tractatus [Logico-philosophicus] as soon as it appeared, just because I-- My knowledge of the whole thing was curiously indirect: his eldest sister, who was a second cousin, was also a very close friend of my mother's; so this elderly lady--well, she wasn't so elderly then--was talking frequently about her youngest brother, of whom she was very fond, but he was just one of at that time five Wittgenstein brothers whom I didn't really know apart. I saw them as distant relations.

I first made his acquaintance--I wrote also an article about my recollection of Wittgenstein in Encounter--at the railway station in Bad Ischl, [Austria], in August 1918, as we were both ensigns in the artillery in uniform, on the point of returning to the front. We traveled to Vienna together, and it was the first time I really had a long conversation with him. But the point I have only remembered since I wrote that essay is that, of course, in his rucksack he carried already the manuscript of the Tractatus.

ROSTEN: Did he really?

HAYEK: No doubt, because he was on the way to the front, and he was captured by the Italians with the Tractatus on him.

ROSTEN: Did Russell know any economics?

HAYEK: No.

ROSTEN: Was he interested at all?

HAYEK: No. He was very suspicious of it as a science.

ROSTEN: Why?

HAYEK: He didn't think it was a scientific subject.

ROSTEN: I once asked him this question, which will interest you because of the precision of his speech. I said, "But just suppose that, much to all of our dismay, you left this earth and now found yourself standing before the Throne. There is the Lord in all of His radiance. What would you say?" He looked at me as though I was some idiot and said, "Why, I would say, 'Sir, why didn't you give me better evidence?'" which is quite typical. [laughter]

HAYEK: Yes. Oh, yes.

ROSTEN: At Chicago you found a kind of fellowship, which included the physical scientists and the philosophers. You haven't mentioned any of the Chicago group of philosophers.

HAYEK: I don't know. Keyworth was the only one I was at all--

ROSTEN: Did many of the law school people come to your seminars?

HAYEK: Not much, really. I used to know [Harold] Katz fairly well; I used to know [Edward] Levi, but not well, really; the only one I knew fairly well was [Max] Rheinstein.

ROSTEN: Did Mortimer Adler play any part in--

HAYEK: No, he had left Chicago practically the year I arrived. He was an influence there; everybody talked about him. But, in fact, I believe I have never encountered him in person.

ROSTEN: Well, he has tried to do, in a very different way, things on freedom and liberty, but with no foot in the economic or political structure. He's much more legalistic and philosophical.

HAYEK: I came across his influence rather via [Harry] Hutchins. Hutchins I knew fairly well, and I could see that Hutchins was relying on Adler and his ideas. This made me read some of Adler's stuff.

TAPE: ROSTEN III, SIDE ONE

TAPE DATE: NOVEMBER 16, 1978

ROSTEN: Dr. Hayek, I'm interested in your impressions of the empirical work that was being done by American economists. When you came here, it must have struck you rather forcibly--the stuff that was being done at the National Bureau [of Economic Research], stuff on business cycles, in which I think you were interested at one point.

HAYEK: Well, I got interested by my visit to the United States. You see, when I came here as a young man in '23, I found they had nothing here to learn in economic theory. The American economic theorists had a great reputation at that time, but by the time I arrived, the few who were surviving were old men. And current teaching wasn't really interesting from a theoretical point of view. I was actually attached to New York University, but I gate-crashed into Columbia [University]. Then I was working in the New York Public Library on the same table with Willard Thorp and other people from the National Bureau. I was drawn into that circle, and I learned a great deal about descriptive statistical work; in fact, I owe part of my later career to the fact that I learned the technique of time-series analysis at that time and was the only person in Austria who knew it. So I became director of that new institute of business-cycle research.

ROSTEN: This was in Vienna?

HAYEK: That was in Vienna, yes. Information about current affairs is very valuable; the expectation that you will learn much for the explanation of events is largely deceptive. You cannot build a theory on the basis of statistical information, because it's not aggregates and averages which operate upon each other, but individual actions. And you cannot use statistics to explain the extremely complex structures of society. So while I will use statistics as information about current events, I think their scientific value is rather much more limited than the American economists of the last thirty or forty years have believed.

ROSTEN: I've left you at one point. If you say that the description of aggregates and the uses of statistics don't help you much to explain things, and if you say that they help with contemporary events, they cease to be contemporary very soon.

HAYEK: Oh, yes.

ROSTEN: You have built up a body of data: now, how important are those data?

HAYEK: Well, they give you an indication of what has probably happened in society during the last six months.

[laughter]

ROSTEN: Do you see any more optimistic possibility for the application of statistics?

HAYEK: Not really, in economics. Demography, yes. In all fields we have to deal with true mass phenomena, but economics has not to deal with mass phenomena in the strict sense. You know where you have a sufficiently large number of events to apply the theory of probability, and proper statistics begins where you have to deal with probabilities.

ROSTEN: Well, all the sciences begin with that amassing of what might seem to be formless data. Would you tell us a little more about why you think this is not true in economics? Do you really think that most of economics takes place in discrete, isolated events, decisions, judgments?

HAYEK: Well, this leads very deeply into methodological issues; but the model of science--physical science, in the original form--has relatively simple phenomena, where you can explain what you observe as functions of two or three variables only. All the traditional laws of mechanics can be formulated as functions of two or three variables. Now, there is another extreme field, mass phenomena proper, where you know you cannot get the information on the particular events, but you can substitute probabilities for them. But there is, unfortunately, an intermediate [type of] event, where you have to deal with complex phenomena, which, on the one hand, are so complex that you

cannot ascertain all the individual events, but, [on the other], are not sufficiently mass phenomena to be able to substitute probabilities for information on the individual events. In that field I'm afraid we are very limited.

We can build up beautiful theories which would explain everything, if we could fit into the blanks of the formulae the specific information; but we never have all the specific information. Therefore, all we can explain is what I like to call "pattern prediction." You can predict what sort of pattern will form itself, but the specific manifestation of it depends on the number of specific data, which you can never completely ascertain. Therefore, in that intermediate field--intermediate between the fields where you can ascertain all the data and the fields where you can substitute probabilities for the data--you are very limited in your predictive capacities.

This really leads to the fact, as one of my students once told me, that nearly everything I say about the methodology of economics amounts to a limitation of the possible knowledge. It's true; I admit it. I have come to the conclusion that we're in that field which someone has called organized complexity, as distinct from disorganized complexity.

ROSTEN: Warren Weber.

HAYEK: Yes, exactly. Warren Weber spoke about this. Our

capacity of prediction in a scientific sense is very seriously limited. We must put up with this. We can only understand the principle on which things operate, but these explanations of the principle, as I sometimes call them, do not enable us to make specific predictions on what will happen tomorrow.

I was just listening to the wireless here, where people were speaking about the inevitable depression. Oh, yes, I also know a depression will come, but whether in six months or three years I haven't the slightest idea. I don't think anybody has. [laughter]

ROSTEN: Yes, life is a terminal disease. [laughter] But could you give me some examples of questions to which you-- I mean about economics, or in economics--questions to which you would like answers, or to which you do not have any satisfactory--

HAYEK: Oh, any price movement of the future. I have no way of predicting them. Well, that's exaggerating. There are instances where you can form a shrewd idea of what's likely to happen, but in that case, of course, the price movements which you anticipate, which you expect, are already anticipated in current prices, and they are no longer true. The only interesting things are the unforeseen price movements, and they, by definition, you cannot foresee.

[laughter]

ROSTEN: You were expressing your respect for Frank Knight, and once he said with great exasperation that the difference between the physical sciences and the social sciences is that in the physical sciences they don't care what you say about them, but in the social sciences you affect the subject matter by talking about it. Now, to the degree to which people in government think they can affect economic policy, whether fine-tuning, to use that old phrase, or large-scale changes, by either changes in money supply or attempts to influence credit or so on, do you feel that we know enough to be able to make any of that kind of prediction plausible?

HAYEK: I'm sure not. I don't think all this fine-tuning-- Well, you see, that really comes back to my basic approach to economics: economic mechanism is a process of adaptation to widely dispersed knowledge, which nobody can possess as a whole. And this process of adaptation to knowledge, which people currently acquire in the course of events, must produce results which are unpredictable. The whole economic process is a process of adaption to unforeseen changes which, in a sense, is self-evident, because we could never have planned how we would arrange things once and for all and could just go on with our original plans.

ROSTEN: You mean, if those who knew, really knew, and acted upon what they knew. Are you saying that the social

sciences, particularly economics, as an example, are much more complicated than the physical sciences?

HAYEK: Well, not the sciences; it's the subject that's much more complicated, simply in the sense that any [economic] theory would have a larger number of data to insert than any physical theory. As I said a moment ago, all the formulae of mechanics have only two or three variables in them. Of course, in real life you can use this to explain an extremely complex phenomenon, but the underlying theory is of a very simple character. With us, you can't have a theory of perfect competition without at least having a few hundred participants. And you would have to be informed about all their knowledge in order to arrive at a specific prediction. The very definition of our subject is that it's built up of a great many distinct units, and it wouldn't be a subject of that order if the elements weren't so numerous. You cannot form a theory of competition with only three elements in it.

ROSTEN: You could certainly have a theory.

HAYEK: Well, it would be wrong, because it wouldn't be competition with only three acting persons in it.

ROSTEN: Well, just explain that. What about four?

HAYEK: No, I don't think it's the approach. But you have to have a number where it's impossible for any one of them to predict the action of the others, and there must be a

sufficient number of others for the one to be unable to predict it.

ROSTEN: You say that's in the order of a hundred, or hundreds, or thousands, and so on.

HAYEK: Yes.

ROSTEN: It's a startling theory, and I've not heard it put quite this way.

HAYEK: But, you know, the whole market is due to the fact that people are aiming at satisfying needs of people whom they do not know, and use for their purposes facilities provided by people of whom they also have no information. It's a coordination of activities where the individual can, of necessity, be only a small part of it--any individual, not only the participating individuals but even any outsider. The mistaken conception comes from a very curious use of the term data. The economists speak about data, but they never make clear to whom these data are given. They are so unhappy about it that occasionally they speak even in a pleonasm about "given data," just to reassure themselves that [the data] are really given. But if you ask them to whom they are given, they have no answer. [laughter]

ROSTEN: You mean "revealed"?

HAYEK: They are fictitiously assumed to be given to the explaining theorists. If the data were such and such,

then this would follow. But of course the data are not really given either to them or to any one other single person. They are the widely dispersed knowledge of hundreds of thousands of people, which can in no way be unified; so the data are never data.

ROSTEN: It's almost as if you were talking about nuclear physics and the difficulty, or impossibility, of talking about an atom and how it's going to behave.

HAYEK: Yes. It's a different argument. You see, in nuclear physics, up to a point, you can substitute information about individual elements by probability calculations. There the numbers are big enough for the law of large numbers to operate. In economics they are not. They are too big to know them individually and not big enough to be described by probability calculations.

ROSTEN: Do you think that this is a permanent and unbreakable prison?

HAYEK: Yes. I don't think we can ever get beyond that.

ROSTEN: --because earlier you had said something about the processes of proof and the fact that you couldn't prove anything. And I was reminded of the work, of which I know very little and which I know you know a great deal about, of Caddell, at Princeton [University].

HAYEK: Yes.

ROSTEN: --on the terrible, to me tragic, built-in trap

that he has discovered in the uses of logic, and in what you earlier had talked about as the uses of reason.

HAYEK: You see, I became aware of all this not by my work in economics but--I don't know whether you know that I once wrote a book on psychology.

ROSTEN: No, I did not know.

HAYEK: On physiological psychology--a book called The Sensory Order--in which I make an attempt to provide at least a schema for explaining how physiological processes can generate this enormous variety of qualities which our senses represent. [The schema is] called "the sensory order." [The book] ends up with the proof that while we can give an explanation of the principle on which it operates, we cannot possibly give an explanation of detail, because our brain is, as it were, an apparatus of classification. And every apparatus of classification must be more complex than what it classifies; so it can never classify itself. It's impossible for a human brain to explain itself in detail.

ROSTEN: And this was called The Sensory Order?

HAYEK: Yes. It came out in '52, but it was an idea which I conceived as a student when I divided my time more or less--I was officially studying law--but actually dividing it between economics and psychology.

ROSTEN: You're talking here about the philosophy which has

not engaged the biochemists and the bioengineers. What was their response to this?

HAYEK: Respectful but incomprehending. [laughter]

ROSTEN: You mean, they really did not believe it, or didn't understand it, or both?

HAYEK: Well, psychologists, at that time particularly, had a great prejudice against what they regarded as a philosophical argument. And I begin the book by saying, "I have no new facts to present; all I am trying is to put order in the facts which you already know." They were no longer interested. One or two of the great people of the time, like [Edwin] Boring, were very respectful in the way they treated the book, but it's had practically no influence till recently. Now they're beginning to discover it, incidentally, but after thirty years.

ROSTEN: I had no idea that you had cut into the field from this direction at all.

HAYEK: It taught me a great deal on the methodology of science, apart from the special subject. What I later wrote on the subject, the theory of complex phenomena, is equally the product of my work in economics and my work in psychology.

ROSTEN: And you had not then been working in statistics.

HAYEK: No, although I've nearly all my life had the title of Professor of Economics and Statistics, I've never really done any statistical work. I did do practical

statistics as the chief of that Austrian Institute of Trade Cycle Research.

ROSTEN: Did you know [Albert] Einstein at all?

HAYEK: I've just seen him once. No, I didn't know him.

ROSTEN: The work that you started on business cycles, I assume, was not unlike the work later done by [Simon] Kuznets and his group at the institute.

HAYEK: Well, again, you see, it was an abstract schema without much empirical work. I had some very elementary data which were commonly accepted [to demonstrate] that in every boom there was an excessive development of production of capital goods, much of which afterwards turned out to be mistaken. And I didn't need many more facts for my purpose to develop a theory which fits this, and which exclusively shows us, [using] other accepted data, that a credit expansion temporarily allows investment to exceed current savings, and that it would lead to the overdevelopment of capital industries. Once you are no longer able to finance a further increase of investment by credit expansion, the thing must break down.

It becomes more complicated in conditions when the credit expansion is no longer done for investment by private industry but very largely by government. Then you have to modify the argument, and our present booms and depressions are no longer explicable by my simple scheme.

But the typical nineteenth- and early-twentieth-century [phenomena], I think, are still adequately explained by my theory--but not adequately to the statisticians, because, again, all I can explain is that a certain pattern will appear. I cannot specify how the pattern will look in particular, because that would require much more information than anyone has. So, again, I limit the possible achievement of economics to the explanation of a type-- One of my friends has explained it as a purely algebraic theory.

ROSTEN: An algebraic theory?

HAYEK: Yes, you get an algebraic formula without the constants being put in. Just as you have a formula for, say, a hyperbola; if you haven't got the constants set in, you don't know what the shape of the hyperbola is--all you know is it's a hyperbola. So I can say it will be a certain type of pattern, but what specific quantitative dimensions it will have, I cannot predict, because for that I would have to have more information than anybody actually has.

ROSTEN: And sooner or later you'd reach the point where you couldn't do it no matter how much information you had, in your theory. Do you blame the layman or the workingman or the amateur for wondering why, in a society which has extolled the increased production of goods and services and the growth of the national product, it is now dangerous

to have too-rapid growth? We must now cut back to an annual growth of 3 1/2 percent or 4 percent; we're going too fast and producing too much?

HAYEK: I am not at all surprised that the layman is greatly puzzled by this, but the actual explanation is very simple. You see, we have suspended the self-steering mechanism of the market by feeding in false information and by producing money for that purpose. So it's quite easy to show how we have destroyed it.

ROSTEN: The money's more dangerous than the information, or is it the other way around? You say we feed false information?

HAYEK: In the form of money. You know that by adding money, injecting money, at some point you distort the price system artificially, and it leads you to do things, which if the price system were really inherently determined, it wouldn't happen. It leads ultimately to--

Another thing which you probably haven't heard about is that I am convinced we shall never have good money again so long as we leave it in the hands of government. Government has always destroyed the monetary systems. It was tolerable so long as government was under the discipline of the gold standard, which prevented it from doing too much harm; but now the gold standard has irrevocably been destroyed, because, in part, I admit, it depended on certain superstitions which you cannot restore. I don't think there's

any chance of getting good money again unless we take the monopoly of issuing money from government and hand it over to competitive private industry.

ROSTEN: Well, we did have that in the United States.

HAYEK: Not really. You see, they were all issuing dollars. The essential point is that they must issue different moneys under different names so that people can choose between them.

ROSTEN: Well, we had different banks printing different money; so you built up a body of trust in one bank's paper as against another. It was one of the problems of the federal government, actually.

HAYEK: Well, to a very limited extent, because, on the whole, the mass of the people took one dollar bill as equivalent to another dollar bill. They must have a current currency market in which they tell you which currency is stable in terms of which others, and which fluctuate. Then they will leave any money which is unstable and float to the one which is stable.

ROSTEN: Do you think there's any chance of that ever being adopted? Or will we be driven to adopt it?

HAYEK: Ever? Yes. Not in my lifetime, and probably not in the next fifty years. But the kinds of money which we are having is going to get so much worse in the course of time--we have so many experiences of alternating inflation,

and price controls being clapped on in order to prevent inflation--that people will ultimately despair of it, and if anyone starts my system, I think it will spread very rapidly. But I won't live to see it.

ROSTEN: But in terms of the next decade or so, you're predicting a chaotic, almost catastrophic, alteration in people's assumptions about the value of money and the value of their governments.

HAYEK: Well, I'm afraid the worst thing which will happen is that in the mistaken way of combating inflation, we will be driven into a completely controlled economy. Since people believe inflation consists in the rise of prices and not an increase in the quantity of money, they will be fighting the rise of prices and continue to inflate at the same time.

ROSTEN: You mean, it would be their way of keeping prices rising.

HAYEK: And, you know, if there's anything worse than an open inflation, it's a repressed inflation, when there's more money than you can buy for it and all the prices are artificially fixed. Now, how that will ultimately end I don't know, because, as I always say, you Americans have one advantage: you are willing to change your opinions very rapidly on some subject, and if you get really disgusted with the money you have, you might well try something

completely different. But in the present state of opinion, I don't see any hope, only alternating periods of inflation repressed by price controls; then the price controls being taken off and the inflation, which already has been going on, exploding again; then people getting so alarmed about the exploding inflation that we clap on new price controls; and that may go on for several cycles like this.

ROSTEN: Have price controls ever worked except in one case: wartime? Have they ever been successfully administered? I think in wartime they were.

HAYEK: I doubt even whether they have been successful in wartime. They have disguised from the people some of the unpleasant effects and perhaps have been politically effective by preventing discontent. But I don't think they've made the economic system more efficient, and certainly for the pursuit of war, a functioning price system would have been more effective than price controls.

ROSTEN: Even in wartime?

HAYEK: Even in wartime.

ROSTEN: But, again, the business of the sense of inequity comes in, and the political consequences that have to be dealt with by the politician, by the political leader, by the legislator. This is a terrible problem about human behavior.

HAYEK: It's a terrible problem. You can preserve the existing economic system only by making concessions to the people, which will ultimately destroy the same system.
[laughter]

ROSTEN: Well, the numbers, too. There were a great many-- Even [George Bernard] Shaw, who was very silly about many things, got off a very acute line about democracy when he said, "When you rob Peter to pay Paul, remember how many Peters there are and how many Pauls." And he went on from that to hint at the growing unwieldiness and difficulty of mass sufferage in a society where there are a limited number of goods to be parceled out.

HAYEK: You see, it's all in the destruction of the meanings of words. Everybody's convinced it has a meaning. And when you begin to investigate what it means, you find it means precisely nothing.

ROSTEN: No, but the people who think they know what it means would surely give you a meaning.

HAYEK: They all believe it will benefit the particular causes in which they are concerned.

ROSTEN: Or that things would be more "fair"--the whole concept of what is "fair" or what is "just."

HAYEK: Yes, but it's not facts which are fair, it's human action which is fair or just. To apply the concept of justice, which is an attribute of human action, to a state

of affairs, which has not been deliberately brought about by anybody, is just nonsense.

ROSTEN: Yes, but can people accept that? They don't seem to be willing to accept that. Under the training of voting, mass education, and so on, we are raised on the assumption that problems can be solved, that we can solve them, and we can solve them fairly.

HAYEK: That brings us back to things we were discussing much earlier: the revolt against this is an affair of the last 150 years. Even in the nineteenth century, people accepted it all as a matter of course. An economic crisis, a loss of a job, a loss of a person, was as much an act of God as a flood or something else. It's certain developments of thinking, which happened since, which made people so completely dissatisfied with it. On the one hand, that they are no longer willing to accept certain ethical or moral traditions; on the other hand, that they have been explicitly told, "Why should we obey any rules of conduct, the usefulness or reasonableness of which cannot be demonstrated to us?" Whether man can be made to behave decently, I would even say, so long as he insists that the rules of decency must be explained to him, I am very doubtful. It may not be possible.

ROSTEN: Well, in a sense, you're also talking about what has happened in the 1960s, when precisely those kinds of

arguments were involved. The thing that seemed to me to be most conspicuous was that they weren't afraid of anything. That is, the young people on the campuses and elsewhere were not afraid. They were not afraid of the police, they were not afraid of their parents, they weren't afraid of their teachers, and this was something rather new. At least to me it was an entirely new phenomenon. We had never stopped to think of whether we were afraid or not, but there was an order of respect and an order of obedience, even in the rather free society of the Westside of Chicago.

HAYEK: Well, of course, my explanation of this is that it's the effect of the teaching of the generation of teachers who taught in the forties, which we saw happen in their twenties. They essentially told the young people: "Well, all the traditional morals are bunk."

ROSTEN: In the twenties?

HAYEK: No, in the forties. The height of the influence of the modern psychoanalysis of "uneducation" was in the forties and fifties. And it was in the sixties that we got the products of that education.

ROSTEN: Yes. It was more, I think, the vulgarization of psychoanalysis--I want to put in a word of defense there--and the silliness of the people who were the practitioners and the counselors. I doubt very much that Freud would ever have approved of this, because certainly his work is not lacking

in severe moral strictures.

HAYEK: Freud himself, probably not. Certainly not [Carl] Jung, but nearly all the next generation of well-known psychoanalysts were working in that direction. And if you take people like Erich Fromm and such people, or that man who became the first secretary of that international health service--that Canadian psychoanalyst--

ROSTEN: Oh, yes, yes. His name will come [Brock Chisholm--ed.]. The World Health Organization.

HAYEK: Yes.

ROSTEN: You were talking about the forties, and I was reminded of, I think it's [Ludwig] von Mises, who had this extraordinary description of Germany before the First World War, with bands of young people with the equivalent of guitars and mandolins roaming the countryside, and so on.

HAYEK: Oh, yes.

ROSTEN: Perfectly remarkable passage.

HAYEK: The Wandervögel.

ROSTEN: The Wandervögel. And all that they left, he said, was not a single work of art, not a single poem, nothing but wrecked lives and dope! Were you familiar with that at all?

HAYEK: Oh, I saw it happen; it was still quite active immediately after the war. I think it reached the highest point in the early twenties, immediately after the war. In

fact, I saw it happen when my youngest brother was full time drawn into that circle; but they were still not barbarians yet. It was rather a return to nature. Their main enjoyment was going out for walks into nature and living a primitive life. But it was not yet an outright revolt against civilization, as it later became.

ROSTEN: Let me get back, as our time draws to a close.

If we can't get from the economists any reasonably precise guidelines--I say "precise" simply in the earlier sense we were talking about: controls and so on--to whom do the leaders of the society turn for judgment? You've presented the politician, and I'm using "the politician" not in a negative sense, because I think it's an honorable profession and one which requires great skill--the mediators, if you want; the ones who have to make the recommendations to the Congress. If they can't get it from the economists, on economic problems--and the core of the problems we've been talking about are surely economic--where do they get their advice?

HAYEK: You can tell the people that our present constitutional order forces politicians to do things which are very stupid and which they know are very stupid. I am not personally trying to blame the politicians; I rather blame the institutions which we have created and which force the politicians to behave not only irrationally but I would

say almost dishonestly. But they have no choice. So long as they have to buy support from any number of small groups by giving them special privileges, nothing but the present system can emerge.

My present aim is really to prevent the recognition of this turning into a complete disgust with democracy in any form, which is a great danger, in my opinion. I want to make clear to the people that it's what I call unlimited democracy which is the danger, where coercion is not limited to the application of uniform rules, but you can take any specific coercive measure if it seems to serve a good purpose. And anything or anybody which will help the politician be elected is by definition a good purpose. I think people can be made to recognize this and to restore general limitations on the governmental powers; but that will be a very slow process, and I rather fear that before we can achieve something like this, we will get something like what [J. L.] Talmon has called "totalitarian democracy"-- an elective dictatorship with practically unlimited powers. Then it will depend, from country to country, whether they are lucky or unlucky in the kind of person who gets in power. After all, there have been good dictators in the past; it's very unlikely that it will ever arise. But there may be one or two experiments where a dictator restores freedom, individual freedom.

ROSTEN: I can hardly think of a program that will be harder to sell to the American people. I'm using "sell" in the sense of persuade. How can a dictatorship be good?

HAYEK: Oh, it will never be called a dictatorship; it may be a one-party system.

ROSTEN: It may be a kindly system.

HAYEK: A kindly system and a one-party system. A dictator says, "I have 90 percent support among the people."

ROSTEN: That's already been said by several recent occupants of the White House, and it raises a terribly interesting and difficult question. At one point during the worst days of the Vietnam War, when President [Lyndon] Johnson suddenly realized that he had been misled, that he had been given a totally false picture and that he really faced a different, terrible kind of problem, there was a Cabinet meeting, and one member of the Cabinet said, "If we only knew what the American people want us to do!" Johnson looked up and said, "And let us suppose that we did know what the American people wanted us to do. Would that necessarily be the right thing for us to do?" It's an extraordinary insight into the problem of a statesman who is elected, who feels that responsibility, and yet has a degree of power that, as you have pointed out, today exceeds anything that we have ever known in the United States.

How do you dismantle the bureaucracy? Remember Lenin,

who certainly didn't hesitate to use power and chop off heads and send people into exile and terrible things without the slightest mercy, and without anything to stop him, complained after three years, "We've been carrying on a fight against bureaucracy and there are 24,000 more bureaucrats in Moscow now than when I began!" He could not understand why he couldn't get rid of the bureaucracy. Do you have any ideas on that?

HAYEK: I think, again, it comes ultimately to the question of restraining the power of the so-called legislature, which is now omnipotent. There is a long intellectual tradition which has led to this whole idea of positivism-- that the only possible limitation of power is the legislature.

ROSTEN: When you say positivism, are you talking about the philosophical--

HAYEK: Legal positivism.

ROSTEN: Legal positivism. Would you explain that for a minute?

HAYEK: Well, that all law derives from the will of an ultimate legislature, which is omnipotent; while of course law, in the sense of rules of private conduct, is a process supported by evolution and the sense of justice for the people, which would put very definite limits [on it]. It's by no means inevitable that you give some supreme authority unlimited powers.

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HAYEK: But legal positivism insists on the necessity of some supreme authority. Now, the authority can consist in the agreement of the people to form a union for certain purposes and not for others, in which case, of course, the power is automatically limited, and that power might well limit all coercive activity to the enforcement of certain uniform rules, which would exclude the granting of privileges to some and not to others.

ROSTEN: Well, in other words, if you could rewrite the drama or the story of the United States, and make certain changes in the Constitution, we could avoid many of the problems we have now.

HAYEK: Yes, I am--

ROSTEN: Of course, we didn't know. But--

HAYEK: You said before what great men, really, the writers of the American Constitution were. They were probably the wisest political scientists who ever lived. But I will give you just one illustration of how their intention has been completely misunderstood. Do you remember--I will test you-- the contents of the Ninth Amendment to the Constitution?

ROSTEN: No, don't test me at this hour. It's bad enough in the morning. [laughter] Go ahead.

HAYEK: Well, I've tried it with American lawyers, even

constitutional lawyers, and they first don't remember the text, and then don't know what it means. "Nothing in this Constitution is to restrict the people of the rights retained by the people." It has never been used, though I believe there is a single decision in which it is referred to. The intention was, of course, that the rights of government should be enumerated by the Constitution.

ROSTEN: And that comes back to my earlier statement that it never occurred to them that there would be a problem with federal government over the states.

HAYEK: Oh, no; it's partly the same thing, yes.

ROSTEN: But it would be interesting to speculate how changes of this order, made in this place and in this place, would have prevented us from many of the--

HAYEK: I think if instead of a Bill of Rights enumerating particular protected rights, you had had a single clause saying that government must never use coercion, except in the enforcement of uniform rules equally applicable to all, you would not have needed the further Bill of Rights, and it would have kept government within the proper limits. It doesn't exclude government rendering services apart from this, but its coercive powers would be limited to the enforcement of uniform rules equally applicable to all.

ROSTEN: You wouldn't have needed a First Amendment; you wouldn't have needed--

HAYEK: Oh, this First Amendment is very limited to a specific field.

ROSTEN: Sure.

HAYEK: I would begin my amendment with the same words: "Congress must make no law"--but not to restrict in particular things, but quite generally [to restrict the] coercing of people except to obey uniform rules equally applicable to all. But it includes all the existing protections to society.

ROSTEN: But suppose the uniform rules applicable to all were bad: illegal, unconstitutional, unjust. But they are equal to all. You've got to have some prior code or test, don't you?

HAYEK: It's hardly conceivable that-- Well, the definition has to be much more complex than I gave you. It has to be rules applicable to an unknown number of future instances, referring to the relation of persons to other persons so as to exclude internal affairs and freedom of thought and so on. But there was, in the nineteenth century, a development of the concept of law which defined what the legal philosophers then called "law in the material sense," as distinguished from law in the purely formal sense. [Law in the material sense] gives practically all the required characteristics of law in [the formal] sense and reproduces, I am convinced, essentially a conception in which law was

being used in the eighteenth century. That law is no longer something which has a meaning of its own, and the legislator is confined to giving laws in this sense; but that we derive the word law from legislature, rather than the other way around, is a relatively new development.

ROSTEN: Well, again, to come back to the religious foundations of a society, you of course remember that Plato wrestled with the idea and said that democracy-- He had to have one royal lie--and of course he lived in a pagan and a polytheistic society--and I've often wondered what he meant by that "one royal lie," because it must have meant something like the divine right of the king. Someone has to carry that, or some institution. The curious thing about the Founding Fathers, the most marvelous thing about them, was they all agreed on Providence. So it was possible for the religious, for the Episcopalians, for the nonbeliever, to agree on this vague thing called deism, but it was a tremendous cement. And as that cement erodes, consequences follow for which there seems to be no substitute. I'm wondering whether, when you talk about the rule of law, you aren't, in a sense, talking in that tradition. Can you have a functioning society without some higher dedication, fear, faith?

HAYEK: I believe, yes. In fact, in my persuasion, the advanced Greek society, the Greek democracy, was essentially

irreligious for all practical purposes. There you had a common political or moral creed, which perhaps the Stoics had developed in the most high form, which was very generally accepted. I don't think you need--

This brings us back to something which we discussed very much earlier. There is still the strong innate need to know that one serves common, concrete purposes with one's fellows. Now, this clearly is the thing which in a really great society is unachievable. You cannot really know. Whether people can learn this is still part of the emancipation from the feelings of the small face-to-face group, which we have not yet achieved. But we must achieve this if we are to maintain a large, great society of free men. It may be that our first attempt will break down.

ROSTEN: Has the growth of anthropology, with the emphasis on kind of a cultural relativism and an indifference, as it were, to the "innate superiority" or not of one custom as against another, done a great deal to erode one's confidence in whatever moral order--

HAYEK: I would say it's rather a reflection of a more general public belief, a general belief. This idea that the anthropologists now frequently teach that every culture is as good as any other. Well, good for what? If you want to live in small tribal groups, some other [culture might] be good; but if you want not only to have a world society but

to maintain the present population of the world, you have no choice. If that is your ultimate aim--just to assure to the people who live a future existence and continuance-- I think you must create and maintain essentially a market society. If we now destroy the market society, then two-thirds of the present population of the world will be destined to die.

ROSTEN: As they did before we had one.

HAYEK: Oh, yes.

TAPE: HIGH I, SIDE ONE

TAPE DATE: UNSPECIFIED

HIGH: Professor Hayek, I believe you came from a family of natural scientists. How did you get interested in the social sciences?

HAYEK: It's hard to say. I had a maternal grandfather who was a constitutional lawyer and later a statistician, but there's no influence from that side. The background was purely biological, which has now been passed on to my children. I don't know quite how it happened. I think the decisive influence which interested me and which led me to be interested in politics was really World War I, particularly the experience of serving in a multinational army, the Austro-Hungarian army. That's when I saw, more or less, the great empire collapse over the nationalist problem. I served in a battle in which eleven different languages were spoken in a single battle. It's bound to draw your attention to the problems of political organization.

It was during the war service in Italy that I more or less decided to do economics. But I really got hooked when I found [Karl] Mengers's Grundsetze such a fascinating book--so satisfying. Even then, you see, I came back to study law in order to be able to do economics, but I was about equally interested in economics and psychology. I finally

had to choose between the things I was interested in. Economics at least had a formal legitimation by a degree, while in psychology you had nothing. And since there was no opportunity of a job, I decided for economics.

HIGH: I seem to recall you telling a story in Claremont. You presided over the retreat of some troops. You were a lieutenant and ran into quite an interesting--

HAYEK: Well, it wasn't very interesting. On the retreat from the Piave [River], we were first pursued by the Italians. Since I was telephone officer of my regiment (which meant that I knew all the very few German-speaking men, who were the only reliable men in these conditions), I was asked to take a little detachment for the artillery regiment, first as a rear guard against the Italians following us and then as an advance guard as we were passing the Yugoslav part, where there were irregular Yugoslav cadres who were trying to stop us and get our guns. On that occasion, after having fought for a year without ever having to do a thing like that, I had to attack a firing machine gun. In the night, by the time I had got to the machine gun, they had gone. But it was an unpleasant experience. [laughter]

HIGH: Your name, of course, is closely associated with [Ludwig von] Mises's. What do you feel were the most important influences he had on you?

HAYEK: That's, of course, a big order to answer. Because while I owe him a great deal, it was perhaps most important that even though he was very persuasive, I was never quite convinced by his arguments. Frequently, I find in my own explanations that he was right in the conclusions without his arguments completely satisfying me. In my interests, I've been very much guided by him: both the interest in money and industrial fluctuations and the interest in socialism comes very directly from his influence. If I had come to him as a young student, I would probably have just swallowed his views completely. As it was, I came to him already with a degree. I had finished my elementary course; so I pushed him in a slightly more critical fashion. Being for ten years in close contact with a man with whose conclusions on the whole you agree but whose arguments were not always perfectly convincing to you, was a great stimulus.

As I say, in most instances I found he was simply right; but in some instances, particularly the philosophical background--I think I should put it that way--Mises remained to the end a utilitarian rationalist. I came to the conclusion that both utilitarianism as a philosophy and the idea of it--that we were guided mostly by rational calculations--just would not be true.

That [has] led me to my latest development, on the

insight that we largely had learned certain practices which were efficient without really understanding why we did it; so that it was wrong to interpret the economic system on the basis of rational action. It was probably much truer that we had learned certain rules of conduct which were traditional in our society. As for why we did, there was a problem of selective evolution rather than rational construction.

HIGH: How about the work of Frank Knight, especially his work on uncertainty? How big an influence did that have on you?

HAYEK: Comparatively little, because I came across it too late. I found it extremely satisfactory when I became acquainted with it, but that was after I'd gone to London; so [it was] at a comparatively late stage. At that stage, Lionel Robbins used the first introductory chapters of the book as an elementary textbook on economics. My students were all brought up on it; so I had to study it very carefully. But, as I say, at a stage where my ideas were fairly definitely formed I liked it very much, and I think the stress on the risk problem had some influence on me, but only a contributing influence, as it fitted in with my thinking rather than starting something new.

HIGH: So that book was not a part of the intellectual material of Vienna of the 1920s.

HAYEK: No, in spite of the fact that Knight visited us once in Vienna. We made his personal acquaintance, and I suppose some of my friends read his book at the time. I didn't.

HIGH: How about the work of [Frank] Fetter? Did that have much of an influence on you?

HAYEK: I knew it; in fact, I knew the old man himself. I visited him at Princeton [University] when I was here in '23 or '24. Influence is putting it too strong. I was very interested in it, but being brought up on [Eugen von] Böhm-Bawerk I found it a very nice restatement--exaggerating, in my opinion, the purely psychological part of it. I think Böhm-Bawerk had kept much more balance between the time-preference and the productivity aspect. Fetter stressed entirely the time-preference aspect, although Mises liked it very much. I think Mises would have--I didn't hear him say so--but probably would have argued that Fetter was an improvement on Böhm-Bawerk. I've never been persuaded that was so.

HIGH: So in the debate between Fetter and [Irving] Fisher, then, I guess you would come down more on the side of Fisher.

HAYEK: Yes, I think so.

HIGH: Looking back, it seems like there was a remarkable number of economists who later became prominent, who were

in Vienna in the 1920s. What do you attribute that to?

HAYEK: Well, the number wasn't so very large. It was a group of almost contemporaries, consisting essentially of [Gottfried] Haberler; [Fritz] Machlup; Oskar Morgenstern; [Paul] Rosenstein-Rodan, who at that time was much more influential than he has since been, and who wrote a very important article on marginal utility; and myself. I think that is the group.

HIGH: Haberler?

HAYEK: I mentioned Haberler first, I thought.

HIGH: Oh, did you?

HAYEK: Haberler would come to my mind first, anyhow. We were all about the same generation, all of us still members of the same seminar. We were only two years apart, and we were all members of Mises's seminar, which I think was really much more important because it kept us together after we'd finished-- You see, Mises's seminar was not really a university affair; this was a discussion club in his office. We called it the Mises Seminar, and it went on for something like twenty years. I left after fifteen years, in '31, when I went to London, but all the rest, and Mises himself, still continued until about 1936 or so.

It's really the members of this seminar who, I think, probably were largely encouraged to pursue economics by this discussion group of Mises's, which in a way was much more

important than the university. At the university there was no inspiring teacher after [Friedrich von] Wieser had retired. Hans Meyer, his successor, was a severely neurotic-- He was a very intelligent and knowledgeable man, but the kind of person who will never fulfill their promise because they haven't discipline enough to force themselves to complete a piece of work of any length, and that was his tragedy because it all led to certain emotional strains on the man. He was also a difficult person to get on with, and Mises was, contrary to his reputation, an extremely tolerant person. He would have anyone in his seminar who was intellectually interested. Meyer would insist that you swore by the master, and anybody who disagreed was unwelcome.

HIGH: I see. Very little or maybe even none of Hans Meyer's work has been translated into English. Did he make any important contributions?

HAYEK: I'm never quite sure. When I recently expressed doubts about it, a man who is a very good judge, [Ludwig] Lachmann, thought it was unjust, and perhaps I have forgotten. I haven't referred to him again since that time, and he really did not make a very great impression on me. But I should not be surprised that if I returned to him, I would find more in him than I remember.

HIGH: I see. John Hicks wrote about you, and I want to

quote this. This is a quote: "When the definitive history of economic analysis during the 1930s comes to be written, a leading character in the drama--it was quite a drama--will be Professor Hayek. There was a time when the new theories of Hayek were the rivals of the new theories of Keynes." End of quote. Why do you think your theories lost out to the theories of [John Maynard] Keynes?

HAYEK: Well, there are two sides to it. One is, while Keynes was disputed as long as he was alive--very much so--after his death he was raised to sainthood. Partly because Keynes himself was very willing to change his opinions, his pupils developed an orthodoxy: you were either allowed to belong to the orthodoxy or not.

At about the same time, I discredited myself with most of my fellow economists by writing The Road to Serfdom, which is disliked so much. So not only did my theoretical influence decline, most of the departments came to dislike me, so much so that I can feel it to the present day. Economists very largely tend to treat me as an outsider, somebody who has discredited himself by writing a book like The Road to Serfdom, which has now become political science altogether.

Recently, and Hicks is probably the most outstanding symptom, there has been a revival of interest in my sort of

problems, but I had a period of twenty years in which I bitterly regretted having once mentioned to my wife after Keynes's death, that now Keynes was dead I was probably the best-known economist living. But ten days later it was probably no longer true. [laughter] At that very moment Keynes became the great figure, and I was gradually forgotten as an economist.

Part of the justification, you know, was that I did only incidental work in economics after that. And most of what I did was kind of to a present-- Well, I guess there is one more aspect. I never sympathized with either macroeconomics or econometrics. They became the great fashion during the period as a curious pattern, thanks to Keynes's influence. In the case of macroeconomics, it's clear. But Keynes himself did not think very highly of econometrics, rather to the contrary. Yet somehow his stress on aggregates, on aggregate income, aggregate demand, encouraged work in both macroeconomics and econometrics. So, very much against his own wishes he became the spiritual father of this development towards the mathematical econometric economics. Now, I had always expressed my doubts about this, and that didn't make me very popular among the reigning generation of economists. I was just thought to be old-fashioned, with no sympathy for modern ideas, that sort of thing.

HIGH: I see. What is your evaluation of Hicks's book Value and Capital?

HAYEK: Oh, really, absolutely first-class work in his time. So far as there is a theory of value proper, which does not extend beyond this and which doesn't really analyze it in terms of directing production, I think it's the final formulation of the theory of value. I don't think [Paul] Samuelson's improvements are really improvements beyond it. I think the Hicksian analysis in terms of rates of substitution, in that narrow field, is a definite achievement.

HIGH: Do you think that what is now called the Keynesian revolution should have been called the Hicksian revolution? Was he influential in getting Keynes's ideas accepted?

HAYEK: I certainly don't think of Hicks as a revolutionary. I think he tried to give it a more acceptable form. But I have reason to say that it probably should be called a Kaldorian revolution, not for anything which is connected with Kaldor's name, but what spread it was really Lord [William] Beveridge's book on full employment, and that was written by Mr. Nicholas Kaldor and not by Lord Beveridge, because Lord Beveridge never understood any economics. [laughter]

HIGH: Have the economic events since you wrote on trade-cycle theory tended to strengthen or weaken your ideas on the Austrian theory of the trade cycle?

HAYEK: On the whole, strengthen, although I see more clearly that there's a very general schema which has to be filled in in detail. The particular form I gave it was connected with the mechanism of the gold standard, which allowed a credit expansion up to a point and then made a certain reversal possible. I always knew that in principle there was no definite time limit for the period for which you could stimulate expansion by rapidly accelerating inflation. But I just took it for granted that there was a built-in stop in the form of the gold standard, and in that I was a little mistaken in my diagnosis of the postwar development. I knew the boom would break down, but I didn't give it as long as it actually lasted. That you could maintain an inflationary boom for something like twenty years I did not anticipate.

While on the one hand, immediately after the war I never believed, as most of my friends did, in an impending depression, because I anticipated an inflationary boom. My expectation would be that the inflationary boom would last five or six years, as the historical ones had done, forgetting that then the termination was due to the gold standard. If you had no gold standard--if you could continue inflating for much longer--it was very difficult to predict how long it would last. Of course, it has lasted very much longer than I expected. The end result was the same.

HIGH: The Austrian theory of the cycle depends very heavily on business expectations being wrong. Now, what basis do you feel an economist has for asserting that expectations regarding the future will generally be wrong?

HAYEK: Well, I think the general fact that booms have always appeared with a great increase of investment, a large part of which proved to be erroneous, mistaken. That, of course, fits in with the idea that a supply of capital was made apparent which wasn't actually existing. The whole combination of a stimulus to invest on a large scale followed by a period of acute scarcity of capital fits into this idea that there has been a misdirection due to monetary influences, and that general schema, I still believe, is correct.

But this is capable of a great many modifications, particularly in connection with where the additional money goes. You see, that's another point where I thought too much in what was true under prewar conditions, when all credit expansion, or nearly all, went into private investment, into a combination of industrial capital. Since then, so much of the credit expansion has gone to where government directed it that the misdirection may no longer be overinvestment in industrial capital, but may take any number of forms. You must really study it separately for each particular phase and situation. The typical trade cycle no

longer exists, I believe. But you get very similar phenomena with all kinds of modifications.

HIGH: You've already talked a little bit about your involvement with the socialist calculation debate. What effects do you feel the debate had on the theory of socialism?

HAYEK: Well, of course, it had some immediate effects. When Mises started it, there was still the idea very prevalent that there was no need for calculation in terms of value at all. Then came the idea that you could substitute values by mathematical calculation; then there came the idea of the possibility of socialist competition. All these were gradually repressed. But as I now see, the reason why Mises did not fully succeed is his very use of the term calculation. People just didn't see why calculation should be necessary.

I mean, when I now look at the discussion at that time, and Mises asserts that calculation is impossible, I can [understand] the reply: Why should we calculate? We have the technical data. We know what we want. So why calculation at all? If Mises, instead of saying simply that without a market, calculation is impossible, had claimed that without a market, people would not know what to produce, how much to produce, and in what manner to produce, people might have understood him. But he never

put it like this. He assumed everyone would understand him, but apparently people didn't.

HIGH: To what extent do you think the debate has slowed down the spread of national economic planning in the Western world?

HAYEK: Well, it's reviving again. It had died down very much, but when two years ago in this country this planning bill of Senator [Hubert] Humphrey's and the agitation of [Wassily] Leontief and these people came forward, I was amazed that people were again swallowing what I thought had been definitely refuted. Of course, Leontief still believes firmly in it. I don't think he ever understood any economics, but that's a different matter.

HIGH: To what extent do you think that general-equilibrium analysis has contributed to the belief that national economic planning is possible?

HAYEK: It certainly has. To what extent is very difficult to say. Of the direct significance of equilibrium analysis to the explanation of the events we observe, I never had any doubt. I thought it was a very useful concept to explain a type of order towards which the process of economics tends without ever reaching it. I'm now trying to formulate some concept of economics as a stream instead of an equilibrating force, as we ought, quite literally, to think in terms of the factors that determine the movement

of the flow of water in a very irregular bed. That would give us a much better conception of what it does.

But ultimately, of course, it goes back to the assumption of what the economists pleonastically call "given data," this ridiculous concept that, if you assume the fiction that you know all the facts, the conclusion you derive from this assumption can apply directly to the world. My whole thinking on this started with my old friend Freddy Bennan joking about economists speaking about given data just to reassure themselves that what was given was really given. That led me, in part, to ask to whom were the data really given. To us, it was of course [given] to nobody. The economist assumes [the data] are given to him, but that's a fiction. In fact, there's no one who knows all the data or the whole process, and that's what led me, in the thirties, to the idea that the whole problem was the utilization of information dispersed among thousands of people and not possessed by anyone. Once you see it that way, it's clear that the concept of equilibrium helps you in no way to plan, because you could plan only if you knew all the facts known to all people; but since you can't possibly know them, the whole thing is vain and a misconception partly inspired by this concept that there are definite data which are known to anyone.

HIGH: Do you feel that mathematics has an important role to play in economic theory?

HAYEK: Yes, but algebraic mathematics and not quantitative mathematics. Algebra and mathematics are a beautiful way of describing certain patterns, quite irrespective of magnitudes. There's one great mathematician who once said, "The essence of mathematics is the making of patterns," but the mathematical economists usually understand so little mathematics that they believe strong mathematics must be quantitative and numerical. The moment you turn to accept this belief I think the thing becomes very misleading--misleading, at least, so far as it concerns general theory. I don't deny that statistics are very useful in informing about the current state of affairs, but I don't think statistical information has anything to contribute to the theoretical explanation of the process.

TAPE: HIGH I, SIDE TWO

TAPE DATE: UNSPECIFIED

HIGH: What is your assessment of game theory?

HAYEK: Well, I don't want to be unkind to my old friend, the late Oskar Morganstern, but while I think his book is a great mathematical achievement, the first chapter which deals with economics is just wrong. I don't think that game theory has really made an important contribution to economics, but it's a very interesting mathematical discipline.

HIGH: You have written an extraordinarily difficult book on capital theory--in my opinion it's difficult. What message did you want to convey in that book?

HAYEK: Well, to put it briefly, I think it's that while Böhm-Bawerk was fundamentally right, his exposition in terms of an average period of production was so oversimplified as to mislead in the application. And that if we want to think the Böhm-Bawerk idea through, we have to introduce much more complex assumptions. Once you do this, the things become so damned complicated it's almost impossible to follow it. [laughter]

HIGH: Did you have any idea the work was going to be that complicated when you undertook it?

HAYEK: No, no. I certainly didn't. It very gradually dawned upon me that the whole thing seemed to change its

aspect once you could not put it in the simple form that you could substitute a simple average period of production for the range of investment periods. The average period of production is the first model showing a principle, but it is almost inapplicable to the real situation. Well, of course, the capital that exists has never been built up consistently on the basis of a given set of expectations, but by constantly reusing accumulated real capital assets for new purposes that were not foreseen. So the dynamic process looks very different.

I think the most useful conclusions drawn from what I did are really in Lachmann's book on capital, whatever the title is. Like so many things, I am afraid, which I have attempted in economics, [this capital-theory work] shows more a barrier to how far we can get in efficient explanation than [sets forth] precise explanations. All these things I've stressed--the complexity of the phenomena in general, the unknown character of the data, and so on--really much more point out limits to our possible knowledge than our contributions that make specific predictions possible.

This is, incidentally, another reason why my views have become unpopular: a conception of scientific method became prevalent during this period which valued all scientific fields on the basis of the specific predictions to which they would lead. Now, somebody pointed out that the

specific predictions which [economics] could make were very limited, and that at most you could achieve what I sometimes called patterned predictions, or predictions of the principle. This seemed to the people who were used to the simplicity of physics or chemistry very disappointing and almost not science. The aim of science, in that view, was specific prediction, preferably mathematically testable, and somebody pointed out that when you applied this principle to complex phenomena, you couldn't achieve this. This seemed to people almost to deny that science was possible. Of course, my real aim was that the possible aims of science must be much more limited once we've passed from the science of simple phenomena to the science of complex phenomena. And there people bitterly resented that I would call physics a science of simple phenomena, which is partly a misunderstanding, because the theory of physics ends in terms of very simple equations. But that the active phenomena to which you have to apply it may be extremely complex is a different matter. The models of physical theory are very simple, indeed.

So far as the field of probability, that's another part. But it is this intermediate field, which we have in the social sciences, where the elements which have to be taken into account are neither few enough that you can know them all, nor a sufficiently large number that you can substitute

probabilities for the new information. The intermediate-phenomena field is a difficult one. That's a field with which we have to deal both in biology and the social sciences. And they're complex. They become, I believe, an absolute barrier to the specificity of predictions that we can arrive at. Until people learn themselves that they can't achieve these ends, they will insist on trying. They will think that somebody who does not believe [this specificity can be achieved] is just old-fashioned and doesn't understand modern science.

HIGH: I have heard you say before that in the 1920s, 1930s, you didn't regard Austrian economics as essentially any different from British economics. Looking back, do you still think that's true?

HAYEK: If you stress essentially, yes, I think it is still true. So long as British economics at least aimed at being microeconomics (and that was true at that time), there was no such fundamental difference, though there must have been inherent in it a greater propensity to shift over to macroeconomics than there was in the Austrian tradition. I think historically it is true that most of the people in the Marshallian school readily switched over to macroeconomics, but the Austrians did not. It would be interesting, especially, to investigate the reasons why this happened. But my general feeling was that before

Keynes helped macroeconomics to this complete temporary victory, the two traditions were closely approaching. Perhaps this was due to my making the acquaintance with English tradition very much in the form of Lionel Robbins's exposition, which was half-Austrian already. [laughter] If I had moved not to the London School of Economics but to Cambridge, I might not have felt like this.

HIGH: What do you feel saved the Austrian economists from adopting the perfect-competition/perfect-knowledge approach to micro problems?

HAYEK: Well, I don't know, that is really deeply embedded in the whole tradition. I think already Menger's resistance against mathematical economics was based on the same awareness that you deal with the phenomena where your specific information is limited, but none of them have ever really spelled it out--not even Mises--adequately. It is still one of my endeavors to show why this tendency towards macroeconomics-- I just can't explain at the moment. I'm quite clear why, from the Austrian point of view, you could never be happy with a macroeconomic approach. It's almost a different view of the world from which you start. I find it much more puzzling that so many people seem to be able to live in both worlds at the same time.

HIGH: There are quite a number of young economists today who are studying your work and the work of Mises. How

do you look on the new Austrian movement? Do you regard it as significant? How do you regard its future prospects?

HAYEK: Oh, yes, it's certainly significant. I am quite hopeful in the long run, just because of this movement, which consists not only of those who call themselves, in this country, the Austrian economists. There is a similar reaction among the young people in England and in Germany, and quite recently even in France, where it came latest. So I think the intellectual movement is wholly in the right direction. But it will take another twenty years before they will have any influence on policy, and it's quite possible in the meantime that the politicians will destroy the world so thoroughly that there's no chance of the thing taking over. But I've always made it my rule not to be concerned with current politics, but to try to operate on public opinion. As far as the movement of intellectual opinion is concerned, it is now for the first time in my life moving in the right direction.

Now, speaking a moment about the more general political aspect of it all, I'd like to say that when I was a young man, only the very old men still believed in the free-market system. When I was in my middle ages, I almost found that myself, and nobody else, believed in it. And now I have the pleasure of having lived long enough

to see that the young people again believe in it. That is a very important change. Whether it comes in time to save the world, I don't know.

HIGH: Looking back, your articles "The Use of Knowledge in Society" and "Economics and Knowledge" seem like a bridge between your economics work and your later social philosophy. Now, in the late 1930s, did you make a conscious decision to move in the direction of social philosophy rather than technical economics?

HAYEK: No, it came from my interest in the history of the ideas that had first led economics in the wrong direction. That's what I did in the "counterrevolution of science" series of articles, which again sprung from my occupation with planning similar things, and it was these which led me to see connections between what happened in economics and what happened in the approach to the other social sciences. So I acquired gradually a philosophy, in the first instance, because I needed it for interpreting economic phenomena that were applicable to other phenomena. It's an approach to social science very much opposed to the scientific approach of sociology, but I find it appropriate to the specialized disciplines of the social sciences--essentially economics and linguistics, which are very similar in their problems. [It explains] the genesis of all kinds of social structures, but throughout

opposed to sociology.

As I put it in my recent lectures, I'm very doubtful whether there is really a justification for a single theoretical science of sociology, any more than there's any justification for a single theoretical science of "naturology." Science has to deal with particular phenomena. It may develop a philosophy which explains how certain complexes of phenomena are ordered, but there are certainly many ordering principles operating in forming society, and each is of its own kind. For sociologists to claim otherwise--well, sociology, in a way, puts it differently--is due to the same current to which macroeconomics is due in economics. It's, of course, a--well, I've never used the term before--"macrosociology" instead of a "microsociology." Microsociology would consist of sciences like economics and linguistics and the theory of law and even the theory of morals; while macrosociology is as much a mistake as macroeconomics is.

HIGH: What were the most important considerations in your leaving the field of economics and concentrating on social philosophy?

HAYEK: Well, it was never a deliberate decision. I was, by accident, led into writing that book The Road to Serfdom. I found that it raised many problems to which I had no satisfactory answer and couldn't find a satisfactory

answer anywhere. And when, to retreat a moment from the controversial subjects, I decided to write up my ideas on psychology, I became aware of the existence of this general background of a different methodological approach to complex phenomena. Once I had elaborated this aspect of the methodology of science, I just saw that it had even more urgent application at the moment to things like theory of politics than to the theory of economics.

But there was one more-- There's always so many different things converging which drive one to a particular outcome. I did see that our present political order made it almost inevitable that governments were driven into senseless policies. Already the analysis of the The Road to Serfdom showed me that, in a sense, [Joseph] Schumpeter was right--that while socialism could never do what it promised, it was inevitable that it should come, because the existing political institutions drove us into it. This didn't really explain it, but once you realize that a government which has power to discriminate in order to satisfy particular interests, if it's democratically organized, is forced to do this without limit-- Because it's not really government but the opinion in a democracy that builds up a democracy by satisfying a sufficient number of special interests to offer majority support. This gave me a key to the reason why, even if people understood

economics correctly, in the present system of government it would be led into a very stupid economics policy.

This led me to what I call my two inventions in the economics field. On the one hand, my proposal for a system of really limited democracy; and on the other--also a field where present government cannot pursue a sensible policy--the denationalization of money, taking the control of money out of the hands of government. Now, once you are aware that, although I am very little concerned with influencing current politics, the current institutional setup makes a good economics policy impossible, of course you're driven to ask what can you do about this institutional setup.

HIGH: Is it possible to arrange governments so that they are not eventually driven to make these--

HAYEK: Well, that is the attempt of my Law, Legislation and Liberty--to sketch a possible constitutional arrangement which I think would do so. There is the question of what you mean by possible. Whether it's possible to persuade people to accept such a constitution, I don't know. But there, of course, my principle comes in that I never ask what is politically possible, but always aim at so influencing opinion as to make politically possible what today is not politically possible.

HIGH: You spoke earlier of ideas that had led economists

astray. What do you feel are the most important of these ideas?

HAYEK: Well, that's too long a story to explain briefly. Most of what I have done on the intellectual history is my study of positivism. The origin of the idea of central direction, the idea about the utilization of dispersed knowledge, all really converge on this same point. And I think it was inevitable, in a way, that I was led from economics in the narrower sense to the question of social organization and appropriate governments which would avoid being driven, even against their better insight, into stupid policies.

Apart from the general effect of democracy, of course the present position with the inflation is a very clear one. You have a situation in which everybody knows that a little inflation will reduce unemployment, but that in the long run will increase it. But that the politicians are bound to be led by short-run considerations because they want to immediately be reelected, I think to me proves irrefutably that so long as government has discretionary powers over money, it will be driven into more and more inflation. In fact, it has always been so, except as long as government voluntarily submitted to the discipline of the gold standard. I can't really defend the gold standard, because I think it rests--its effectiveness rested--in part on a

superstition, and the idea that gold money as such is good is just wrong. The gold standard was good because it prevented a certain arbitrariness of government in its policy; but merely preventing even worse is not good enough, particularly if it depends on people holding certain beliefs which are no longer held. So, in my opinion, an effective restoration of the gold standard is not a thing we can hope for.

HIGH: I would like to ask you a couple of questions on the background of economics--history of economic thought. How do you evaluate the influence of John Stuart Mill?

HAYEK: Well, you ask me at the wrong moment. I'm just drafting an article which is going to be called "Mill's Muddle and the Muddle of the Middle." [laughter] I'm afraid John Stuart Mill--you know, I have devoted a great deal of time studying his intellectual development--really has done a very great deal of harm, and the origin of it is still impossible for me to explain. That in any man the mere fact that he was taught something as a small boy should make him incapable of seeing that it is wrong, I still find very difficult to understand. That applies especially to the labor theory of value.

In the 1820s and 1830s the labor theory of value was very badly shaken. In fact, there was a famous meeting of the Political Economy Club, in which I believe [Robert]

Torrens asked the question, "What is now left of the theories of Mr. [David] Ricardo?" concluding that the theory of value had been finally exploded by Samuel Bailey. Now, I don't know whether John Stuart Mill was among the members of the Political Economy Club, but I know that his own little discussion circle devoted several meetings to discussion of Bailey's book on value, which is one of the books that clearly refuted Ricardo. And Mill was very familiar with the French discussion at the time when utility analysis was very definitely in the air. It had not become a definite formulation, but Leon Walras and even [A. A.] Cournot-- And there was even an Englishman, Don Lloyd, who had developed almost a complete marginal-utility theory, and I assume Mill must have known this. Any man after this who can assert of the theory of value that in the theory of value there's nothing to improve, that it is certain to be for all times definite, is completely incomprehensible to me. This had very serious consequences [for Mill], because it was this belief that the theory of value was definite that led him to this curious statement that the theory of production is determined by nature; where distribution is concerned, it's open to our modification according to our will. I'm not quoting literally now; I can't remember the form of words he used. Now that, of course, is entirely due to the fact that he

had not understood the real function of value as telling people what they ought to do. By assuming that value is determined by what has been done in the past rather than seeing that to maintain the whole structure values are the things people are to follow in deciding what to do, Mill was led into this statement that distribution is a matter of arbitrary decision, and that forced him into a third great mistake in inventing the conception of social justice.

Now, that means the three most important things in his book are not only completely wrong but are extremely harmful. That's not denying that he was a very ingenious man, and there are many little points in his book which are of great interest. [George] Stigler, in an article you probably remember, has pointed out his positive contribution, but I think the net effect of John Stuart Mill on economics has been devastating, and [W. Stanley] Jevons knew this. Jevons regarded Mill as a thoroughly pernicious influence. And while I would never use quite as strong language, I think Jevons was fundamentally right.

HIGH: Then, in your view [Alfred] Marshall was wrong in his rehabilitations.

HAYEK: Oh, yes, yes. In assessing the difference between the Austrians and the Cambridge school, it was Marshall, with his harking back to Mill and his famous two blades of a sisal--it's not demand only, it's not supply only, it's a

sisal that determines values--that preserved this tradition. And it's out of this tradition that the whole of English socialism has sprung. If you look at--whether it's [George Bernard] Shaw or Bertrand Russell--the whole leaders of opinion in England at the beginning of this century, they were brought up on John Stuart Mill.

HIGH: I want to switch the topic a little bit now, because we're just about out of time. I would like to ask you, what were your feelings, how did you react, when you found out you had won the Nobel Prize?

HAYEK: Complete surprise. I mean, I expected nothing less, and I didn't even approve. I didn't think the Nobel Prize ought to be given late in life to people that had done something important in the distant past. That was certainly not the intention of [Alfred] Nobel himself, and I don't think it ought to be in economics. I think it ought to be given for some specific achievement in the fairly recent past; but this conferring it as a general sign of distinction on people who had given-- But even so, I assumed they would treat me as too old, as already out of the running.

HIGH: Looking back over your career, how do you feel about your work, and what things do you think you might change, if you had to do it again?

HAYEK: I don't know. I never thought about this. In

spite of my age, I'm still thinking much more about the future than about the past. It's so difficult to know what the consequences of particular actions have actually been, and since all evolution is largely the product of accidents, I'll be very hard-put to say what particular decisions of my own have had particular consequences. I know certain events which were extremely lucky, that I had luck in many connections, but how far my own decisions were right or wrong-- It is my general view of life that we are playing a game of luck, and on the whole I have been lucky in this game.

HIGH: Well, I think we're out of time. I would like to say that those of us who have had access to your work to learn from are very lucky and also very appreciative.

HAYEK: Thank you very much.

TAPE: BUCHANAN I, SIDE ONE

TAPE DATE: OCTOBER 28, 1978

BUCHANAN: Professor Hayek, I appreciate the opportunity to talk to you here today. We had a chat last night, but I appreciate the opportunity to have a chance to talk to you again. They told me I was supposed to talk to you pretty largely on, or at least to start on, the subject of political theory. So I'd like to start off with what is a very general topic, if we might. In his book published in April, in England, Lord Hailsham [Quintin Hogg] argued that one of the problems that we face in Western nations these days is that we have been suffering under this delusion that somehow, so long as governments were in fact responsible electorally to the people, we didn't need to worry about putting limits on government. Now, at a much more profound level, you argue that point also in the third volume of Law, Legislation and Liberty. I think it would be useful, to start off this discussion, if you would just talk about that a little. Why did we get involved in this sort of delusion--and I think it is a delusion--to the effect that somehow we didn't need to worry about limiting government if in fact we could make the politicians responsible?

HAYEK: Well, I've been very much puzzled by this, but I think I have discovered the origin of this. It begins with

the utilitarians, with [Jeremy] Bentham and particularly James Mill, who had this conception that once it was a majority who controlled government, no other restriction on government was any longer possible. It comes out quite clearly in James Mill, and later in John Stuart Mill, who once said, "The will of the people needs no control if it's the people who decide." Now there, of course, is a complete confusion. The whole history of constitutionalism till then was a restraint on government, not by confining it to particular issues but by limiting the form in which government could interfere.

The conception was still very large then that coercion could be used only in the enforcement of general rules which applied equally to all, and the government had no powers of discriminatory assistance or prevention of particular people. Now, the dreadful thing about the forgetting of this is that it's, of course, no longer the will of the majority, or the opinion of the majority, I prefer to say, which determines what the government does, but the government is forced to satisfy all kinds of special interests in order to build up a majority. It's as a process. There's not a majority which agrees, but the problem of building up a majority by satisfying particular groups. So I feel that a modern kind of democracy, which I call unlimited democracy, is probably

more subject to the influence of special interests than any former form of government was. Even a dictator can say no, but this kind of government cannot say no to any splinter group which it needs to be a majority.

BUCHANAN: You said you think that in Britain this sort of view started with the utilitarians. I'm wondering whether--and this is a more general question I've been planning to ask you anyway after reading your third volume-- it is not true that perhaps this attitude, or this delusion, was more widespread in Britain than in the United States?

It does seem to me that sort of the notion of constitutional limits, separation of powers, was more pervasive in the United States, with our Founding Fathers, and later in the--

HAYEK: Well, among the Founding Fathers, there were some who very clearly saw the very point I am making. And I believe they did try, by the design of the American Constitution, to achieve a limit on their powers. After all, the one phrase in the American Constitution, or rather in the First Amendment, which I think most highly of is the phrase, "Congress shall make no law. . . ." Now, that's unique, but unfortunately [it goes] only to a particular point. I think the phrase ought to read, "Congress should make no law authorizing government to take any discriminatory measures of coercion." I think this would make all the other rights unnecessary and create

the sort of conditions which I want to see.

BUCHANAN: I think that's interesting that you refer to that, because now we seem to have got ourselves in a position where the more laws Congress makes, that's the way we measure its productivity. But let me go on a little bit to raise the question that this implies. I certainly have worked in this area, and you have too, somehow on the faith that we can impose some constitutional limits on government. Isn't that sort of a blind faith? Don't we have to maybe come back to the Hobbsian view that either we have anarchy--and I think you and I would agree that anarchy wouldn't work--or else we have Leviathan? And how do you base your faith that we can impose constitutional limits?

HAYEK: Oh, on the fact, in which I profoundly believe, that in the long run, things are being governed by opinion, and opinion just has been misled. It was the whole group of opinion makers, both the thinkers and what's now called the media--the secondhand dealers in ideas--who had become convinced that dependence on majority view was a sufficient limitation of governmental powers. I think it's now almost universally recognized that it is not. Now, we must hope that an intellectual situation like the one which existed in the United States at the time the Constitution was written could again be created.

BUCHANAN: But can we have the opportunity to do that?
That's the thing.

HAYEK: Yes. I believe there is a chance of making the intellectuals proud of seeing through the delusions of the past. That is my present ambition, you know. It's largely concerned with socialism, but of course socialism and unlimited democracy come very much to the same thing. And I believe--at least I have the illusion--that you can put things in a way in which the intellectuals will be ashamed to believe in what their fathers believed.

BUCHANAN: Well, you made the point--I thought it was a very interesting point--that now the young people are rediscovering the principles of freedom. And I think that is a very interesting point. I mean, we can hope that, but I'm perhaps not as optimistic as you are, that ideas will ultimately matter. It's partly just the general point that I don't quite see how they can be transmitted and have much effect, and then there's partly this question about how can we get ourselves in a situation where it would be equivalent to the situation of the Founding Fathers. Will it come through an ordinary--

HAYEK: I could answer it only indirectly. I think we have to be concerned in our argument not on current influence but in creating the opinions which will make politically possible what now is not politically possible. It takes

something like a generation before ideas conceived by philosophers or abstract thinkers take effect. A Montesquieu or an Adam Smith began to operate on public opinion after a generation, or even more, and that's why I always say I think if the politicians do not destroy the world in the next twenty years, which is very likely, I think there's hope for afterwards. But we have to work for this distant date, which I shan't see to happen. Perhaps twenty years is too short. But one thing which gives me confidence is, having watched the United States for fifty years, you seem to change your opinion fundamentally every ten.

BUCHANAN: Well, I think there are some encouraging signs, but I think I see--

HAYEK: And you don't always change in the right direction.
[laughter]

BUCHANAN: --I see them slightly differently from you, and let me just try out my own view of things a little bit here. It seems to me that we in the United States have really never had much understanding of sort of the principles of markets. Some of the work by Jonathan Hughes and others has convinced me that the sort of interventionist-collectivist-socialist thrust has always been present, and that really the only reason we had burgeoning markets and rapid growth and so forth was largely because the

government was decentralized, federalized, and so forth, with migration, frontier, and all of that. And I have a good deal of skepticism about the sort of principles of freedom being adopted by enough people to do much. On the other hand, where I see the encouragement, or the encouraging signs, is that we have lost faith in the collectivist alternative. It does seem to me that in the last twenty years in particular, people don't have faith in the alternative. The market, as you and I know, will always emerge if you leave it alone. And I think that's an encouraging aspect.

HAYEK: I think people are quite likely to agree on general rules which restrict government, without quite knowing what it implies in practice. And then I think if that is made a constitutional rule, they will probably observe it. You can never expect the majority of the people to regain their belief in the market as such. But I think you can expect that they will come to dislike government interference. If you can make it clear that there's a difference between government holding the ring and enforcing certain rules, and government taking specific measures for the benefit of particular people-- That's what the people at large do not understand. If you talk to an ordinary person, he'll say somebody must lay down the law, as if that involved all the other things. I think

that distinction must be made clear, because not everything Congress resolves is a law.

In fact, as you know, I'm joking about the fact that we now do not call the legislature "legislature" because it gives laws, but we call everything a law which is resolved by the legislature! The name law derives from legislature, not the other way around.

BUCHANAN: Well, this relates to a question, though, and again it creates the problem of whether or not we can get things changed. It's something that people don't talk about now, but a century ago John Stuart Mill was talking about it: namely, the franchise. Now, it seems to me that we've got ourselves in--again, it goes back to the delusion of democracy, in a way--but we've got ourselves into a situation where people who are direct recipients of government largesse, government transfers, are given the franchise; people who work directly for government are given the franchise; and we wouldn't question them not having it. Yet, to me, there's no more overt conflict of interest than the franchise [given] to those groups. Do you agree with me? I don't believe you discussed that in your book.

HAYEK: No, I think in general the question of the franchise is what powers they can confer to the people they elect. As long as you elect a single, omnipotent legislature, of

course there is no way of preventing the people from abusing that power without the legislature's being forced to make so many concessions to particular groups. I see no other solution than my scheme of dividing proper legislation from a governmental assembly, which is under the laws laid down by the first. After all, such a newfangled conception gradually spreads and begins to be understood. And, after all, in a sense, the conception of democracy was an artifact which captured public opinion after it had been a speculation of the philosophers. Why shouldn't--as a proper heading--the need for restoring the rule of law become an equally effective catchword, once people become aware of the essential arbitrariness of the present government.

BUCHANAN: Well, how would you see this coming about, though? Would you see us somehow getting in a position where we call a new constitutional convention and then set up this second body with separate powers? Or how would you see this happening?

HAYEK: I think by several experiments in new amendments in the right direction, which gradually prove to be beneficial, but not enough, until people feel constrained to reconstruct the whole thing.

BUCHANAN: In this connection, you have long been-- I remember this comment at Wabash we were talking about. You

were at that time giving some lectures that later became The Constitution of Liberty, I think, and you were talking about proportional and progressive taxation. At that time, at least, you were arguing that you felt that proportional taxation would, in fact, come under this general rule or rubric, whereas progressive taxation would not. Do you still feel that way, and would you elaborate on that a little?

HAYEK: Oh, yes. Well, I only think--and I don't know whether I saw it clearly then--it applies to the general rate of taxation, not particularly the income tax. I do admit that it may be necessary to have a slightly progressive income tax to compensate for the regressive effect of other taxation. But the principle which ought to be recognized is that the tax laws as a whole should end at proportional taxation. I still believe in this.

What I, in a way, think is more important is that under my scheme of the separation of legislation and government, government should determine the volume of revenue, but the legislative [branch should determine] the form of raising it. The people who would decide on expenditures could not decide who should pay for it, but would know that they and their constituents would have to pay equally to every contribution they made. Much of the increase of government expenditures is now happening under

the illusion that somebody else will pay for it. So if you can create a situation in which every citizen is aware that "for every extra expenditure, I shall have to make my proportional contribution," I think they might become much more reluctant.

BUCHANAN: I think that's very true. As a matter of fact, we've taken that direct quotation in a thing that we're doing now, and we're trying to check out just precisely what the effects of these alternative constitutional amendment schemes are.

If I may come a little bit into current policy, as you know in this country now there are all sorts of schemes being put forward as to how we might limit the tax revenues of government. Some of them try to limit the government in terms of proportion of national product or state product or income; some of them try to put limits on rates and specific taxes. Do you have any preference for either of those types?

HAYEK: No, I'm puzzled by it, because all the discussion seems to turn on taxation and not on expenditure. People even seem to assume that you can go on increasing expenditures without at the same time reducing taxation. As I say, I know very little about it, but the offhand impression you get is that these people are frightfully confused, and they assume that you can cut taxation and carry on

with government as it is.

BUCHANAN: Well, perhaps we should talk a little more about this general distinction between law and legislation, which is certainly central to your political theory. I think I have a pretty good conception of what you have in mind here, but perhaps you'd like to elaborate on that a bit.

HAYEK: There used to be a traditional conception of law, in which law was a general rule of individual conduct, equally applicable to all citizens, determined to apply to an unknown number of future instances, and law in this sense should be the only justification of coercion by government. Government should have no, under no circumstances--except perhaps in an emergency--power of discriminatory coercion. That was a conception of law which in the last century, by the jurists, had been very fully elaborated. In the European continental literature, it was largely discussed under the headings "law in the material sense," which is law in my sense, and "law in the merely formal sense," something which has derived the name of law for having come about in the proper constitutional manner, but not by having the logical character of laws.

Now, the story of why these very sensible efforts foundered in the end is quite a comic one. At one stage, somebody pointed out that [instituting material law] would

mean that a constitution is not a law. Of course, a constitution is a rule of organization, not a rule of conduct. In this sense, a constitution would not be a law. But that shocked people so much that they dropped the whole idea [laughter] and abandoned the distinction altogether!

Now, I think we ought to recognize that with all the reverence a constitution deserves, after all a constitution is something very changeable and something which has a negative value but doesn't really concern the people very much. We might find a new name for it, for constitutional rules. But we must distinguish between the laws under which government acts and the laws of organization of government, and that's what a constitution essentially is. A law of organization of government might prohibit government from doing certain things, but it can hardly lay down what used to be [known as] the rules of just conduct, which once were considered as law.

BUCHANAN: Let me raise another point here. In I believe the preface to the second volume of your Law, Legislation and Liberty, you say--the mirage of social justice--in one sentence you say that you think that you're attempting to do the same thing, essentially, that John Rawls has tried to do in his theory of justice. People have queried me about that statement in your book.

HAYEK: Well, I perhaps go a little too far in this; I was trying to remind Rawls himself of something he had said in one of his earlier articles, which I'm afraid doesn't recur in his book: that the conception of correcting the distribution according to the principle of social-justice is unachievable, and that therefore he wanted to confine himself to inventing general rules which had that effect. Now, if he was not prepared to defend social-distributive justice, I thought I could pretend to agree with him; but studying his book further, my feeling is he doesn't really stick to the thing he had announced first, and that there is so much egalitarianism, really, underlying his argument that he is driven to much more intervention than his original conception justifies.

BUCHANAN: I think there's much in what you say. I think there's a lot of ambiguity, and the first articles were much more clear. But in your notion--this mirage of social justice--is your idea that when we try to achieve "social justice," we're likely to do more harm than good? Or is it somehow that the objective itself is not worth proposing or thinking about?

HAYEK: It's undefinable. People don't know what they mean when they talk about social justice. They have particular situations in mind, and they hope that if they demand social justice, somebody would care for all people

who are in need, or something of that kind. But the phrase "social justice" has no meaning, because no two people can agree on what it really means. I believe, as I say in the preface, I'd written quite a different chapter on the subject, trying that [concept] in practice in one particular case after another, until I discovered that the phrase had no content, that people didn't really know what they meant by it. The appeal to the word justice was just because it was a very effective and appealing word; but justice is essentially an attribute of individual human action, and a state of affairs as such cannot be just or unjust. So it's in the last resort a logical muddle. It's not that I'm against it, but I say that it has no meaning.

BUCHANAN: Well, you remember our old friend Frank Knight used to say that one of the supports for the market is that people couldn't agree on anything else, in terms of distribution. [laughter] I think that there's probably much in that.

HAYEK: Well, if they had to agree it would be good. But with our present method of democracy, you don't have to agree, but you have to-- You are pressed, on the pretext of social justice, to hand out privileges right and left.

BUCHANAN: Well, do you think this thrust is waning a bit in modern politics?

HAYEK: Well, I don't know how it is in different countries. I am most concerned, because it's the most dangerous thing at the moment, with the power of the trade unions in Great Britain. While people are very much aware that things can't go on as they are, nobody is still convinced that this power of the trade unions to enforce wages which they regard as just is not a justified thing. I believe it's a great conflict within the Conservative party at the moment that one-half of the Conservative party still believes you can operate with the present law and come to an understanding with the trade union leaders, while the others do see that unless these privileges of the trade unions to use coercion and force for the achievement of their ends is in some form revoked or eliminated, there's no hope of curing the system. The British have created an automatic mechanism which drives them into more and more use of power for directing the economy. Unless you eliminate the source of that power, which is the monopoly power of the trade unions, you can't [correct this].

BUCHANAN: Well, is Britain unique in that, say, compared to the United States?

HAYEK: Well, things seem to have changed a great deal since I knew the United States better. Fifteen years ago, when I knew more about it, it seemed to me that the

American trade unions were a capitalist racket rather than, in principle, opposed to the market as such. There seem to be tendencies in public opinion and in American legislation to go the British way, but how far it has gone I don't know.

The reason why I was so very much acutely aware of the British significance is because I happened to see the same thing in my native country, Austria, which is also a country governed by the trade unions. At the present moment, nobody doubts that the president of the trade union association is the most powerful man in the country. I think it works because he happens to be personally an extremely reasonable man. But what will happen if they get a radical in that position I shudder to think. In that sense, the position in Austria is very similar to that in Britain. And I think it's worsening in Germany.

I have always maintained that the great prosperity of Germany in the first twenty-five years after the war was due to the reasonableness of the trade unions. Their power was greater than they used, very largely because all the trade union leaders in Germany had known what a major inflation was, and you just had to raise your finger-- "If you ask for more, you will have inflation"--and they would give in. That generation is going off now. A new generation, which hasn't had that experience, is coming

up. So I fear the German position may increasingly approach something like [the British], but not quite as bad as the British position, because the closed shop is prohibited by law in Germany, and I don't think that will be changed.

So there are certain limits to the extension of trade union powers. I can't speak about France. I must say, I've never understood internal French politics, and the Italian position is so confused to me. I'm getting more and more the impression that Italy has now two economies: one official one, which is enforced by law and in which people spend their mornings doing nothing; and an unofficial one in the evening, when they work in a second job illegally. And that the real economy is a black economy.

BUCHANAN: You speak of inflation. I don't want to get into the economic aspects, which I'm sure you've discussed in some other interviews, but let me follow up a little bit in the political problems of getting out of inflation. It does seem to me that we face the major political problem of the short term, not only in this country but also in Britain and other countries, of how can we politically get the government to do something about the inflation.

HAYEK: Only by a very circuitous way. First, by removing all limitations on people using money, other than the

government's money; and by eliminating all of the, in the wider sense, foreign-exchange restrictions, including legal tender laws and so on. This will give the people a chance of using other money than they would. My example is always what would happen in Britain if there were no exchange restrictions, people discovered that Swiss francs are better money than sterling, and then began using Swiss francs. The thing is happening in international trade, you know. The speed with which sterling has been replaced and the dollar is now being replaced in international trade, as soon as people have the chance to use another money, should be applied internally. And I think ultimately it will be necessary.

That's a field where I am most pessimistic. I don't think there's the slightest hope of ever again making governments pursue a sensible monetary policy. That is a thing which you cannot do under political pressure, because it is undeniable that in the short run you can use inflation to increase employment. People will never really understand that in the long run you make things worse that way. This thing is driving us into a controlled economy because people will not stop inflating but try to combat inflation by price controls. I'm afraid that's the way in which the United States is likely in the near future to slide into a controlled economy. Again, my hope is that

you are so quick to change that you might find it so disgusting that [even though] you may erect an extremely complex system of price controls, after two years you're so fed up with it that you throw the whole thing over again!

BUCHANAN: I'd like to shift back, if I could--I'm sure we could spend a lot of time following up on that--to your basic political theory, political philosophy, position I'd like to ask you a little bit of intellectual history here, in terms of your own position. Both of us started out, more or less, as technical economists, and then we got interested in these more political-philosophical questions. Could you trace for us a little bit the evolution of your own thinking in that respect?

HAYEK: Well, I'll have to do a little thinking. It really began with my doing that volume on collectivist economic planning, which was originally merely caused by the fact that I found that certain new insights which were known on the Continent had not reached the English-speaking world yet. It was largely [Ludwig von] Mises and his school, but also certain discussions by [Enrico] Barone and others, which were then completely unknown to the English-speaking world. Being forced to explain this development on the Continent in the introduction and the conclusion to this volume, which contained translations, I was curiously enough driven not only into political philosophy but into

an analysis of the methodological misconceptions of economics. [These misconceptions] seemed to me to lead to these naive conceptions of, "After all, what the market does we can do better intellectually." My way from there was very largely around methodological considerations, which led me back to-- I think the decisive event was that essay I did in about '37 on--what was it called?--"Economics and Knowledge."

BUCHANAN: That was a brilliant essay.

HAYEK: I think that was a decisive point of the change in my outlook. As I would put it now, [it elaborated] the conception that prices serve as guides to action and must be explained in determining what people ought to do-- they're not determined by what people have done in the past.

But, of course, psychologically the consequence of the whole model of marginal-utility analysis was perhaps the decisive point which, as I now see the whole thing-- market as a system of the utilization of knowledge, which nobody can possess as a whole, which only through the market situation leads people to aim at the needs of people whom they do not know, make use of facilities for which they have no direct information, all this condensed in abstract signals, and that our whole modern wealth and production could arise only thanks to this mechanism--is, I believe, the basis not only of my economic but as much

of my political views. It reduces the possible task of authority very much if you realize that the market has in that sense a superiority, because the amount of information the authorities can use is always very limited, and the market uses an infinitely greater amount of information than the authorities can ever do.

BUCHANAN: Well, this is very interesting. What you're telling me--as I get what you're telling me--is really that it came from an idea rather than sort of an observation of events.

HAYEK: Very much so, yes.

BUCHANAN: Many people, I suspect, consider your The Road to Serfdom, which came out about '44 or so, as sort of an observation of things that might be happening, and then--

HAYEK: No, you see The Road to Serfdom was really an advance sketch of a more ambitious book I had been planning before, which I meant to call "The Abuse and Decline of Reason." The abuse being the idea that you can do better if you determine everything by knowledge concentrated in a single power, and the consequent effects of trying to replace a spontaneous order by a centrally directed order. And the [results of the] decline of reason were the phenomena which we observed in the totalitarian countries. I had that in my mind, and that in fact became the program of work for the next forty years.

Then a very special situation arose in England, already in '39, that people were seriously believing that National Socialism was a capitalist reaction against socialism. It's difficult to believe it now, but the main exponent whom I came across was Lord [William] Beveridge. He was actually convinced that these National Socialists and capitalists were reacting against socialism. So I wrote a memorandum for Beveridge on this subject, then turned it into a journal article, and then used the war to write out what was really a sort of advance popular version of what I had imagined would be the great book on the abuse and decline of reason. [This was] the second part, the part on the decline of reason. It was adjusted to the moment and wholly aimed at the British socialist intelligentsia, who all seemed to have this idea that National Socialism was not socialism, just something contemptible. So I was just trying to tell them, "You're going the same way that they do."

That the book was so completely differently received in America, and that it attracted attention in America at all, was a completely unexpected event. It was written so definitely in an English-- And it was, of course, received in a completely different manner. The English socialists, with few exceptions, accepted the book as something written in good faith, raising problems they were

willing to consider. People like Lady [Barbara] Wootton wrote a very-- In fact, with her I had a very curious experience. She said, "You know, I wanted to point out some of these problems you have pointed out, but now that you have so exaggerated it I must turn against you!" [laughter] In America it was wholly different. Socialism was a new infection; the great enthusiasm about the New Deal was still at its height, and here there were two groups: people who were enthusiastic about the book but never read it--they just heard there was a book which supported capitalism-- and the American intelligentsia, who had just been bitten by the collectivist bug and who felt that this was a betrayal of the highest ideals which intellectuals ought to defend. So I was exposed to incredible abuse, something I never experienced in Britain at the time. It went so far as to completely discredit me professionally.

In the middle forties--I suppose I sound very conceited--I think I was known as one of the two main disputing economists: there was [John Maynard] Keynes and there was I. Now, Keynes died and became a saint; and I discredited myself by publishing The Road to Serfdom, which completely changed the situation. [laughter]

BUCHANAN: I've heard you say that you were so surprised by the reaction to The Road to Serfdom. On the other hand, I've heard--I don't believe I've heard you say it--but I've

heard people say that you were greatly disappointed by the reaction to The Constitution of Liberty--that you expected much more of a reaction than you got. Is that right?

HAYEK: Yes, that is true.

BUCHANAN: Do you attribute that to the fact that it was more comprehensive, that maybe you tried to include too much, or what?

HAYEK: It was a book on political science by somebody who was not recognized as a political scientist. It was on that ground very largely neglected by the professionals; it was too philosophical for the nonphilosophers. When I say I was disappointed, I was disappointed with regard to the range of effect. It was received exceedingly friendly by the people whom I really respect, but that's a very small crowd. I've received higher praise, which I personally value, for The Constitution of Liberty, but from a very small, select circle. It has never had any real popular appeal, and perhaps it was too big a book for it, too wide ranging. People picked out a chapter here and there which they liked; they would reprint my chapter on trade unions, because that fit in with their idea. But very few people have fully digested and studied the book.

BUCHANAN: It seemed to me that you were attacking two quite different things in The Constitution of Liberty, and in

your three-volume Law, Legislation and Liberty. In The Constitution of Liberty you were going through and talking about particular areas of economic policy: trade unions, taxation, this type of thing, coming out with quite specific proposals for reform; whereas in Law, Legislation and Liberty, you're really talking more about the structural changes in government that would be necessary before we could even hope to put in such reforms. My own thinking would be that these, in a sense, are reversed.

HAYEK: Well, I don't think you represent it quite correctly, since in The Constitution of Liberty I deal with these problems only in the third part, which is a third of the book, just to illustrate the general principles I have elaborated in parts one and two. But the other point is that in The Constitution of Liberty I was still mainly attempting to restate, for our time, what I regarded as traditional principles. I wanted to explain what nineteenth-century liberals had really intended to do. It was only at the time when I had practically finished the book that I discovered that nineteenth-century liberals had no answers to certain questions. So I started writing the second book on the grounds that I was now tackling problems which had not been tackled before. I was not merely restating, as I thought, in an improved form what was traditional doctrine; I was tackling new problems,

including the problem of democracy.

BUCHANAN: Yes, I do recall that, and I remember that it was only the last part of that book where you took those particular reforms up. But it seems that in the discussion of that book, that is what has got most of the attention.

HAYEK: That's perfectly true. But that illustrates perhaps what I said before: the book was too philosophical on the whole, and people concentrated on the parts where I became more concrete.

BUCHANAN: Let me just ask you a little bit now about your view on what I would call social-cultural evolution. It comes out in several of your pieces in these two volumes of essays, and also in the third volume of Law, Legislation and Liberty, where you place a great deal of attention on the sort of spontaneous emergence of rules, customs, and institutions. Yet, at the same time, you seem to be willing to classify some things that have emerged as undesirable. How do you sort of reconcile these two positions?

HAYEK: Well, there's no great difficulty. The things which have been tested in evolution, by being selected as superior--by prevailing, because the groups which practice them were more successful than others--have proved their beneficial character. What I object to is the attempt to alter that development by deliberate construction from the outside, which is not necessarily wrong, but where the

self-correcting mechanism is eliminated. While, if practices go wrong, the group concerned declines; if a government goes wrong and enforces the mistake it has made, there's no automatic correction of any kind.

BUCHANAN: In this connection, do you consider your own views to be close to, or how do they differ from, those of Michael Oakeshott?

TAPE: BUCHANAN I, SIDE TWO

TAPE DATE: OCTOBER 28, 1978

HAYEK: There are two new books which I admit in my third volume I ought to have carefully studied before writing it, but if I had done so I would never have finished my own book. They are by [Robert] Nozick and Oakeshott. I sympathize with both of them, but I know only parts of them. Now, Oakeshott I know at least personally fairly well; so I have a fairly good conception of his thinking without having studied his book. I think, to put it really crudely, I am a nineteenth-century liberal and he is a conservative. I think that is--

BUCHANAN: Well, one of your former students, Shirley Letwin-- I've talked to her about this problem a great deal, and when she talks about your work in this connection, she always also ties it in with Oakeshott. So I had assumed there was obviously a closer connection between the two from personal relationships than maybe there is.

HAYEK: We can talk with each other with complete understanding, but to my feeling--I may do him injustice--there are in Oakeshott's systems certain hardly conscious general prejudices in favor of a conservative attitude, where it is just his feeling which makes him prefer something without his being strictly able to justify his argument, but he will justify his not justifying it. He

believes that we ultimately must trust our instincts, without explaining how we can distinguish between good and bad ones. My present attempt is to say, yes, we rely on traditional instincts, but some of them mislead us and some not, and our great problem is how to select and how to restrain the bad ones.

BUCHANAN: Well, now that I'm mentioning people from London, let me also ask you about Sir Karl Popper, whom I saw a month ago, incidentally. Shirley Letwin also suggested to me that you might have been influenced a good deal by some of Popper's work, apparently stuff that has not really been published, but what she calls his "evolutionary ethics," or his attempts to develop an evolutionary ethics.

HAYEK: I remember a time when Popper reproached me for my evolutionary approach.

BUCHANAN: That's interesting.

HAYEK: Now, the relation is, on the whole, curious. You see, Popper, in writing already The Open Society [and Its Enemies], knew intimately my counterrevolution of science articles. It was in these that he discovered the similarity of his views with mine. I discovered it when The Open Society came out. Although I had been greatly impressed--perhaps I go back as far as that--by his Logic of Scientific Discovery, his original book, it formalized conclusions at which I had already arrived. And I arrived [there]

due to exactly the same circumstances.

Popper is a few years my junior; so I did not know him in Vienna. We were not in the same generation. But we were exposed to the same atmosphere, and in the discussion, then, we both encountered two main groups on the other side: Marxists and psychoanalysts. Both had the habit of insisting that their theories were in their nature irrefutable, and I was already by this driven to the conclusion that if a theory is irrefutable, it's not scientific. I'd never elaborated this; I didn't have the philosophical training to elaborate it. But Popper's book gives the justification for these arguments--that a theory which is necessarily true says nothing about the world. So when his book came out, I could at once embrace what he said as an articulation of things I had already been thinking and feeling. Ever since, I have followed his work very closely.

In fact, before he went to New Zealand, I met him in London--he even spoke to my seminar--and we found very far-reaching, basic agreement. I don't think there's anything fundamental with which I disagree, although I sometimes had, at first, hesitation. His present new interest about the three worlds I was at first very puzzled about. I believe I now understand it, and I agree. When, in that Hobhouse Lecture, I speak about culture as an external

element which determines our thinking, rather than our thinking determining culture, this is, I believe, the same thing Popper means when he speaks about the three worlds. Of course, in the few years we were together at the London School of Economics--only about from '45 to '50--we became very close friends, and we see completely eye-to-eye on practically all issues.

BUCHANAN: He has written a new book with Sir John Eccles on the self and the brain--

HAYEK: I've read his part of it, but I haven't read Eccles's part. This essentially develops the point I was just speaking about--the three worlds and--

BUCHANAN: Yes, I remember the "three worlds" lecture he gave in--where was it?--you know, in Switzerland, at the Mont Pelerin meeting in Switzerland.

HAYEK: At that time I didn't understand it. It is only in the things he has written since that it became clear to me, and [because of a] certain development in my own thinking, which goes in the same direction.

TAPE: BUCHANAN II, SIDE ONE

TAPE DATE: OCTOBER 28, 1978

BUCHANAN: Professor Hayek, a few minutes ago you were saying that the two influences to be countered in your younger days in Vienna were Marxism and psychoanalysis. I know in the Hobhouse Lecture you also spent a good deal of time talking about the baneful influence of Freud and his ideas. Perhaps you'd develop that a little bit.

HAYEK: It's so difficult to generalize about Freud. He was undoubtedly a very intelligent and observant man. But I think his basic idea of the harmful effect of repressions just disregards that our civilization is based on repressions. While he himself, as I point out in the lecture, became later rather alarmed by the exaggeration of these ideas by his pupils, I think he is ultimately responsible for the modern trend in education, which amounts to an attempt to completely free people from habitual restraints.

After all, our whole moral world consists of restraints of this sort, and [Freud], in that way, represents what I like to call the scientific destruction of values, which are indispensable for civilization but the function of which we do not understand. We have observed them merely because they were tradition. And that creates a new task, which should be unnecessary, to explain why these values are good.

BUCHANAN: Well, this ties back to our other question. Given this reading of the history of the last century, and given this destruction of these moral values, which we did not really understand why we hold, how can we expect something analogous to that to be restored? Or how can we hope that can be restored?

HAYEK: Well, I wish I knew. My present concern is to make people see the error. But that's an intellectual task, and how you can undo this effect-- Well, I have an idea the thing is on the whole effective via its effect on the teaching profession. And probably that generation which has been brought up during the last thirty years is a lost generation on that point of view. I don't think it's hopeless that we might train another generation of teachers who do not hold these views, who again return to the rather traditional conceptions that honesty and similar things are the governing conceptions. If you persuade the teaching profession, I think you would get a new generation brought up in quite a different view.

So, again, what I always come back to is that the whole thing turns on the activities of those intellectuals whom I call the "secondhand dealers in opinion," who determine what people think in the long run. If you can persuade them, you ultimately reach the masses of the people.

BUCHANAN: And you don't see a necessity for something like

a religion, or a return to religion, to instill these moral principles?

HAYEK: Well, it depends so much on what one means by religion. You might call every belief in moral principles, which are not rationally justified, a religious belief. In the wide sense, yes, one has to be religious. Whether it really needs to be associated with a belief in supernatural spiritual forces, I am not sure. It may be. It's by no means impossible that to the great majority of people nothing short of such a belief will do. But, after all, we had a great classical civilization in which religion in that sense was really very unimportant. In Greece, at the height of its period, they had some traditional beliefs, but they didn't take them very seriously. I don't think their morals were determined by religion.

BUCHANAN: Well, that's hopeful, in any case. Let me go back now to what I was getting at a little bit. It's related to this early period in Vienna, too. I was very pleased to hear you say earlier that you attribute a good deal of your subsequent thinking in political philosophy, political theory, to this insight that you gained in "Economics and Knowledge," or that was expressed first in "Economics and Knowledge"--this whole notion, as you mentioned a minute ago, of the fictitious data of the economist. As you know, there has been a big upsurge

within the last decade in this country of the Austrian economics group, centered around sort of subjectivist notions of economics.

As you know, I got into the periphery of this in some work on cost, the subjective nature of cost, and so forth. In rereading some of that literature, the central contributions were, of course, your contributions, made during the period you were in London, along with several of your London colleagues. What I'd really like to ask you and have you talk to me about would be: To what extent did this notion of the subjectiveness of economics--of the subjectivity of economic choice--to what extent did that come down to you through the Austrian economists, or to what extent was that part of this economics knowledge illumination that you felt at that time?

HAYEK: Well, I believe I derived it directly from [Karl] Menger's original work. I don't think there's much of it in the later Austrians, nor in Mises's work, and he's the real founder of the American school of Austrian economics. I mean, the American school of Austrian economics was very largely a Mises school.

[Mises] had great influence on me, but I always differed, first not consciously and now quite consciously. Mises was a rationalist utilitarian, and I am not. He trusted the intelligent insight of people pursuing their

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[Mises] had great influence on me, but I always differed, first not consciously and now quite consciously. Mises was a rationalist utilitarian, and I am not. He trusted the intelligent insight of people pursuing their

known goals, rather disregarding the traditional element, the element of surrounding rules. He wouldn't accept legal positivism completely, but he was much nearer it than I would be. He would believe that the legal system-- No, he wouldn't believe that it was invented; he was too much a pupil of Menger for that. But he still was inclined to see [the legal system] as a sort of rational construction. I don't think the evolutionary aspect, which is very strongly in Menger, was preserved in the later members of the Austrian school. I must say till I came, really, in between there was very little of it.

BUCHANAN: Well, you mentioned the evolutionary aspect, but what I was really getting at more was the sort of subjectivist aspect--the subjective dimension of choice, which is very clear in your--

HAYEK: Oh, I think I would almost say that's the same thing in almost entirely different form. If the decisive factor is the knowledge and attitudes of individuals, the particular question of preferences and utilities becomes a minor element in the individual action and habits being the driving element. To me subjectivism really becomes individualism, methodological individualism.

BUCHANAN: Oh, sure. I think that's right. One man whom I have been reading a good deal of this year, and who was at the London School of Economics at that time, more or less,

as an older student, I would suspect, is [George] Shackle. Did you know him very well?

HAYEK: Oh, yes. I discovered Shackle.

BUCHANAN: I have sort of discovered him, too. He's very good.

HAYEK: No, I mean I discovered him in a very literal sense. Shackle sent to me, when he was a schoolmaster in South Wales, an essay he'd written; nobody knew him. But I encouraged him to elaborate it for Economica. Then he came on a visit to London, and I've never seen a man more moved because he was speaking for the first time to a live economist. It seems to have been a great experience in his life, and I was very impressed and got him a scholarship at the London School of Economics. We've ever since been on very friendly terms, and I followed his development with great interest. I think he's a first-class mind.

BUCHANAN: I find him to be grossly neglected among economists.

HAYEK: I entirely agree.

BUCHANAN: His material on choice under uncertainty-- To me, there's much in that that has not been digested at all by the profession.

HAYEK: There's a very curious disagreement between two younger men of the London School of Economics who don't see eye-to-eye at all: that's John Hicks and Shackle. I

don't know why, but they move on parallel but completely nonconverging ways; both, I think, think of the other as having done rather harm. [laughter]

BUCHANAN: I'm interested to get that story about Shackle, because I met him once and I found him to be a fascinating man. His book Expectation in Economics is, I think, a great book.

HAYEK: He's still very active thinking. I traveled with him in Spain a year ago, and we lectured together.

BUCHANAN: Let me shift a little bit, if I may, to ask you something on a slightly different topic. I remember reading a piece that you wrote in Encounter maybe a decade ago, in which you talked about two kinds of mind. Maybe you could tell me a little more about that.

HAYEK: Oh, it's a very old idea of mine which, as I explained at the beginning of that article, I never wrote up because it would sound so frightfully egotistic in speaking about myself--why I feel I think in a different manner. But then, of course, I found a good many instances of this in real life. The first observed instance of other people was the relation between [Eugen von] Böhm-Bawerk and Friedrich [von Wieser], who were of these two types: the one, whom I call the "master" of his subject, who had complete command of all his subject areas, and who can give you a prompt answer about what is the answer of

current theory to this-and-this problem. Robbins is another one.

BUCHANAN: Which one is which?

HAYEK: Böhm-Bawerk was the master of his subject; Wieser was much more what one commonly would call an intuitive thinker. Then, later in life, I have known two types who are typical masters of the subject, and who, because they have the answer for everything ready, have not done as much original work as they would have been capable of. The one is Lionel Robbins; the other is Fritz Machlup. They both, to an extent, have command of the present state of economics which I could never claim to. But it's just because I don't remember what is the standard answer to a problem and have to think it out anew that occasionally I get an original idea.

BUCHANAN: Jacob Viner you'd put in that first camp, too.

HAYEK: Oh, yes. Oh, I think Viner and Frank Knight are another instance of the same contrast.

BUCHANAN: Right, right, that's what I'm saying.

HAYEK: In philosophy, Bertrand Russell and [Alfred North] Whitehead. Bertrand Russell, a typical master of his subject; Whitehead, I think, has described himself once as a muddlehead, on the same ground: he didn't have the answers ready.

BUCHANAN: So you have to start from scratch, in other words.

HAYEK: No, but there's a sort of vague background map, which is not very precise but which helps you in finding the right way. But the right way isn't clearly marked on it.

BUCHANAN: Yes, I think I get the point. Let me ask you about your relationship, or did you know or how close were you, to Michael Polanyi? Did you know him very well?

HAYEK: Yes, he was for a few years my colleague on the Committee on Social Thought [at the University of] Chicago, and there was one interesting relationship for a period of ten years when we happened to move from the same problem to the same problem. Our answers were not the same, but for this period we were always just thinking about the same problems. We had very interesting discussions with each other, and I liked him personally very much. I think, again, he is a somewhat neglected figure, much more-- Well, I think he suffered from the usual thing: if you leave your proper subject, other people regard you as an amateur in what you are talking about. But he was in fact very competent. I would almost say he's the only noneconomist I know who wrote a good book on economics.

BUCHANAN: Well, he was probably influenced by you in that Logic of Liberty material.

HAYEK: Not much. He knew a little about my ideas; we had a meeting in Paris in 1938, I believe, organized by the

philosopher [Louis] Rougier, called "Colloque Walter Lippmann." It was occasioned by Lippmann's The Good Society book. And that's when I first encountered Polanyi, and then we had some very interesting discussions. But some of the essays in the Logic of Liberty were already written by that time. The book appeared later. But as I say, our minds moved on parallel courses, frequently giving different answers but asking the same questions.

BUCHANAN: Well, I asked you whether or not you thought your notions had influenced Polanyi. Let me ask the question more generally. Among prominent thinkers, who are the men you think you have influenced most? Maybe that's an embarrassing question; maybe I shouldn't have asked that.

HAYEK: It's not embarrassing; I just don't know. [laughter] I would have to think. Shackle, whom I mentioned before. I am convinced I have had a great influence on him. I am discovering to my pleasure now that many of the very much younger generation--the men in their thirties--seem to be greatly influenced. But among the older generation--the people who would now be in their fifties or sixties--off-hand I can't think of any.

BUCHANAN: Oh, I don't think there's any question of the group at [the London School of Economics]: Shackle and Ronald Coase. Surely his ideas on cost were--

HAYEK: Yes, Ronald Coase probably, too. You know, I had

a curious influence on Hicks. You won't believe it, but I told him about indifference curves. [laughter] He was a pure Marshallian before. And I remember a conversation after a seminar, when he had been talking in Marshallian terms, when I drew his attention to [Vilfredo] Pareto. [laughter] It was the very beginning of the thirties, of course.

BUCHANAN: Well, to go back to the Austrians again, were you actually a student of Böhm-Bawerk and Wieser?

HAYEK: No. Böhm-Bawerk, no. Böhm-Bawerk died in 1915, when I was sixteen. I happened to know him as a friend of my grandfather and a former colleague at [the University] of Innsbruck, and as a mountaineering companion of my grandfather's. But when I saw him, I had no idea what economics was, because I was too young.

I was a direct student of Wieser, and he originally had the greatest influence on me. I only met Mises really after I had taken my degree. But I now realize--I wouldn't have known it at the time--that the decisive influence was just reading Menger's Grundsetze. I probably derived more from not only the Grundsetze but also the Methodenbuch, not for what it says on methodology but for what it says on general sociology. This conception of the spontaneous generation of institutions is worked out more beautifully there than in any other book I know.

BUCHANAN: Did you know Max Weber?

HAYEK: No. Vienna was full of his influence when I came back. You see, he had taught in Vienna in the spring of 1918, when I was at the front. He had gone to Munich that summer, and I came to the university [when it was] absolutely full of his influence. I must say, all the girls were speaking about him because there had been hardly any boys at the university then. My hope had been-- In fact, I had a promise from my father that if I got my degree very soon I could go for a year to Munich to study under Max Weber. But before it was possible, he died; so it never came off. But there must have been in the atmosphere there a very great Max Weber influence. Of course, I only read his stuff when his main book came out, which must have been 1921-1922. He had very close contact with Mises, incidentally, during that short period when he was in Vienna.

BUCHANAN: Do you think there's much lasting influence of Weber's ideas?

HAYEK: I doubt it. On one point he was clearly wrong. I think the most famous thing about the Calvinist sources of capitalism is completely wrong. Even beyond this, I rather believe that what is lasting is probably what [Alfred] Schutz has taken over. But I must confess to my shame that I've never studied-- But he was a close friend; he was one of our Vienna circle. I have never studied Schutz's work

carefully, but I always intend to some day.

BUCHANAN: I know Fritz Machlup has told me about that, and I've felt the same way--that I should do it--but I've never really done it.

I'd like to go back a little bit to this thing that you alluded to earlier: namely, this period in the thirties and this debate on the socialist calculation between [Oskar] Lange and [Abba] Lerner, on the one hand, and [Henry] Dickinson and Mises and yourself and others, on the other. Looking back on that debate now, it's hard for some of us to believe that people could have been quite so naive as people like Lange were, to think that an economy could be computed in that sense.

HAYEK: But they really believed it. At least in the case of Lerner, I'm absolutely certain; he was somewhat more sophisticated. Lange-- I became later a little doubtful whether he was really intellectually completely honest. When he had this conversion to communism, as communism came to power, and was willing to represent his communist government in the United Nations and as ambassador, and when I met him later, he had at least been corrupted by politics. I don't know how far he had already been corrupted in the thirties when he wrote these things, but he was capable of being corrupted by politics.

BUCHANAN: But it's hard, at least for me, to re-create the

mind-set of those type of people who could--

HAYEK: Dickinson was an absolutely sincere and honest thinker. I have no doubt about him. He was a bit naive. There was also conceit, but he strongly believed that these things he described would be possible--perhaps a little what the Germans call Weltfremd.

BUCHANAN: I remember when you visited Charlottesville, we prevailed on you to give a very interesting short discussion of your relationship with your cousin [Ludwig] Wittgenstein. I doubt if anyone else in these interviews is going to take that up; so maybe you could talk a little bit about that here.

HAYEK: Well, you know, I have recently published in Encounter a paper of my recollections of Wittgenstein. I can't say I knew him well, but of course I knew him over a much longer period than anybody now alive. [laughter] My first recollection goes back to a day on furlough and leave of absence from the front, where on the railway station in Bad Ischl, [Austria], two young ensigns in the artillery in uniform looked at each other and said, "You have a fairly familiar face." Then we asked each other "Aren't you a Wittgenstein?" and "Aren't you a Hayek?" I now know that at this moment returning to the front, he must have had the manuscript of the Tractatus in his rucksack. But I didn't know it at that time. But many of

the mental characteristics of the man were already present as I gathered in this night journey from Bad Ischl to Innsbruck, where the occasion was his contempt for the noisy crowd of returning young officers, half-drunk; a certain contempt for the world.

Then I didn't see him for a long time, but I heard a lot about it because his oldest sister was a close friend of my mother's. They were second cousins, and she came frequently to our house. There were little rumors constant about this crazy young man, but she strongly defended Wittgenstein, and that's how I heard about him.

But I came to know him much later in Cambridge. I met him there before the war; I saw him in the later part of the war when he returned, but we did really never talk philosophy. I have a strong impression of the kind of personality. The last discussion I had with him was a discussion on politics. We were both returning from Vienna, but I had broken the journey in Bahl and stepped into a sleeping car at midnight in Bahl, and it turned out that my companion in the sleeping car was Wittgenstein. And all during the first half of the following morning we were--as soon as he had finished his detective story--first talking about Vienna and the Russians in Vienna, and this led to talk about philosophy and ethical problems; he was bitterly disappointed about what he had seen of the Russians

then. And just when it became interesting, we arrived at the port for the ferry. And although he said, "We must continue this," he apparently regretted having gone out of himself, because on the ship he was not to be found, and I never saw him again.

BUCHANAN: Speaking of Vienna, I remember--I guess it was in the fifties--you were telling me once about a project. You had to get a lot of money--as I remember it, it was the Ford Foundation--to reestablish the University of Vienna back in the--

HAYEK: Well, to reestablish its tradition. My idea was to create something like an institute of advanced studies, and to bring all the refugees who were still active back to Vienna--people like [Erwin] Schrödinger and Popper and-- Oh, I had a marvelous list! I think we could have made an excellent center, if the thing could have been financed. But what grew out of it is the present Ford Institute in Vienna, which is devoted entirely to mathematics, economics, and statistics, which I don't particularly approve of. I think the plan miscarried, not least because the University of Vienna did not display great enthusiasm for such a scheme.
[laughter]

BUCHANAN: Not quite completely, because I'm going over in March to that institute to give some lectures, but to the political scientists, you'll be interested to know, not to

the economists. You're quite right about the economists.

HAYEK: Well, it has, I believe, grown. When I was there once about fifteen years ago for part of a term, it really seemed to consist entirely of econometricians.

BUCHANAN: I think the economics people are pretty much that way; that's right. But the political scientists are interested in public choice--

HAYEK: Well, that may be. Probably the personnel has changed almost completely since--

BUCHANAN: Well, I'm really straying a little bit from this whole topic of political theory, and I suppose we should try to get back on that topic somewhat. I did want to bring in this Wittgenstein connection, because I thought that would be an interesting interlude in the conversation.

HAYEK: I perhaps ought to add that I did, because I knew him, or knew the family, read the Tractatus almost as soon as it came out. And I was familiar with his thinking long before he was generally known. But that is really an early acquaintance with his work, rather than a personal acquaintance with the man.

BUCHANAN: I gather, in terms of your own training, it was pretty much strictly in economics. You weren't influenced a great deal by any political-legal philosophy. You studied law, of course.

HAYEK: Yes. My main study was law, but I divided my time almost equally between psychology and economics. [laughter] So it was these three subjects which I studied. I did get a fairly good background in the history of political ideas from one of our professors, but no particular interest. I just knew I could find my way about them. But no strong interest in political theory or anything similar.

BUCHANAN: And of course you wrote a book in psychology, too. I remember that book.

HAYEK: Oh, yes. I still believe this is one of my more important contributions to knowledge. And, curiously enough, the psychologists are now discovering it.

BUCHANAN: Yes, I have seen some references within the last year or two.

HAYEK: It's now twenty-five years old, and the idea is fifty-odd years old.

BUCHANAN: Could you perhaps summarize that notion? Or could you do it in a few minutes?

HAYEK: Well, I think the thing which is really important about it, and which I could not do when I first conceived the idea, is to formulate the problem I try to answer rather than the answer I want to get. And that problem is what determines the difference between the different sensory qualities. The attempt was to reduce it to a system of causal connection--associations, you might say--in which

the quality of a particular sensation--the attribute of blue, or whatever it is--is really its position in a system of potential connections leading up to actions.

You could, in theory, reproduce a sort of map of how one stimulus evokes other stimuli and then further stimuli, which can, in principle, reproduce all the mental processes. I say "in principle," because it's much too complicated ever to do it. It led me, incidentally, to this distinction between an explanation of principle and an explanation of detail--pattern prediction, as I now know it--which I really developed in my psychological work and then applied to economics.

BUCHANAN: Yes, I think pattern prediction is a very important concept that most economists still sort of miss.

HAYEK: It's the whole question of the theory of how far can we explain complex phenomena where we do not really have the power of precise prediction. We don't know of any laws, but our whole knowledge is the knowledge of a pattern, essentially.

BUCHANAN: I think that's very important and has been missed. And I think, again, to go back to what you attributed a lot to the utilitarians, I think the utilitarian mode of thought had a lot of influence toward preventing that sort of way of going.

HAYEK: Yes, yes. In a way, you know, I am becoming aware

that the positivist conceptions of science, which I assumed was only invented in the middle of the last century by Auguste Comte and those people, goes back much further. It's a Newtonian example of how you could reduce all scientific knowledge to very simple laws-- that one thing was a function of only one or two other magnitudes. And this conception of a single function is a prototype of a scientific explanation. It had probably a very profound effect from the late eighteenth century on scientific thinking generally.

BUCHANAN: Of course, that does have its virtues, as has been proven; but, on the other hand, I think in places like economics, when dealing with human interaction in particular, I think it's had major drawbacks. One thing has concerned me, and I don't know to whom you attribute it, really--maybe Hicks is partly responsible--and that is when once the mathematicians start putting down utility functions, and putting a formula in for utility functions, they have already excluded so much of the problem that, in fact, they neglect what is really going on.

HAYEK: I quite agree.

BUCHANAN: In a sense, I'm influenced partly by just reading Shackle recently. There's been a tremendous neglect of the notion of emergent choice: the idea that we don't really have before us objects among which to

choose; we create them in the act of choice. Arbitrage, really, has not become central to economics like it should be, it seems to me. That's part of this whole subjectivist, Austrian, whatever you want to call it, type of an approach to economics. But do you see much hope for-- There's been a little upsurge of interest in this among young people in the United States, but the dominant graduate schools are still predominantly the other direction.

HAYEK: Certainly, but the other thing is spreading. What I'm afraid of is that people will get disappointed because what we can know in the field of economics is so much less than people aspire to. Much of this tradition you are speaking about--my tradition--is really more indicating barriers to further advance than leading to further advance, and that may well lead to a disappointment again among these young people. They are more ambitious, and of course the great bulk of econometrics and all this claims to be able to make predictions which I believe are impossible. But people don't like to accept an impossibility, and of course there is a certain widespread view that nothing is impossible. Hundreds of things which science has said are impossible were proved to be possible; so why shouldn't this be possible? You can't prove that it's impossible.

BUCHANAN: This was the main thrust of your Nobel Prize

lecture. I guess you're saying that economics is unique in this respect, compared to other disciplines.

HAYEK: Oh, no. It's a general problem of having complex phenomena. You encounter this already in the field of biology, to a very large extent. You certainly encounter it in the theory of biological evolution, which has not made any prediction--it can't possibly make any predictions. I think it's true of linguistics, which is the most similar in structure to economics. Well, I don't know where there is another social science proper, except economics--

BUCHANAN: But I meant unique in the sense of having expectations so different from its possible accomplishments.

HAYEK: Oh, I see. I think that is at least particularly characteristic of economics, yes.

BUCHANAN: So, in a sense, we're in a bigger methodological muddle.

HAYEK: Yes, yes. There's no emotional disappointment in the other fields when you recognize that you can't find out certain things; but so many hopes are tied up with the possible control and command over economic affairs that if a scientific study comes to the conclusion that it just can't be done, people won't accept it for emotional reasons.

BUCHANAN: "Every man is his own economist"--that's part of the problem and has been all along. I remember in that connection a very good book--again, it ties back to the

London days--which raises the name of another man who was clearly influenced by you: Bill Hutt. He wrote a book, Economists and the Public. His name ought to be mentioned in this London connection.

HAYEK: To that book I have even given the title. [laughter]

BUCHANAN: I think again, like Shackle, Hutt is a much-neglected economist.

HAYEK: Yes, of a quite different type. He has a very clear mind, but not as profound as Shackle. I think his great advantage is clarity and simple thought, which you can't say of Shackle, whose thought is not simple.

BUCHANAN: That's really true. What were your relationships with Frank Knight?

HAYEK: Personally, very good. We had several very friendly controversies. I think we were always more puzzled by each other than anything else. It was not a real meeting of minds. With great effort, you know, we had some serious discussions, but somehow we were talking mostly at cross-purposes.

BUCHANAN: Certainly on the capital theory. [laughter] I've always wondered why, knowing Knight very well as I did--of course later--and knowing his work and his interests, why he, in a sense, got diverted intellectually into capital theory. For years he spent attacking the Austrians, essentially.

HAYEK: He was frightfully dogmatic about it. He asserted that he was absolutely certain, and he had very few arguments to justify it. I always assumed it must have been some very early teaching which he had absorbed and to which he had stuck; he hadn't done any further thinking about it, but he felt that it was one of the foundations of his economics, to which he had to stick.

BUCHANAN: But he always said that he accepted the view-- essentially the Austrian view--for a long time, but he somehow got converted away from it. I don't know exactly what was the--

HAYEK: Yes, what led him to this I don't know.

BUCHANAN: But you weren't at [the University of] Chicago at that time; so there were no direct--

HAYEK: Oh, no. I can't say I didn't know him when we had the controversy, but I had just met him once or twice in various places. But it was only when I came to Chicago that I really came to know him. It was very late, when his interest was much more religion than economics.

BUCHANAN: The Committee on Social Thought, which you were involved in at Chicago-- That produced some interesting students.

HAYEK: Oh, yes. You see, it was never explicitly so defined, but it was in effect devoted to the study of borderline problems in the social sciences. We were not

limited in any way. Study of scientific methods had a great influence in that crowd, and the first year I was there was, of course, the most fascinating experience of my life. I announced a seminar on comparative scientific method, and the people who came included Sewall Wright, the great geneticist; Enrico Fermi, the physicist; and a crowd of people of that quality. It only happened once; we couldn't repeat this. But that first seminar I had in Chicago was one of the most interesting experiences I had. [It was] entirely on the method of science.

BUCHANAN: It seems to me that this is something that we're lacking now, at least in American graduate schools and professional schools--this opportunity for students to really get into these basic philosophical types of questions and issues. In the law schools, for example, legal philosophy has been waning; in politics, political philosophy is not as important as it was; there's no economic philosophy in economics departments. I don't know, for example, where--and I'd like to get your comments on this--in a regular curriculum, a student could get exposed to your books or my books, for example.

HAYEK: I know too little about American universities, but my general impression is the same. I have now, from a distance, the feeling that there may be something like that in UCLA.

TAPE: BUCHANAN II, SIDE TWO

TAPE DATE: OCTOBER 28, 1978

HAYEK: There was for a time in Chicago-- You see, Chicago had more interdepartmental contacts than I have encountered in any other American university. And it owes it very largely to the facility of the Quadrangle Club, where you really talk to people from all other subjects and meet them. I know no other American university where that is true; it certainly was not at the London School of Economics, which was so highly specialized to the social sciences and which made me in the end a little tired.

Although in my time the London School of Economics was probably the leading center, still, in economics, it was narrowly specialized and had no contact with other subjects. [There were] certainly no interesting philosophers until Karl Popper came, and that was nearly in the last moment prevented by the positivists. They didn't succeed, but when he-- I had tried to support the attempt to get Karl Popper and persuade the academic council to appoint him by rushing out the publication of his The Poverty of Historicism, and that nearly destroyed his chances, because it so offended all the positivists. But it was too late to stop it. [laughter] Still, one of my sociology colleagues made serious attempts to stop the appointment at the last moment.

BUCHANAN: Yes, I think I'd heard something of that story. But is it as much the necessity of having contacts with other disciplines as it is within each discipline too much concentration on formalism? At least in economics, it seems to me that students aren't anywhere challenged to think about the broader questions.

HAYEK: Well, I don't know what the cause is, but there is a great difference in people confining themselves to examination subjects and people reading about and moving into subjects which are not directly related to what they will be examined about. In the American universities I know, with the sole exception of the Committee on Social Thought, people rather do concentrate on equipping themselves for the examination and probably for an assistantship or something later in a special subject.

This is certainly very different from my recollection of study, where you had to do your subject, but you spent most of your time exploring other fields, exploring related fields. I mentioned before it was entirely possible to be not only nominally a law student but to do all your law exams with quite good success, and yet be mainly interested in economics and psychology.

BUCHANAN: How do you explain--to shift the subject now--the revival, so to speak, of sort of Marxist notions in so much of Europe and, to some extent, in this country?

HAYEK: I don't know. I don't think on the European continent there is really a revival; there has been a continuous strain [of this]. There is [a revival] in the English-speaking world; there has been for quite some time. What the cause of this is, I don't quite know. I believe it was Solzhenitsyn who recently said that there's no person in Moscow who any longer believes in Marxism. That's probably the only place in the world where that is true. I just find it so difficult to understand what makes people believe these things. I cannot see that it's intellectually respectable at all.

BUCHANAN: Yes, ideas which have been discredited; yet it does seem, say compared with twenty years ago, there's more talk of Marxism now, outside of the--

HAYEK: Yes, that's probably true.

BUCHANAN: Certainly in Japan, especially in the academy, in the universities.

HAYEK: Yes; oh, yes.

BUCHANAN: They tell me--you would know better than I--but they tell me that some German universities are dominated by Marxists.

HAYEK: Oh, yes, they are. There's no noticeable influence of it at Freiburg; but there is a place like Bremen, which I am told is a completely Marxist institution. And there's a very great influence of that curious institution in

Frankfurt, the Institut für Sozialwissenschaften, where now [Herbert] Marcuse is the main figure, who made his reputation by combining Marxism and psychoanalysis.

BUCHANAN: I heard a rumor at Altdorf a month ago that [Ralf] Dahrendorf may be going there, and if so he might straighten it out. Have you heard that?

HAYEK: Well, he seems to be negotiating with various German institutions. There was the suggestion of the foundation of a new Max Planck Institut for him.

BUCHANAN: Maybe that's what I'm thinking about.

HAYEK: It may well be, and that of course confirms the-- He was a great success at the London School of Economics, and what I rather had feared--that his nerves wouldn't stand it--has been untrue. He seemed to me a hypertensive character who might break down any moment; no sign of that at all. But I warned them, "You won't keep him very long; he is not a person who will stay anywhere very long." And that seems to be true. [laughter] His interest is already shifting. But his feelings are settled there; he's as good a director as they've ever had.

BUCHANAN: But in terms of his ideas, he seems to be coming around more and more to the position that would not be too different from your own.

HAYEK: He fluctuates. I don't think his development is very steady. He was at one time very enthusiastic about my

Constitution of Liberty, and that was soon after it appeared. Then for a time he very definitely moved again away from that position. I think he's again coming closer.

BUCHANAN: I had lunch with him, and he told me that one of the most important events that had happened in the last decade was Proposition 13 in California, which I thought was an interesting indication. [laughter]

HAYEK: Very interesting; quite unexpected to me.

BUCHANAN: Well, Professor Hayek, I want to thank you very much for this chance to chat with you.

HAYEK: It was pleasant.

TAPE: BORK I, SIDE ONE

TAPE DATE: NOVEMBER 4, 1978

BORK: Dr. Hayek, you were trained as a lawyer, I understand. Where were you trained?

HAYEK: [At the University of] Vienna. My earlier background was biological, but during World War I, I got intensely interested in political subjects. At that time, you could study economics in Vienna only as part of the law degree; so I did a regular law degree, although only the first part in the normal way. Thus, I have a very good education in the history of law. But then I discovered that I could claim veterans' privileges, and so I did the second part in modern law in a rush and forgot most of modern Austrian law. I was later again interested. In fact, in 1939, or rather in 1940, I was just negotiating with the Inner Temple people to read for a barrister there when I had to move to Cambridge; so the thing was abandoned. But I got so fascinated with the differences of the two legal systems--and my interests had turned to these problems--that I thought it might be useful to have systematic training, but it never came off. So my knowledge of common law is still very limited.

BORK: Were you thinking of practicing actually?

HAYEK: Oh, no. It was just that I became so interested in the evolution of the law and the similarity between the

evolution of Roman law and the later evolution of common law that I wanted just to know a little more about judge-made law.

BORK: You went to the law school because you wanted to study economics, and your lifework, of course, as everybody knows, has been in economics. When did you first begin to think about the relationship between legal philosophy and the problem of maintaining a free society?

HAYEK: Well, that's difficult to remember. I began to think about this problem in the late thirties in a general way, and I think it began with the general problem of the genesis of institutions as not designed but evolving. Then I found, of course, that law was paradigmatic for this idea. So it must have been about the same time that I wrote the counterrevolution of science thing, when I was interested in the evolution of institutions, that my old interest in law was revived--as paradigmatic for grown institutions as distinct from designed institutions.

BORK: Your interest in grown institutions, or evolving institutions, came out of your work in biology? I understand you had some background--

HAYEK: Well, I come from a completely biological family; so my knowledge of biology derives from my boyhood. I'm the grandson of a zoologist, son of a botanist, and the funny thing is that although my own family grew up in

England separated from my Austrian family, both of my children have become biologists again. [laughter]

BORK: That's a genetic trait.

HAYEK: My brother was an anatomist, incidentally; so the tradition is wholly biological. I've never studied biology, but I think by the time I became a student of law, I knew more biology than any other subject.

BORK: But your approach to these matters has been largely affected by the fact that you were familiar with Darwin and the evolutionary hypothesis from an early age?

HAYEK: Yes. I think it was mainly revived when I returned to my psychological interests. I did not mention that while I was studying law, I really divided my time fairly equally between economics and psychology, with the law on the side. I did conceive at that time, when I was twenty-one and twenty-two, ideas on physiological psychology which I had to give up; I had to choose between the two interests, which were economics and psychology, and for practical reasons I chose economics.

But after I published The Road to Serfdom in 1944, I wanted to take leave from this sort of subject. I had so discredited myself with my professional colleagues by writing that book that I thought I would do something quite different and return to my psychological ideas. So between '45 and '50, I wrote this book The Sensory Order,

and that is based entirely on psychological ideas, on biological ideas. And that was, I think, the revival of my interest in the field of biological evolution.

BORK: You mentioned that your interest was divided between economics and psychology, and for practical reasons you took up economics. What were the practical reasons?

HAYEK: There was no chance of a job in psychology.

BORK: I see. You mean, the universities just didn't have an opening?

HAYEK: No. In fact, there were hardly any psychologists teaching there, and certainly nobody had any sympathy with my kind of interests. And anyhow, at that time you couldn't make an academic career your [entire] career. I mean, nearly everybody in Austria, except in the experimental subjects, who was aiming at a professorship had to have a second occupation during the period in which he prepared for it. And there was then, in the early twenties, still no chance for psychologists getting an outside job. But as a lawyer with an interest in economics, it was quite easy.

BORK: And what was your outside job?

HAYEK: Oh, at first I became a civil servant in one of these temporary governmental offices for carrying out the provisions of the peace treaty of 1918, clearing the prewar

days. In that capacity, it so happened that my official chief was Ludwig von Mises, whom I had not known at the university, and I had never attended his lectures at the university.

I rather like telling the story of how I came to him with a letter of introduction by [Friedrich] von Wieser, who was my real teacher, who described me as a promising economist. Mises looked at me and said, "Promising economist? I've never seen you at my lectures." [laughter] We became very great friends afterwards, and for the next ten years, while I was working in Austria, he was for the first five my official head in the government office; then he helped me to create the Institute of Economic Research and became vice-president while I was director. For the whole ten-year period while I was still in Austria, I was very closely connected with him.

BORK: Is it possible for you to identify now the major intellectual influences on the development of your thought? I mean, I gather some of them come out of a Darwinian brand of thought, and there must have been others in law and in economics.

HAYEK: Oh, I think the main influence was the influence of Karl Menger's original book, a book which founded the Austrian school and which convinced me that there were real intellectual problems in economics. I never got away from

this. I was taught by his immediate pupil, von Wieser, and that is my original background.

I was later very much influenced by Mises; the first theoretical problems I took up were problems arising out of his theory of money and the trade cycle, which I elaborated. So until the middle thirties or late thirties, in my own age, I was a pure economist concerned with money, capital, industrial fluctuations.

Then came one event in my life which really changed my outlook. I became suddenly-- It's a very funny circumstance which started it. One of my colleagues at the London School of Economics used to make fun of the use of [the word] data by economists, who were so anxious to assure themselves that there were data that they were speaking about given data. [laughter] This talk about data made me aware that they are, of course, purely fictitious; that we are assuming these facts are given, but never say to whom they are given. This made it clear to me that the whole economic problem is a problem of utilizing widely dispersed knowledge which nobody possesses as a whole, and that determined my outlook on economics and proved extremely fertile.

My whole interpretation of the market prices as the signals telling people what they ought to do all sprang from this one thing which I first outlined in a lecture to the

London Economics Club in 1937. I think, while up to this point my work was conventional in the sense of just carrying on what existed, this was a new outlook I brought into economics. I now like to put it into the form of interpreting prices as signals leading us, on the one hand, to serve needs of which we have no direct knowledge, and on the other hand, to utilize means of which we have no direct knowledge. But it's all through the price signals, which enable us to fit ourselves in an order which we do not, on the whole, comprehend.

BORK: The idea that information and facts are spread widely throughout the society, and that no one person has even an appreciable fraction of the facts, also forms a large part of the basis of your philosophy of law.

HAYEK: Oh, yes; oh, yes.

BORK: I want to come back to that in a moment, but before I do, I thought I'd ask you specifically in your work on law, if you can identify the writers or the persons who influenced you.

HAYEK: Well, I don't think there was an original influence when I began to search for people sympathetic to me. It was very largely the late nineteenth-century English lawyers, people like [A. V.] Dicey and [P.] Vinogradoff and [F. W.] Maitland, in whom I found a treatment which was sympathetic to me and which I could use. But the initial interest came

really from economics, which led me back to law. I was trying to comprehend the basis of the English system, and found, in these English lawyers, the key. The basic philosophy of liberalism was probably more clearly expressed by some of the English lawyers of the period than by any of the economists.

BORK: The positivists, the legal positivists, come in for what one might, with understatement, call considerable criticism in your latest book, and I wondered, when did you first come across legal positivism?

HAYEK: [H.] Kelsen was my teacher.

BORK: Oh, was he? [laughter] You went to his lectures? And when you went to his lectures, did you then--

HAYEK: I was greatly impressed by him at first; the logic of it has a certain beauty, and he was a very effective expositor. But I think what disturbed me first was his claim to be the only one who was not ideologically affected. He pretended that his was a critique of all ideology, and [his system] was pure science. I saw too clearly that he was as much affected by a certain kind of ideology as anybody else.

BORK: When did you first come to have the now-critical view of Kelsen that you hold?

HAYEK: Oh, certainly only when I was working on these problems ten years after my study in England. It was

probably when I was working on these things on the history of ideas, particularly [Auguste] Comte and the Saint-Simonians, when I learned to see what I now call the constructivistic approach. It was in Comte and the early sociology that I found it most clearly expressed, and I began to trace the development from Cartesian rationalism to positivism. Well, it was a very slow and gradual process which let me see it clearly; so that's why I can't say exactly when it began. But by the time I did this book on the "counterrevolution of science," I had a fairly clear conception of it.

BORK: Well, in your latest book, Law, Legislation and Liberty, you're starting from a premise, I take it, that liberty is really declining throughout Western democracies, and in fact is in considerable danger of extinction within the foreseeable future. I wonder if you'd care to talk a little bit about the evidence you see for the proposition that liberty is, in fact, declining and is in danger.

HAYEK: Well, of course, the original occasion was my analysis of the causes of the intellectual appeal of the Nazi theories, which were very clearly-- I mean, take a man like Carl Schmitt, one of the most intelligent of the German lawyers, who saw all the problems, then always came down on what to me was intellectually and morally the wrong side. But he did really see these problems almost

more clearly than anybody else at the time--that an omnipotent democracy, just because it is omnipotent, must buy its support by granting privileges to a number of different groups. Even, in a sense, the rise of Hitler was due to an appeal to the great numbers. You can have a situation where the support, the searching for support, from a majority may lead to the ultimate destruction of a democracy.

Perhaps I should explain this. You see, the reason why I ever wrote The Road to Serfdom-- In the late thirties, even before war broke out, the general opinion in England was that the Nazis were a reaction, a capitalist reaction, against socialism. This view was particularly strongly held by the then-director of the London School of Economics, Lord Beveridge, Sir William Beveridge, as he was then. I was so irritated by this--I'd seen the thing develop--that I started writing a memorandum for him, trying to explain that this was just a peculiar form of socialism, a sort of middle-class socialism, not a proletarian socialism. That led first to turning it into an article and then turning it into that book, for which I was able to use material I had already accumulated for a book I had planned about the abuse and decline of reason, of which the "counterrevolution of science" thing was to be the first, introductory, part.

[In this] I thought I would trace the development of this extreme rationalism, or as I now call it, constructivism, from Descartes through Comte and positivism; and then in the second volume, on the decline of reason, showing the effects, leading to totalitarianism and so on. I had all these ready when I had the practical purpose of explaining to the English intellectuals that they were completely mistaken in their interpretation of what the Nazi system meant, and that it was just another form of socialism. So I wrote up an advance sketch of what was then meant to be volume two of the large work on the abuse and decline of reason, which I never completed in that form, very largely because the next historical chapter would have had to deal with Hegel and Marx, and I couldn't stand then once more diving into that dreadful stuff. [laughter] So I gave it up, and it's only now, almost forty years after I started on the thing, that in Law, Legislation and Liberty I've finally written out the basic ideas as they have gradually shaped themselves.

BORK: Well, I wonder if you see, for example, in the United States, evidence of the decline of freedom.

HAYEK: Well, I think in a way the necessity for an American government, in order to capture the support of all kinds of splinter groups, to grant them all kinds of special privileges is more visible than in almost any other country. It hasn't gone as far yet, because your development

is not a steady one, unlike the British one, which has been continuously in the same direction. You make experiments like the New Deal and then undo it again.

BORK: Well, we never really undid a lot of the New Deal, I'm afraid, did we?

HAYEK: No, it's quite true. But at the time I formed these ideas, because it was during the New Deal, the New Deal was very largely evidence for me that America was going the same way in which Europe, at least England, had gone ahead.

BORK: I suppose a lot of people would say that, in fact, in some sense freedom was increasing in America, because we certainly now have much more freedom for racial minorities.

HAYEK: Yes.

BORK: There is much more freedom in the area of sexual permissiveness. There is much more freedom--if you want to call these things freedom--in the area of things that may be said or written or shown on film or shown on the stage. Now, I suppose the latter could be evidences of depravity rather than freedom, but I take it you think--

HAYEK: Well, I think America is in a very early stage of the process. You see, it comes with a restriction of economic freedom, which only then has effects on the mental or intellectual freedom. In a way, American development is probably a generation behind the one which gave me the illustrations--the German development. The American degree

of restrictions of freedom is perhaps comparable to what it was in Germany in the 1880s or 1890s under Bismarck, when he began to interfere with the economic affairs. Only ultimately, under Hitler, did the government have the power which American government very nearly has. It doesn't use it yet to interfere with intellectual freedom. In fact, perhaps the danger to intellectual freedom in the United States comes not from government so much as from the trade unions.

BORK: Well, I think what you're saying, then, is that although in some ways society is becoming more permissive, that the basic freedom upon which all others ultimately depend is economic freedom.

HAYEK: Yes. And, you know, even the permissiveness-- I have certain doubts whether this sort of permissiveness, in which the-- I'm not now speaking about governmental activities. The change in morals due to permissiveness is in a sense antiliberal, because we owe our freedom to certain restraints on freedom. The belief that you can make yourself your own boss--and that's what it comes to--is probably destroying some of the foundations of a free society, because a free society rests on people voluntarily accepting certain restraints, and these restraints are very largely being destroyed. I blame, in that respect, the psychologists, the psychoanalysts, as much as anybody else.

They are really the source of this conception of a permissive education, of a contempt for traditional rules, and it is traditional rules which secure our freedom.

BORK: I think somebody said that the reason John Stuart Mill and others could talk about the requirements of now almost absolute freedom in some areas was that they were really relying upon an understood set of morals, which people would not transgress. Once the moral capital of that era has been dissipated, that kind of permissiveness or freedom is no longer restorable.

HAYEK: John Stuart Mill's attitude toward this was very ambiguous. In a sense, his argument is directed against the tyranny of the prevailing morals, and he is very largely responsible for the shift from protest against government interference to what he calls the tyranny of opinion. And he encouraged a disregard for certain moral traditions. Permissiveness almost begins with John Stuart Mill's On Liberty.

BORK: So that there's a direct line between John Stuart Mill and Times Square in New York City, which is a rather overly permissive area?

HAYEK: Yes, yes, I think he is the beginning. You know, I sometimes said--I don't want really to exaggerate--that the decline of liberalism begins with John Stuart Mill's On Liberty.

BORK: That's an interesting thought. Do you agree with the suggestion that Mill was really a much more sensible writer when he was not under the influence of Harriet Taylor?

HAYEK: Yes, but I think that influence can be overrated. He always needed a moral-- He was not a very strong character fundamentally, and he was always relying on the influence of somebody who supported him. First his father, then Comte, then Harriet Taylor. Harriet Taylor led him more deeply into socialism for a time, then he stayed. Well I'll tell you, the next article I'm going to write is to be called, "Mill's Muddle and the Muddle of the Middle." [laughter]

BORK: It's a great title. But returning to your book and the relationship between law and liberty, as you just mentioned, I think really central to your argument is the distinction between constructivist rationalism and evolutionary rationalism, and I wonder if you would elaborate for us on that distinction.

HAYEK: Well, I have tried to do that at length in that postscript to Law, Legislation and Liberty, which I first gave as a Hobhouse Lecture under the title "The Three Sources of Human Values." The point essentially amounts to that our rules of conduct are neither innate--the majority of our rules of conduct--nor intellectually

designed, but are a result of cultural evolution, which operates very similarly to Darwinian evolution, but of course is much faster, because it allows inheritance of inherited characteristics, as it were. And that the whole of our system of rules of conduct--legal as well as moral--evolved without our understanding their function.

I put it even as strong as that it's culture which has made us intelligent, not intelligence which has made culture. And that we are living all the time thanks to the system of rules of conduct, which we have not invented, which we have not designed, and which we largely do not understand. We are now forced to learn to understand them in order to defend them against the attempt to impose upon them a rationally designed system of rules, which we can't do because we don't even understand how our present system works, and still less how any designed rules would work. But it is in this context that I am now trying to develop and finally state the upshot of all my ideas.

BORK: But I take it--and correct me; I may be quite wrong--that you think a body of rules or laws which evolve because it serves the group in ways the group doesn't even understand is likely to leave more room for freedom of the individual than is a rationally designed body of law.

HAYEK: Yes, very definitely; but of course it takes a

long time really to explain this. A system of rules which has developed is a purely abstract system of rules that merely secures coordination without enforcing upon us common goals or common aims. We are only happy emotionally if we are aware that we are working with our environment for common purposes. But we are actually living in a system where we profit from a method of coordination which is not dependent on common purposes of which we are aware, but rests entirely on our obeying abstract rules which are end-independent, as it were, and that is partly the cause of our discomfort in this system, because it does not satisfy our emotional desire for knowing that we're working for common purposes.

On the other hand, [our system] has created these conditions in which we constantly serve purposes of which we have no information, serve needs of other people whom we don't know, and profit from the doings of other people who don't intend to benefit us but who, just by obeying these abstract rules, produce an order from which we can profit. It is a system which creates a maximum opportunity for people to achieve their own purposes without their being constrained to serve common purposes with the group into which they were born. But they are still free to join voluntarily any group for pursuing common purposes. But this freeing from the need to pursue the same common

purposes with the environment in which you are born is, on the one hand, the basis of the worldwide economic order; on the other hand, [it is] a thing which disagrees with our emotions.

BORK: It has in fact occurred, particularly in countries with the Anglo-Saxon tradition, that the evolved order has allowed a great deal of freedom. On the other hand, other orders have evolved elsewhere in the world which are quite unfree; so that there's no necessary connection between an evolutionary body of law, is there, and freedom?

HAYEK: In a sense, yes. But it works both ways. You have real evolution only under freedom. Wherever you have a community completely commanded by an authoritarian system, there is no evolution, in a sense, because better systems cannot prevail so long as the old system is maintained by force. So it's rather that evolution is made possible by freedom, and what you get in unfree systems is due to the fact that the emergence of the better has been prevented.

BORK: You mean there's no competition between rules within the system when it's--

HAYEK: No competition, or no competition at least between groups who assume different rules. You can't start in a little circle acting [out] different rules from those which are the official ones.

BORK: I'm not sure that you would say that a system which is allowed to evolve freely will necessarily prevail over a system which operates on command and tyranny. That is, to the degree that the issue between the United States and the Soviet Union is still in doubt, a free system of law may not be conducive to the will and the military determination necessary--

HAYEK: Oh, no! You had, of course, a historical instance when the military organizations of a feudal state destroyed what was essentially already a commercial organization which in antiquity had already existed. It was largely the invading military bands which came from the east which destroyed what was a sort of commercial civilization in a wider sense, and which throughout the whole Middle Ages imposed an authoritarian order and was only gradually destroyed by some little commercial centers which escaped the feudal system. The Italian commercial cities and later the Dutch commercial cities developed because they allowed new rules to spring up and to prevail. These little communities, which acted on different principles, really developed modern civilization.

BORK: So the survival of the fittest is really a survival of the fittest rules within a society where there are--

HAYEK: --which comes to the same thing as the fittest groups. Rules are always things practiced by some little

group, though you get the difference very clearly between the difference in morals of the few commercial towns between Venice and Florence and the surrounding countryside. They developed in the towns a new system of morals which made commercial development possible; the morals still prevailing in the open country would not have made [this] possible.

Let me go back even earlier. I mean, take the trading towns of the Mediterranean in Phoenician and Greek times. It was certainly a breaking of the tribal rules when these little centers began to trade with distant places, taking from their neighbors what they could have used very well, to sell it elsewhere against traditional morals. And it was this breaking of traditional morals that made the rise of commerce possible, which ultimately benefited all the people in these towns. They all undoubtedly greatly resented it, for things they could have better used were taken elsewhere. [laughter]

BORK: But if I understand you correctly, the superior system of law within a society which allows law to evolve is not necessarily correlated to the military strength of that society or the military interpretation of that society.

HAYEK: Oh, no. You see, I think the most beautiful phrase which confirms this occurs in a recent study by a youngish French economic historian that "capitalism grows everywhere

due to political anarchy." I think that's true.

BORK: Is that right? I thought perhaps it created it.

HAYEK: Oh, no; oh, no. I think it was the weakness of government which prevented government from suppressing these new developments, which they otherwise would have done.

BORK: You make a distinction between mankind evolving originally in small tribal groups, which were end-oriented, and now having moved into the greater society, which is not end-oriented but is more abstract and more general. I wonder if part of your argument is that that part of our evolutionary heritage in the tribal society makes us long for kind of a tribal cohesion, which will destroy the open society and its freedom.

HAYEK: Forgive me if I first correct the thing. "Tribal" is not the right expression, because a tribe is always the beginning of a political order. It's in small bands of forty or fifty, in which mankind lived for a million years before even the first tribes arose, that we've acquired our innate instincts.

So innate instincts are really based on a face-to-face society where you knew every other member and every outsider was an enemy. That's where our instincts come from. The tribe was the first attempt, of a sort of large order, where some rules as distinct from common purpose already began.

That's why I don't like the expression "tribal element" in this sense. It's really--we have no word for this--morals which existed in the small face-to-face band that determined our biologically inherited instincts, which are still very strong in us. And I think all civilization has grown up by these natural instincts being restrained. We can use even the phrase that man was civilized very much against his wishes. He hated it. The individual profited from it, but the general abandoning of these natural instincts, and adapting himself to obeying formal rules which he did not understand, was an extremely painful process. And man still doesn't like them.

BORK: Well, I wonder if you thought that the growth of intrusive government, which announces moral aims and regulates in the name of moral aims, is in fact due to that evolutionary heritage--an attempt to get back to that kind of a society.

HAYEK: Partly that, and partly, at least, an attempt to stop further development. People have always accepted a certain number of rules and resent new ones. The whole process is a process of introducing new rules adopted by a small minority which a majority rejects, and the function of government very frequently, as a rule, is to prevent further evolution.

BORK: Well, it would seem to follow from your view of a

good law and a just law and a free society that legislation ought to be held to a minimum. That is, deliberately planned law ought to be used only when it is quite clear that something has gone wrong with the evolving law.

HAYEK: Yes. But even more important, the legislation, in a strict sense, ought to be confined to general rules, where what we now call legislation is largely orders or commands issued to particular groups--granting privileges to some and imposing special duties on others--which is incompatible to the general idea that [law] should be based on abstract rules only. We now call "law" a great many things which are not law in my sense.

BORK: Well, yes. If I understand it, as an evolutionary body of law grows up, based upon the unarticulated assumptions of the group and what makes it work well, those assumptions then have to be articulated as disputes arise and courts decide them. That articulation is necessarily abstract and general. And in order to preserve the benefits of a system like that, you would like the legislator to follow the model of legislating abstract, general rules rather than--

As I recall, you think a large part of our present difficulty arises from the fact that we have placed in one legislature two quite different kinds of duties: one is that of announcing just rules of conduct, which are abstract

and general and whose consequences are in many cases unforeseeable; and also the function of running the government and making rules of organization.

HAYEK: Perfectly correct. That is exactly what I am trying to expound in that last volume of Law, Legislation and Liberty," which I have yesterday completed reading the proof.

BORK: Well, I wanted to understand the relationship between that, because-- Is it your thought that because we have a legislature which makes rules of organization for the government, that the frame of mind, the command frame of mind that that inculcates, infects its general lawmaking function?

TAPE: BORK I, SIDE TWO

TAPE DATE: NOVEMBER 4, 1978

BORK: --so that it does that--it legislates generally, in that fashion, when it shouldn't.

HAYEK: Well, the legislature no longer knows what laws are. It constantly mixes up general rules and orders for specific purposes. In fact, most of our legislatures don't understand any law.

BORK: All right, I won't disagree with that. [laughter] But democracy, you say, results rather naturally in groups demanding privileges and in legislatures becoming end-oriented and passing specific rules to advance specific groups. And then there's a whole theory of democracy that this interest-group struggle is what it's all about. Why do you think that necessarily leads away from freedom?

HAYEK: Because all this legislation is a discriminating legislation which deprives some people of rights which others have. Every license given to anybody means that somebody else is not allowed to do it, and ultimately it leads to a sort of cooperative state.

BORK: You mean the sheer proliferation of regulations leads to the point where everything is regulated, because if any one group gets privileges, others will demand them, and finally the entire society may be permeated by rules. It is that feature that leads to the lack of freedom. You

refer in the first two books to the need for institutional invention, to bring law back to its proper function, and I wonder if you would describe to us just the nature of the institutional innovation you have in mind.

HAYEK: What I have in mind is very largely the role of corporations, where we have very blindly applied the rules of law which have been developed to guide the individual. Now, I have no doubt that the problem of delimitation of a protected sphere which we have learned for the individual cannot in the same unchanged form apply to very big organizations. They have physical powers which the individual does not have, and in consequence, we probably shall gradually have to invent new restrictions on what an organized group can do, which are distinct from the restrictions for the individual.

I wouldn't like to call it invention, because I am now sure you can't at once design such a system, but I think that's the direction in which we ought to aim, to guide evolution. These are the problems which we ought to face much more consciously and to experiment in this direction. It's not a problem we can solve overnight.

BORK: No, I was thinking of your suggestion which I have heard about that we have two houses of a legislature. I was going to ask you about that.

HAYEK: Oh, I see, yes. I am very much convinced that if

democracy is not to destroy itself, it must find a method of limiting its power without setting above the representatives of the people some higher power. That, I think, can only be done by distinguishing between two different representative assemblies: one confined to legislation in the classical sense of laying down general rules of conduct; and the other directing government under the rules laid down by the first. Thus, we get a limitation which results in nobody having the power to do certain things at all. You see, one assembly has only the power of laying general rules; the other can only, within these general rules, organize the means entrusted to government for its own purpose. There will be no authority who can lay down discriminating rules of any kind.

BORK: Well, that's what I wanted to ask you about, because the idea is new to me, and it's interesting, provocative. But, for example, if we had a legislature laying down general rules, would, for example, our current labor legislation qualify as general rule? Legislation authorizing the organization of unions, collective bargaining, strikes, and so forth.

HAYEK: I think you have very sharply to distinguish. I think the law should prevent all uses of coercion, which would include the prevention of poster picketing, the prevention of union firms--exclusive rights for a union

to allow employment in the thing. It would really come to the exclusion of what I call the privileges granted to unions in the present sense--the authorization of the use of force, which only the unions have and which, of course, in the case of England is particularly flagrant, because there it was introduced by a single law in 1906, when the unions were exempt from the ordinary law. But the same thing has resulted largely by jurisdiction in this country and, to some extent, on the Continent. Such legislation I think would be impossible if you had, on the one hand, only general rules equally applicable to all, and on the other hand, governmental powers which did not extend to granting to anyone special privileges. There would still be a problem of government services being unequal, but that, I think, would be a very minor problem.

BORK: Welfare programs?

HAYEK: Certain welfare programs, yes. Your question of welfare states is an exceedingly difficult thing to discuss briefly, because it is such a mixture of completely different things. I mean, there are certain services which certain governments can render without discrimination; there are others which it could render, but only by very different methods from which it is now employing. But I'm sure there is one group [of services] which could not be achieved in such a system, and that is deliberate

redistribution of incomes. What you could do is to provide a uniform floor for people who cannot earn a certain minimum in the market, for whom you can provide in this form; but anything beyond this, any deliberate attempt to correct the distribution according to supposed principles of social justice, is ultimately irreconcilable with a free society.

BORK: I think that must be related to your point, in your book, that any attempt for the society to produce real equality is ultimately inconsistent with the direction of a free society.

HAYEK: Material equality, yes.

BORK: And that is because equality does not occur--I'm guessing--naturally, and therefore requires pervasive regulations to be produced?

HAYEK: Well, let me say the same thing, but in a slightly different form. You can allow people to choose their occupations only if the price offered to them represents their usefulness to the other people. Now, usefulness to your fellows is not distributed according to any principles of justice. Now, if you rely on prices and incomes to direct people to what they ought to do, you must necessarily be very unequal.

BORK: But any free society has many elements of coercion in it, and to have a progressive income tax for the purpose

of redistribution of wealth is inconsistent with the principle of a free society only in that it is a principle which, if extended--

HAYEK: Well, the point is, it's no principle. If you could have progressive income tax according to some general rule which was really a general rule, it would be all right; but the essence is that progression is no rule, and the thing becomes purely arbitrary.

Let me say, incidentally, I have no objection to progression to the extent that it is needed to make the whole tax burden equal in compensation--the progression of the income tax compensating for the regressive effect of indirect taxes. But I think the aim of taxation, if it is based on general rules, should be to make the net burden of taxation proportional and not progressive, because once you have progressive, the thing becomes purely arbitrary. It becomes ultimately an aiming at burdening particular people along these lines.

BORK: You have identified the constructivist-rationalist fallacy, i.e., that a single mind can know enough to direct a society rationally. Is there a connection between that and what appears to be a growing egalitarianism in this society? The modern passion is for increasing equality.

HAYEK: Yes. I'm sure there is, although so far as I can see-- Oh, in fact, that agrees with what you just suggested.

Egalitarianism is very definitely not a feeling but an intellectual construction. I don't think the people at large really believe in egalitarianism; egalitarianism seems to be entirely a product of the intellectuals.

BORK: Well, that's what I wondered: if you agree with the argument of [Joseph] Schumpeter, carried on by [Irving] Kristol and others, that in fact a large part of our social movement is due to the class struggles between intellectuals and the business classes, and that intellectuals tend to be constructivist-rationalists.

HAYEK: Very much so. I don't think I am as skeptical about the possibilities as either Schumpeter or Kristol is. In fact, this is my present attempt to make the intellectuals feel intellectually superior if they see through socialism. [laughter]

BORK: You're an apostle to the intellectuals, and you're going to-- Well, that's quite a task. But I guess Schumpeter's point--and Kristol's point--is that it's a class struggle, and intellectuals, in order to achieve power, use the weapon of equality, which politicizes and which extends the powers of government.

HAYEK: Yes, but they're not quite as sinister as they make them appear. I think the intellectuals really believe that egalitarianism is a good thing but do not understand the function of inequalities in guiding our system. I

think you can persuade them that for the people at large, egalitarianism would not have beneficial effects. They believe it would.

BORK: Well, it's curious that, if it's mere intellectual error rather than intellectual error caused by group interest, so many economists are egalitarians, and economists who seem to understand the workings of the market system.

HAYEK: I'm afraid they don't. [laughter] No, quite seriously, within economics a whole branch has grown up which is closely connected, though perhaps not necessarily, with the mathematical approach. For the reason I gave initially, because they assume the data are really given, they overlook the problem of utilization of knowledge. They start out from the assumption, which there is no need for in a system where everything is known anyhow, and therefore they really do not understand how the market operates. In all these ideas of using the equations of [Vilfredo] Pareto to direct socialist systems, things which [Oskar] Lange and that group suggested, they are really based on the idea that there is no problem of utilizing dispersed knowledge. They imagine that because they have this fictitious data, which they assume to be given to them, this is a fact, and it isn't.

BORK: Well, I'm sure that's true, but I do seem to see economists, who know better, discounting incentive effects.

TAPE: BORK II, SIDE ONE

TAPE DATE: UNSPECIFIED

BORK: Doctor Hayek, I think that if there's one area in which I disagree with you slightly, it is about-- We were discussing the intellectuals, and I guess it is that I see something a little more sinister about them [laughter] than you do. Isn't it significant that, as you watch the intellectual classes, they tend to move the society always in one direction? That is, towards more regulation, towards more intervention, towards more politicization of the economy. And that you notice on campuses, at least the campuses I'm familiar with, an enormous resistance by very bright people to what are really fairly basic and simple ideas in economics, which suggests--may suggest--that something more than intellectual error is at work.

HAYEK: Is it really? You know, the resistance against being guided by something which is unintelligible to them is, I think, quite understandable in an intellectual. Go back to the origin of it all. Descartes, of course, explicitly argued only that we should not believe anything which we did not understand, but he immediately applied it that we should not accept any rules which we did not understand. And the intellectual has very strongly this feeling that what is not comprehensible must be nonsense,

and to him the rules he's required to obey are unintelligible and therefore nonsense. He defines rational almost as intelligible, and anything which is not intelligible to him is automatically irrational, and he is opposed to it.

BORK: Well, I'll give you an example. Among academic economists and among academic lawyers who deal with economics, antitrust, for example, there has been an enormous acceptance of certain theories about oligopoly, about concentrated industries: that where you have three, four, five, six firms in a market, they will--without colluding, necessarily, as a monopolist would behave--learn to act together, as if they were a monopolist. There seems almost no evidence for that theory, but it's enormously popular; and it seems that without a predisposition on the part of intellectuals to dislike the private sector and to dislike freedom in the economic sphere, that that theory could hardly become as popular as it has become.

HAYEK: Yes, but that dislike, I think, is due to it being unintelligible to them. They want to make it intelligible --translucent--to them. They think nothing can be good unless it is demonstrated to you that in the particular case it achieves a good object. And that, of course, is impossible. You can only understand the structure as the principle of it, but you couldn't possibly demonstrate

that in the particular event the particular change has a purpose, because it always is connected with the whole system which is the rule. We can only understand in principle, but not in detail.

So I think I would give [the intellectuals] the benefit of the doubt, at least. I think in most instances it's a deeply ingrained intellectual attitude which forces them to disapprove of something which seems to them unintelligible, and to prefer something which is visibly directed to a good purpose.

BORK: Do you think it has to do with the nature of intellectual work?

HAYEK: Yes. The whole training of the scientists-- Of course, scientists are pretty bad, but they're not as bad as what I call the intellectual, a certain dealer in ideas, you know. They are really the worst part. But I think the man who's learned a little science, the little general problems, lacks the humility the real scientist gradually acquires. The typical intellectual believes everything must be explainable, while the scientist knows that a great many things are not, in our present state of knowledge. The good scientist is essentially a humble person. But you already have the great difference in that respect between, say, the scientist and the engineer. The engineer is the typical rationalist, and he dislikes anything which he cannot explain and which he can't see how

it works. What I now call constructivism I used to call the engineering attitude of mind, because the word is very frequently used. They want to direct the economy as an engineer directs an enterprise. The whole idea of planning is essentially an engineering approach to the economic world.

BORK: I suppose if we include in intellectual classes not merely people who have intellectual competence but people whose work is with ideas, whether or not they're very good at ideas, that includes journalists, professionals, government staffs, and so forth. They, not having the full intellectual understanding of the difficulties, would tend to be more arrogant in their assumptions about what planning can do. Perhaps it is the explosion of those classes in modern times that has led to the accelerating--

HAYEK: It's partly the specialization. You see, the modern specialist is very frequently not an educated person. He knows only his particular field, and there he thinks, particularly if he is in any of the mechanical subjects, that he ought to be able to explain everything, and that he can master the detail of it. I find, for instance, that on the whole, physical scientists are much more inclined to a dirigist attitude than the biological scientist. The biological scientists are

aware of the impenetrable complexity; they know that you sometimes can only explain the principle on which something works, not being able to specify in detail how it ought to work. The physicist believes that you must be able to reproduce every intellectual model in detail, that you really master everything. That's why I've come to the conclusion that the physical sciences are really the sciences of the simple phenomena.

As you move from the physical sciences to the biological and the social sciences, you get into more and more complex phenomena. The essence of complex phenomena is that you can explain the principle on which they work, but you never can master all the data which enter into this complex phenomena. Therefore, even a perfect theory does not yet enable you to predict what's going to happen, because you have a perfect theory but you never know all the data you have to insert into the scheme of the theory.

BORK: Well, if the biologists are led to modesty by the fact that they deal with complex systems, why isn't the same thing true of sociologists, who are not noted for their modesty, or for a number of other desirable attributes they're not noted for?

HAYEK: Because the whole science of sociology is based on the idea that you can explain society by a very simple model. I don't see any justification for the existence

of the theoretical science of sociology, just as there is [no justification for the] existence of the theoretical science of naturology. I mean, the separate problems of society are difficult enough. To assume that you can have a simple theoretical model which explains the functioning of society is just unfounded. Sociologists have done admirable empirical work on detailed questions, but I don't think there is such a thing as a science of sociology.

BORK: Do you think the reason they haven't been led to a modesty which would be more becoming to them is that they started with a theory about the possibility of understanding the entire society, which has prevented them from seeing the impossibility of it?

HAYEK: Yes. It's very typical thinking that was invented by Auguste Comte, who is the prototype of my scientific approach.

BORK: I want to go back for a moment to the question of generality as a desirable attribute of law, because I don't fully understand it. Why would it not be possible, for example, to state a progressive income tax in terms of generality? Anybody who makes more than \$50,000 is taxed at a 70 percent rate. Why is that not a general law which has unforeseeable consequences, because we certainly don't know who's going to make that much money?

HAYEK: On the whole, yes, I think the point is exactly that it is aimed against a class of known people.

BORK: You mean we know their names. But I suppose one might almost say that about criminal--

HAYEK: In each group, people will know who are the people who will pay the higher rate, but not for the nation at large.

BORK: And not for the future?

HAYEK: It depends how far you extend the future.

BORK: Well, but how does that differ from the criminal law? We adopt a law against armed robbery. We can identify sociological classes who will be more affected by that law than anybody else. We can identify, perhaps in some cases, individuals.

HAYEK: Well, the purpose of the law is not to punish these people, but to prevent them from doing it. It's an entirely different thing to exclude a certain kind of conduct.

BORK: But suppose a socialist society, or people with socialist impulses--say that we think it's quite bad to have a society in which people have more than \$50,000 annually, and the purpose of our law is to prevent you [from doing so]. In fact, the income tax rate is 100 percent at \$50,000. That would be a general law and would meet the attributes of-- Maybe it's a bad social policy,

but as law it doesn't lack generality, does it?

HAYEK: This is a thing which has troubled me a great deal. What sense discriminating taxation, which makes income classes a basis of discrimination, can still be brought under the concept of a general law or not. It's perhaps more of a feeling than anything I can precisely justify. That you can carry the idea of progression to a point where it certainly is aimed at particular people, there is no question; that the principle of progression can be abused, I am certain. Whether you can draw any line within which it is not likely to be abused, I doubt rather. [laughter]

BORK: Yes. I find the attribute of generality, rather than specificity, a very difficult one in many cases.

HAYEK: Oh, yes. I have tried to avoid the terms as much as possible. The "rules which affect unknown people in particular circumstances that are also unpredictable" is the phrase which I prefer to use. This, in fact, has been elaborated--arrived at--by many of the nineteenth-century legal philosophers.

BORK: Yes, but it excludes an awful lot of the social legislation that society demands today. It's social legislation drawn to say that society demands it, but it has certainly grown up through democratic procedures.

HAYEK: Oh, it certainly has. But the question is precisely

whether the powers of the democratic representatives ought to extend to measures which are aimed at particular people or even particular known groups of people.

BORK: Let me understand that. Your objection to that could be of two sorts. It could be that there's something inherently wrong with aiming at a known group. I'm not sure why that's true.

HAYEK: With coercive measures. To apply coercion in a discriminating fashion in the service functions of government is merely a limitation of coercive law.

BORK: But why is it wrong to aim-- For example, we regularly take--we used to until the all-volunteer army came in, but I guess we're going to do away with that eventually--we used to conscript coercively people of a defined class to do our fighting for us, and that would seem to be a law of the very kind that you're objecting to.

HAYEK: Well, the problem is that it's a discrimination between males and females. The normal thing is, of course, that every man has to [register at] a certain phase of his age; so if he was not suitable for armed service, [service would be extended to] another of the duties. It should be the same for all men.

The problem is one of the distinction between sexes. But even there, people have been insisting that women should do some sort of national service instead.

BORK: Well, in fact, some of them are insisting that women be put into fighting. I've heard Margaret Mead object to that on the grounds that it would make wars too savage. [laughter]

HAYEK: Probably true. You've heard the stories about the French Revolution--the behavior of the women in the revolutionary crowd--which rather confirms the notion that women are much worse-- [laughter]

BORK: Yes, we conscripted men in order to moderate war. [laughter] As we discussed your position, I was wondering whether there aren't constructivist aspects of your own outlook. That is, you put upon the intellectual or the lawmaker the need to understand a system and how it operates, and then to make adjustments in the system which has evolved.

HAYEK: No, I'm afraid that's not what I mean. In fact, I'm convinced that you don't leave it to the lawmakers to judge; they don't possess the capacity to decide. I want to do it in the form of a reconstruction of the mechanism: two distinct bodies with different tasks, so defined that a constitutional court could distinguish whether either of the two bodies had exceeded their tasks. You confine the one to laying down what I call "laws in the strict sense," which for brevity we sometimes use the phrase "general law." I think this must be defined much more carefully.

The other, under these laws, is entitled to organize services, but nothing else. Services means directing resources put under the command of government, but not in the position to direct the private citizen at all. I think the mechanism of such a constitution would force the authorities to limit themselves, because it would just be a situation in which nobody would have set power to do those kinds of things. My constitution indeed involves that certain things could not be done at all by anybody.

BORK: Well, you put an awful lot of weight on judges there, and I have some familiarity with judges. What you're going to do, I gather, is have one legislative body which may pass only general rules of just conduct; and you'll [also] have a court which will have the power to say whether those are in fact general rules of just conduct. You have somehow to insulate that court from the philosophy of constructivist gradualism, because if the judges--

Well, in this country, already our experience under the American Constitution is that for many years the Supreme Court of the United States struck down laws interfering with matters within states, on the grounds that they were not interstate commerce and that federal power extended only to interstate commerce. The political attitude of the country changed, and the country demanded

more regulation--or the New Deal demanded more regulation. The court gave way. And the court has now almost completely abandoned that form of protection. It has now moved on [to the point]--and I think it's significant--that the most frequently used part of the Constitution now is the equal-protection clause, by which the court is enforcing the modern passion for equality. I wonder, given that kind of institutional history, whether any institutional innovation can save us, or whether it isn't really just an intellectual/political debate that will save us?

HAYEK: You know, in my opinion the American Constitution failed essentially because it contains no definition of what a law is, and that, of course, deprives the Supreme Court of guidance. I believe that, instead of having the Bill of Rights, you need a single clause saying that coercion can be exercised only according to and now following a definition of law which is of some language which of course explicates what I, in a brief phrase, call general rules. That would, in the first instance, make all special protected rights unnecessary, and it would include all. It excludes all discriminatory action on the part of government, and it would, of course, give the court guidance.

The court is still necessary because I am sure that no definition of law you can now put into words is perfect. You will, in the course of time, have to improve that definition. That would be the essential task of that court.

But it understands that that is its main task. I don't think this perversion of the task of the Supreme Court which has taken place in the United States would take place. You can't exclude it, but I am optimistic.

BORK: Well, I guess I have a little gloomier view of the--

HAYEK: Well, I'm not surprised that somebody who's been watching the development of the Supreme Court takes a gloomy view of it. [laughter]

BORK: You know, there is something like what you suggest in the Constitution now, which is the equal-protection clause. It's like your rule of no discrimination. Two things happen: one is that somebody has to classify what things are alike, in order to know whether there is discrimination.

HAYEK: I know that. I know.

BORK: --and that means that you've handed the power--the ultimate power of legislation--to a court. That's why I suppose I'm a little bit gloomy about the possibility of telling a court, "No discrimination," and then leaving it to them to say which things are alike and which things are different, in order to define discrimination.

HAYEK: Well, if you confine that prohibition of discrimination to the coercive action of government, I think it becomes much more precise. In the American interpretation it has become everything which has different effects on the people--they interpret this as discrimination.

It doesn't require that "discrimination" be what the government does.

BORK: Well, I don't want to pursue this too far, but I'm reminded of a Supreme Court case which raised this in extreme terms. Oklahoma passed a statute which said, in effect, that criminals convicted for the third time for a crime of violence--a felony involving violence--should be sterilized. The theory was that it was genetic. Nobody knows. But the Supreme Court looked at that law and said, "Well, a bank robber who robs for the third time will be sterilized, but an embezzler in the bank will not be." Those people are alike; that's discriminatory; the law failed. That's my point. Once you give this power to define discrimination, that kind of thing will be done.

HAYEK: Yes, I have no ready answers for this.

BORK: Well, my suspicion is that kind of rule transfers power from popular assemblies to courts. The other thing about it, if I may pursue it for a moment, is that no two people probably agree which things are alike and which things are different. We all classify things slightly differently, and so if you have a court voting on it, although each justice may be perfectly consistent, the output of the court will become incoherent, because you'll get very different results as the vote shifts on different issues. That's only a way of expressing my own reservations

about institutional cures to what are philosophical problems.

HAYEK: But it seems to me that you're thinking too much about the question of equality of effects and not equality of government action. On equality of effects, no two people will agree. I am entirely in agreement with you on this. But when it comes to equality of treatment by government--and not including under "treatment" the whole results for the people, but only what the government does--I still believe you can maintain this.

BORK: I certainly hope you prove to be correct on that. You were talking, before we began to tape this--I thought it was quite interesting, and I was hoping you would repeat it--about your views that the Marxists have the price theory upside down, or backwards, and I wonder if you'd expound on that.

HAYEK: Well, the belief that prices are determined by what people have done is misleading. The function of prices is to tell people what they ought to do, and the Marxist idea is caused by a very primitive conception of the task of science. To think of everything being explainable in terms of a single cause and a single effect doesn't help us to understand complex, self-maintaining structures. We constantly have a sort of reverse causation. The thing is being maintained only

by certain reverse effects, something like the negative feedback effect and that sort of thing. In that sense, prices must be interpreted as signals for what people ought to do and cannot be said as determined by what people have done.

I would go so far as [to say] that nobody--and therefore no Marxist who believes that prices are determined by past events--can ever understand the economic system. Marxism--and every other "objective" theory of value, even the Ricardian--blinds you to the essential function of prices in securing a coordination in the market. The most typical instance is-- We have already spoken about John Stuart Mill. John Stuart Mill, who stuck to the objective-value theory of [David] Ricardo, was led by this to argue that while there are laws of production there are no laws of distribution--we are free to determine the distribution--just because he did not understand that it was the prices which told people what they ought to do.

BORK: Dr. Hayek, clearly, in your work, you see a strong relationship between property, and its security, and freedom. I wonder if you could describe that relationship as you see it for us.

HAYEK: Well, to be able to pursue one's own aims it is essential to know what means are available to one. I think that's only possible by some recognized procedure which

decides about the sphere of command of the resources which each person has. We must all, at any one moment, know which means we can use for our own purposes, and we can aim at changing that protected sphere by acquiring new means, which then are at our use or disposal. In fact, the general aim at acquiring means that one can later use for one's own purposes seems to me essential to freedom and can be satisfied by some rules of property in the material means of production.

BORK: Property is essential to freedom, I suppose--are you saying?--because it gives you an independence of government which you would not otherwise have?

HAYEK: Independence of government and my fellows. It's really a sphere in which I cannot be coerced. And if freedom is freedom from coercion, it depends really on my being able to assemble a set of means for my purposes. That is the essential condition for the rational pursuit of an aim I set for myself. If I am at each stage dependent on, as it were, the permission or consent of any other person, I could never systematically pursue my own ends.

BORK: I think this must go back to our prior discussion of the fact that we are becoming a free society in some sense--the sense of permissiveness toward what may be said, what may be done, sexual permissiveness, and so forth. But what you're saying is that, at the same time,

we're becoming more heavily regulated in our property rights, which are crucial, and these other freedoms will prove illusory if we lose our control of property rights.

HAYEK: It depends on what you mean by regulated. I would confine regulation to the approval or disapproval of particular ends pursued. It is merely a question of delimiting this sphere of means I can use for my own purposes; so long as I can determine for what ends I use them, I am free.

BORK: No, I was thinking of the overall condition of freedom in the society. I suppose what the point would be is that the government is now so heavily confiscating and regulating property that if those freedoms ultimately disappear, these other freedoms that we think we have will disappear in consequence--once the government has control of the economic base.

HAYEK: Yes. You know, that's a field in which I have great difficulty, particularly when it comes to the problem of expropriation for any purpose. That, of course, is the most severe infringement of the principle of private property, and one where I have to admit there are circumstances in which it is inevitable. It's a most difficult point to draw my line. I think the only precaution I would wish is by way of the rules of compensation; I would even be inclined to devise some multiple compensation

in the case of expropriation to put a required limit on expropriation.

But apart from this very troubling issue of expropriation, I think all limitations--certainly all discriminatory infringements of property rights--I object to.

I think I ought to bring in here another point. Most of the real need for such measures is probably on a local and not on a national sphere, and I'm inclined, in a way, to give the local authorities power which I would deny to the central government, because people can vote with their feet against what the local governments can do.

BORK: And do. This concept of the protection of property, of course, is now in tension, or in opposition to, demands made in the name of social justice. You think that social justice is not only used as a concept for the wrong purposes but you, in fact, think it is no concept, I gather.

HAYEK: It's completely empty. I'm convinced it's completely empty. You see, justice is an attribute of human action, not of the state of affairs, and the application of the term social justice assumes a judgment of the justice of a state of affairs irrespective of how it has been brought about. That deprives it of its meaning. Nothing to do with justice is an attribute of human action.

BORK: But you yourself have a preference for a certain kind

of a society, which has a maximum amount of freedom in it. And I suppose you wouldn't call that a socially just society, but what general term would you use to describe it?

HAYEK: Well, I think I would just stick to "the free society," or "the society of free men"--"free persons."

BORK: But doesn't the demand for social justice merely mean-- It's a shorthand for a preference for a different kind of society.

HAYEK: Well, it's used like that, no doubt, but why then speak about justice? It's to appeal to people to support things which they otherwise would not support.

BORK: I see. Your objection really is that it's a form of fraudulent rhetoric--

HAYEK: Yes.

BORK: --because it implies a standard of justice against which a society can be measured.

HAYEK: Yes, exactly, exactly.

BORK: And actually what they're talking about is a set of preferences, not a standard for measurement.

HAYEK: Well, it's really a pretense that there is some common principle which people share with each other.

But if they were deprived of the use of this term, they would have to admit it's their personal preference.

BORK: It's an unfair form of rhetoric. I see. All right.

Now, you make the strong statement in your book that the necessity for rules arises out of ignorance. But you also can see, I gather, that there are other reasons for rules. For example, you say at one point that in a society of omniscient persons--where everybody knew all the facts and all of the effects of actions--there would be no room for a conception of justice, because everyone would know the effects of an action and the relative importance of those effects. But suppose the interests of omniscient persons differ, and they adopt different modes of conduct producing different effects. Is it impossible to have a concept of justice merely because you're omniscient? I mean, doesn't justice--and therefore rules--have something to do not only with ignorance or omniscience but with evil or minority interests?

HAYEK: Perhaps my statement is too strong. Omniscience itself would not be sufficient, but omniscience would at least create the possibility of agreeing on the things which, without omniscience, you can't [agree on]. While you may be unable to agree even with omniscience, without it, it's clearly totally impossible. [laughter]

BORK: Yes, you could have evil omniscient persons. So the rules depend, or arise, not merely because of ignorance but because of disagreement about morals--

HAYEK: Socially.

BORK: --and disagreement about interests. Now, in this area of societies which evolve spontaneously, for which you show a strong preference, I mentioned earlier that there are societies that evolved in an unfree way. But you said, well, when they're unfree they don't evolve, and therefore we can't say that evolution leads to unfreedom. It has been suggested that feudal structures really evolved spontaneously.

HAYEK: I don't think so. They arose from military conquest.

BORK: Always? Or were there occasions where--

HAYEK: I haven't come across it. I haven't really examined history on this, but in the European history with which I am most familiar, it's fairly clear that it was military bands which conquered the country. It seems that the German tribes were expanded from Germany south and west. Conquerors of the country established a feudal regime. The conqueror acquiring the land and having people working as serfs on it seems to have been the origin of--

BORK: Or I suppose you would suggest that sometimes it may have grown up in defense against, for the need for protection against, outsiders, but--

HAYEK: Yes, of course. It need not have been a foreign conqueror; it very frequently was the need for establishing

a military class in defense, who then became dominant in a feudal way. But it was really military organization rather than economic organization for feudalism.

BORK: I was wondering, because it seemed to me at times in your book that you were identifying the evolutionary society as the good society, and the evolutionary law as the good law. Yet you also had another value, which was freedom, and I guess what you're really saying, as I understand it now, is that in fact those two become one.

HAYEK: Yes.

BORK: If it evolves, it will be a free society.

HAYEK: Evolution creates a possibility of choice only under freedom. If you do not have freedom, the thing is directed by a superior authority. You have no longer a selective evolution, where the better and the more effective succeeds, but what succeeds is determined by those who are in power.

BORK: Oh, I see, it's the process of evolution that is indistinguishable from freedom; but that is not to deny that the process of evolution may lead to an unfree state.

HAYEK: It may well do that, yes. That's why freedom needs safeguards.

BORK: That's why the need for legislation.

HAYEK: Yes. Legislation ought to be a safeguard of freedom, but it can be used to suppress freedom. That's

why we need principled legislation.

BORK: We certainly do, but I think I've expressed my doubts about that. Well, that really means, then, if we're talking about an evolutionary society--one without strong central direction; one in which property is safeguarded--that your conception of justice is really closely bound up with a capitalist order, or at least a free-market order?

HAYEK: A free-market order based on private property, yes. You know, that's a very old theory. I think John Locke already argued that-- In fact, he asserts at one stage that the proposition which can be demonstrated, like any proposition of Euclid, is that without property there can be no justice.

BORK: Well, I'm having a little trouble with that word justice. Is justice, in your thought, anything other than those rules which are required to maintain freedom? Does it have any other content than that?

HAYEK: I don't think you have rules of conduct, but you emphasize rules that determine a state of affairs. We can even describe a desirable state of affairs in the form of rules. They should not be rules of conduct; rules of conduct [should be] only for a dictator, not for the individuals. Rules of individual conduct which lead to a peaceful society require private property as part of

the rules. This is the way I would put it.

BORK: Yes, but we've discussed what you call the vexing question of the relationship between justice and law, and I'm not quite sure what justice is in this context except those attributes of law which lead to a free society. Is that it, or are there more requirements of justice?

HAYEK: I think it is uniformity for all people.

BORK: But is ["uniformity for all people"] derived from the need for freedom, or is that derived from an independent moral base?

HAYEK: I think it derives from the need for freedom. If laws are not uniform, it means that somebody can discriminate; it means there are some people who are really subject to the people who can discriminate. Being independent of the coercion of other people excludes any such discrimination by an authority.

BORK: So the whole concept of justice describes those attributes of law which we have identified as being necessary for the maintenance of a free society, and there is no other source.

HAYEK: Yes.

BORK: Now, you also talk about--in your second volume particularly--what it is that a judge or a legislator must do to develop a system of law. You describe, for example, the judge or the legislator when he faces a

situation not faced before and not recognized before. You write of his need to understand all of the rules the society already has in order to frame a new rule which is consistent and compatible with those and not contradictory. Doesn't that really plunge you into a requirement of something approaching omniscience and get you into the trouble that the constructivist-rationalists have?

HAYEK: Not really omniscience. To pick a task for any brain, you can try until you gradually achieve it. But the condition is merely a double consistency. It's, on the one hand, compatibility of any one rule with the rest of the rules--not only logical compatibility but also aiming at the same ultimate results. I mean, the rules can conflict not only logically but also by aiming at different results which then conflict with the others. So you have to aim at consistency in the system in this double sense: non-contradiction between the rules themselves and noncontradiction between the ends at which they aim.

BORK: That raises two kinds of problems for me. You say that no single mind can really do that. When I think of, not a single mind but, say, a Supreme Court of nine people trying to do that, I begin to despair of the possibility of developing law with that precision and intellectuality. But in addition to that--

HAYEK: Well, the law makes mistakes in its development

which can later be corrected.

BORK: Well, yes, or compounded. [laughter] But why is consistency in rules required? Why may not a society take inconsistent moral positions on issues?

HAYEK: Because necessarily the decisions are uncertain. Wherever there is a conflict, that means there are two possible conclusions to be resolved--two different conclusions. You obey either the one or the other, and whichever you choose, you get a different result. And I think the aim is--

BORK: Oh, I see what you mean. You mean it's alright to have a rule that applies there and a rule that applies over here to different subject matters, and they may be philosophically and morally inconsistent, but that's all right as long as they don't conflict in the individual case where a decision has to be made.

HAYEK: But they're bound soon to conflict in an individual case.

BORK: Of course, it has been said--and I was raised to believe it, probably by legal positivists whom I didn't recognize in their guise (actually by legal realists)--that law really is like a system of parables, and for every parable that looks in one direction, there is its exact opposite. And that's what gives judges freedom. "A stitch in time saves nine," but "Haste makes waste."

And law is inevitably like that because human life is like that. So clear general rules become in a sense impossible, and what results is a set of opposing conceptions between which the judge chooses in individual cases.

HAYEK: On the basis of what?

BORK: Well, that we don't know. Well, we do know, unfortunately. He may choose because many judges have become constructivist-rationalists and have decided to improve the society, which is quite bad; he may choose because he doesn't quite understand, which is quite common; or he may choose because he thinks the temper of the times-- the general era of moral expectations in which he lives-- says that in this case he chooses "A stitch in time saves nine" rather than "Haste makes waste." At the margin where these two compete, it's almost an intuitional judgment.

HAYEK: Yes, what it amounts to is that the judge is not really guided by the inherent structure of the law, but by certain extralegal ideological concepts. That's just what I would like to exclude. [laughter]

BORK: I'm afraid that's what's inevitable. That's what's troubling me about--

HAYEK: Is it really inevitable? You see, it's so much more marked in the United States than elsewhere that I wonder whether this is not really the result of a peculiar tradition.

BORK: Well, let me merely suggest that it may be so much more marked here than elsewhere precisely because we have a written constitution, which gives judges an enormous power that they do not possess elsewhere.

HAYEK: But is this a necessary fact of a constitution, or is it the effect of a particular form of constitution?

BORK: I would think it's a necessary effect of saying to judges, "Here is holy writ. You are the sole interpreters of it." That begins to develop attitudes of mind and gives great freedom, because that holy writ is necessarily written in very general terms.

HAYEK: You know, this may lead away from what you are saying, but it reminds me that my whole theory leads me to deny that a constitution is a character of law. A constitution is an instrument of organization; it is not an instrument of rules. And perhaps the American Constitution tries too much to be law, and ought to be understood merely as principles of organization rather than principles of conduct.

BORK: In effect, they should have stopped with the first three Articles defining the Congress, the presidency, and courts. Stopped and not continued.

TAPE: BORK II, SIDE TWO

TAPE DATE: UNSPECIFIED

HAYEK: You know, I probably mentioned in my book the funny story of German legal philosophy in the last century. When they had elaborated what I think is a very fine definition of what law--as they called it, "law in the material sense"--meant, suddenly somebody pointed out that they excluded the constitutional law from law. It so shocked them that they abandoned the whole thing.

[laughter]

BORK: Well, yes, it would be possible to have a constitution which is merely organizational, and which, as you say--

HAYEK: --which, in limiting the powers of government and legislation to coercion only according to formal rules, would delimit power, not lay down any rules of law. We would just say that people had no other power than that.

BORK: Dr. Hayek, I think you just laid down a rule of law with that. [laughter]

HAYEK: Well it depends on whether you call this a rule of law. It's a rule of organization determining what powers particular people have.

TAPE: BORK III, SIDE ONE

TAPE DATE: UNSPECIFIED

BORK: Doctor Hayek, early on in your latest work you refer to Edmund Burke approvingly, and I, too, like Edmund Burke and his approach to matters. But Burke is essentially a man of moral principles, but a very pragmatic man about moral principles, and one who does not try to lay down general rules for the society. I wonder if there is perhaps in your own position a tension--almost rising toward an inconsistency--in that approving of an evolutionary formation of law, approving of Burke, you nonetheless begin to construct pretty hard rules about what law must be about.

HAYEK: There's no distinction between rules and principles in this respect. I'm afraid you use it in an American jurisprudence way, perhaps slightly differently from the way I mean. I'm suggesting tests which the law must satisfy, not contents of the law. And I think that is all we can do about any kind of system of thought.

In fact, I'm rather pleased to see that there is an extraordinary similarity between my test of legal rules and [Karl] Popper's test of empirical rules. [There is] a certain similarity: neither of them says anything about material content, but they both define certain characteristics which any rule that fits into the system of a free

society must satisfy. But, of course, the temptation, particularly if you--as I do in my volume three--venture into providing a constitutional setup, is to go beyond it. But even that is meant more to exemplify what kind of system would satisfy my criteria, and the particular example is much less important than the illustration of how the principles could be put into effect.

BORK: I see. But I suppose a Burkian might say that the attributes of law, or the principles, ought to be allowed to evolve as well.

HAYEK: They will. I'm not laying down the law; I'm offering something to choose from. Evolution is always the selection between alternatives.

BORK: I suppose, as a lawyer who is somewhat dubious about the power of law to control large events and movements, I would offer this suggestion: perhaps your position places really too much emphasis on law, in the sense that you think law with proper attributes can control the direction of the society, or at least prevent the society from moving in the wrong direction; whereas I would suggest that much of our history suggests that law is really powerless to withstand strong social, philosophical, political movements, and will reflect those movements rather than stop them.

HAYEK: Yes, I'm afraid that is true. But I try to

operate on political movements. You know, my general attitude to all of this has always been that I'm not concerned with what is now politically impossible, but I try to operate on opinion to make things politically possible which are not now.

BORK: I quite agree with that. I quite agree with that, but I was-- It leads me to the thought that perhaps the importance of your work is more in its demonstration that certain opinions and certain movements are bad than perhaps in its ability to state the necessary attributes of good law, because the real moving force will be in the opinions about society, rather than in opinions about what characteristics law must have to be just.

HAYEK: Well, my definition of what characteristics law must have to be just is, of course, also an attempt to work on opinion to make this sort of thing more acceptable, but my main concern, of course, is to create an apparatus which prevents the abuse of governmental powers.

BORK: Perhaps I come away from your work, which I found enormously stimulating, less convinced that the apparatus can save us than that your explanation of the way a society operates leads me to believe that legislators and judges ought to be persuaded to greater modesty about their powers, about their intellectual understanding, and that would be a sufficient lesson for them to carry away.

HAYEK: Yes, but there's another point. You know, I'm frankly trying to destroy the superstitious belief in our particular conception of democracy which we have now, which is certainly ultimately ideologically determined, but which has created without our knowing it an omnipotent government with really completely unlimited powers, and to recover the old tradition, which was only defeated by the modern superstitious democracy, that government needs limitations. For 200 years the building of constitutions aimed at limiting government. Now suddenly we have arrived at the idea where government, because it is supposedly democratic, needs no other limitations. What I want to make clear is that we must reimpose limitations on governmental power.

BORK: That's entirely true. Whether that can be done through law and constitutions is the remaining question. What we see in America, I think, is a government becoming much more powerful; but part of government--the courts--applying rules which are supposed to limit government but in fact enhance the power of courts.

HAYEK: Nobody could believe more strongly that a law is only effective if it's supported by a state of public opinion, which brings me back--I'm operating on public opinion. I don't even believe that before public opinion has changed, a change in the law will do any good. I think

the primary thing is to change opinion on these matters. When I say "public opinion," it's not quite correct. It's really, again, the opinion of the intellectuals of the upper strata which governs public opinion. But the primary thing is to restore a certain awareness of the need [to limit] governmental powers which, after all, has existed for a very long time and which we have lost.

BORK: Well, in that I couldn't agree with you more, and I think that may be an appropriate place for me to stop. Thank you very much.

HAYEK: That was very enjoyable.

BORK: I enjoyed it very much.

TAPE: HAZLETT I, SIDE ONE

TAPE DATE: NOVEMBER 12, 1978

HAZLETT: Among contemporary social philosophers, I think it's safe to say that you have pursued the idea of a spontaneous order the furthest. I'd like to ask: What is the litmus test for deciding whether some specific action of government is part of a spontaneous order, [as opposed to] an attempt to impose a solution by construction?

HAYEK: I think [it depends on] whether the government merely enforces abstract rules of conduct or makes people serve particular concrete ends. The enforcement of abstract rules of conduct, in the sense in which a general law is equally applicable to all, only determines the formation of a type of structure, without deciding anything about the purpose at which men ought to aim. If men are told what end to serve, it's no longer a spontaneous order; it becomes an organization serving a particular purpose.

HAZLETT: Now, you give the Roman constitution as an example, within a legal setting, of a spontaneous evolutionary process; yet at any particular time during the period when the Roman constitution was developed, it was certainly imposed upon the citizens. Isn't this type of situation a paradox?

HAYEK: No, you see, I think it's not appropriate to

speak of a Roman constitution at all. The form of government was changing all through the process, and the constitution was a method of determining the organization of government. I was speaking about the evolution of private law, which under the Roman tradition, determines the extent of the coercive powers of government. And this law developed, in that sense, spontaneously.

The judges tried to articulate, in words and judgments, moral conceptions which had gradually grown up, constantly improving them, and even modifying them, in order to make them internally more consistent. It was a process of growth like this, of what essentially is a system of rules of individual conduct, which as tradition made people accept as the limitations of governmental power over-- I can't say the individual; I must say the free individual, because you had a large population of slaves, which was not included. As far as the free citizen of Rome was affected for, say, the first 300 years since Christ--the classical period of the Roman Empire--you could say that the powers of government were effectively reduced to what is my ideal, because it was the spontaneously developed system of rules of conduct which was all that government could enforce, apart from taxation, which I will leave out for the present moment.

HAZLETT: What mistakes, in terms of the available state

of knowledge, did the authors of the United States Constitution make?

HAYEK: Oh, in entrusting both the function of government and the function of legislation, in the true sense, to a single body--in fact, two houses of Congress--which both can lay down rules of conduct and instruct government what to do. Once you have this situation, you no longer have government under the law, because those who govern can make for themselves whatever law they like.

HAZLETT: Many theorists have commented that your writings--political philosophy--are much more in the tradition of James Madison than they are in the tradition of Thomas Jefferson.

HAYEK: Perfectly correct.

HAZLETT: What differences do you perceive along these lines?

HAYEK: Oh, Madison was essentially concerned in limiting government; Jefferson was much more concerned in making government do good.

HAZLETT: In the Constitution of Liberty, you chart the divergence of liberalism in the nineteenth century into a libertarian wing and a socialist wing. Of course, in the twentieth century the socialist wing has been overwhelmingly dominant, but is it possible at this late date, however, that liberalism is again splitting into two

schools, and that now we are seeing the reemergence of a classical liberal tradition?

HAYEK: I hope so. Among the young people, certainly, in the last five or ten years, this has been springing up, not only in the United States but also on the European continent. And in the last few months, even in France, a country which I thought was least hopeful, a group of young people who are libertarians with a well-founded intellectual argument [have been] appreciating the points we have just been discussing--that the power of government should be limited, on the one hand, to enforcing rules of individual conduct, and, on the other hand, without coercive powers, rendering certain services.

I like to say that when I was very young, only very old people still believed in that kind of liberalism; when I was in my middle age, nobody except myself and perhaps [Ludwig von] Mises believed in it; and now I've lived long enough to find the thing is being rediscovered by the young. That makes me fairly optimistic, not for the near future, because it would take twenty years or so before these young people will have any power; but my other phrase is that if we survive the next twenty years--if the politicians don't destroy civilization--I think there is good hope for mankind.

HAZLETT: Along those lines about how possible it is to

turn back the flood of government regulation, in California we've seen a massive groundswell of opinion on this thing called Proposition 13; yet now it seems that this tax-cutting measure will leave as a chief legacy, besides cutting property taxes, the imposition of rent controls in many parts of the state of California. It seems that the dynamics of the welfare state are very much involved in this. Do you think that it really is possible to turn back the tide?

HAYEK: I hope so. I'm by no means certain, but I devote all my efforts-- My concern is to operate on public opinion, in the hope that public opinion will sufficiently change to make such a development possible.

But if I may say so--I hope you are not offended--I don't believe the ultimate decision is with America. You are too unstable in your opinion, and if opinion has been turning in the right direction the last few years, it may be turning in the wrong direction again in the next few years. While it's sometimes a great advantage to be able to change opinion very rapidly, it also creates a certain amount of instability. I think it must become a much more general movement, and for that reason, I am rather more hopeful about what is happening among the young people in Europe nowadays than what's happening here, perhaps also because in Europe the intellectual tendencies

are more likely to capture public opinion lastingly. While though at present you have an equally promising group of young intellectuals in this country, it does not mean that in ten years' time they will have gained public opinion.

HAZLETT: Do you have any examples in mind of countries that, once having flirted with socialism or the welfare state, have been able to reinstitute the rule of law?

HAYEK: Oh, very clearly Germany after World War II, although in that case it was really the achievement of a single man almost.

HAZLETT: Ludwig Erhard.

HAYEK: Ludwig Erhard, yes.

HAZLETT: Let's take a look at the spontaneous order idea in terms of a specific issue. In this country the affirmative action program has to do with racial quotas.

HAYEK: Explain to me what it means. I've never really understood what "affirmative action" is supposed to mean.

HAZLETT: Well, it's founded on the argument that if the government treats everyone equally now, in terms of race, that it will implicitly be sanctioning past discrimination. Hence, it is necessary for the state to take so-called affirmative action, and for private employers to take affirmative action, in hiring minorities and groups that the government classifies as having been discriminated

against, and favoring them over groups that have been classified as not having been discriminated against.

HAYEK: Achieve nondiscrimination by discrimination.

[laughter]

HAZLETT: Well, that's exactly the question that has been posed by this. But the question is, from your political philosophy, doesn't the spontaneous order idea, which is to let things work themselves out, inherently favor or inherently bias, let's say, the outcome in favor of past discriminations or past inequities?

HAYEK: It accepts historical accidents. But after all, civilization rests on the fact that people are very different, both in their location and their gifts and their interests, and unless we allow these differences to exist irrespective of whether we in the particular case think they are desirable or not, I think we shall stop the whole process of evolution.

After all, the present civilization rests on the fact that some people have settled in places which are not very conducive to their welfare, some people have been moving to parts of the world where conditions are not very good, and that we are using this great variety of opportunities. And variety of opportunities means always difference of opportunities. I think if you try to make the opportunities of all people equal you eliminate the main stimulus to

evolution. Let me say what I wanted to say a moment ago. What you explained to me about the meaning of affirmative action is the same dilemma which egalitarianism achieves: in order to make people equal you have to treat them differently. If you treat people, so far as government is concerned, alike, the result is necessarily inequality; you can have either freedom and inequality, or unfreedom and equality.

HAZLETT: I'd like to go to a different line of thought. Many philosophers right now, and economists, are concerned with the bias of democracy toward big government. The idea is that subsidies which go to powerful special interests, which are very specific, and the taxes and higher prices that are caused by the costs of government programs, are diffused over a wide audience of consumers and taxpayers, so that it is in the interest of the lobbies of special interests to go ahead and spend money to get these favors from the state; whereas it's not in the interest of consumers and taxpayers to organize on one specific issue.

Now, this is somewhat different than your reasoning about the growth of government in The Road to Serfdom, and the intellectuals and socialism, in that you basically attribute the rise of big government to a misunderstanding or a mistake--that socialism really does not deliver what

it promises. And here these people are saying that actually the tendency towards big government is a rational process in the sense that people act in their own self-interest. How do you reconcile these two views?

HAYEK: Well, they are two different things, but which operate in the same direction. So far as people act under socialist influence, they work in-- What I did not fully understand at that time is that the democratic process, quite apart from socialist ideology, has the same tendency.

I should strictly say the "unlimited democracy," because unlimited democracy is not guided by the agreement of a majority but is guided by the necessity of buying the support of a sufficient number of small groups to form a majority. It's a very different thing. The original conception of democracy was that people actually agreed on governmental action, and it was assumed that on each issue there was a majority view and a minority view. The fact is, of course, that the thing doesn't work that way. You have to build up a majority, which then acts. And you build up a majority and count on the present system of unlimited powers of the government only to grant special privileges to a sufficient number of small groups. Now, that is not a thing I had clearly seen at the time of writing The Road to Serfdom, but it is the main theme of the present

book I'm now publishing, of which the final volumes are in the press and coming out early next year.

I think that so long as we have a so-called democratic or representative legislature, which at the same time can legislate and govern, we no longer have a limited government but rather a government which, because it is unlimited, is forced to grant an ever-increasing number of special privileges to particular groups. What originally democracy aimed at is only possible in a limited democracy, where government is under the law and where therefore two different bodies must be concerned in laying down the law, on the one hand, and operating under that law, on the other.

HAZLETT: Institutionally, how does separating these two different legislative functions make it more difficult for special interests to influence legislation? Don't lobbyists then just have to buy two lunches?

HAYEK: Well, no, certain things become wholly impossible. If you can use coercion only in the execution of general rules, certain things are completely impossible. Government just would not have the power to grant special privileges, and that will become clear if the thing has to be spelled out. My truly legislative assembly could only lay down general rules equally applicable to all, and the other could only coerce in enforcing these rules; the second wouldn't have the power to do more, nor would have the first.

Now, to preserve this, you would have, in a third instance, a truly constitutional court, which would decide what one could do, what the other could do, and what nobody could do. But I think this combination could, in the long run, fully achieve what I aim at, provided that they are elected on quite different principles. I must explain that later.

TAPE: HAZLETT I, SIDE TWO

TAPE DATE: NOVEMBER 12, 1978

HAYEK: On conditions, it is really possible, as I believe the nineteenth century rightly believed it to be possible, to draw sharp logical distinctions between what are general rules of law and what are specific commands. I am not claiming that we have solved all the problems involved there; in fact, that would be the task of my constitutional court gradually to elaborate this.

But the nineteenth century had actually evolved a definition of law in what they called the "material sense" of the word, in contrast to the purely "formal sense," as a general rule applicable to an unknown number of future instances, referring only to individual conduct, with one or two more qualifications like this. That and our present knowledge seems to be a pretty adequate definition, although I'm not sure that in practical cases it would always suffice. But that's a typical task of a court; if the principle is laid down, the court can work it out.

HAZLETT: As an advocate of a really revolutionary reform, in terms of our governmental structure, don't you run the risk of being accused of being a constructionist or a rationalist?

HAYEK: No. First, I'm quite sure this has to be gradually

achieved, once the ideal is recognized, and institutions have of course to be designed, even if they develop. I only object against the whole thing made to singly designed institutions. Our spontaneous order of society is made up of a great many organizations, in a technical sense, and within an organization design is needed. And that some degree of design is even needed in the framework within which this spontaneous order operates, I would always concede; I have no doubt about this.

Of course, here it gets into a certain conflict with some of the modern anarchists, but I believe there is one convincing argument why you can't leave even the law to voluntary evolution: the great society depends on your being able to expect that any stranger you encounter in a given territory will obey the same system of rules of law. Otherwise you would be confined to people whom you know. And the conception of some of our modern anarchists that you can have one club which agrees on one law, another club agrees on another law, would make it just impossible to deal with any stranger. So in a sense you have, at least for a given territory, a uniform law, and that can only exist if it's enforced by government. So the only qualification you must have is that the law must consist of abstract rules equally applicable to all, for an unknown number of future instances and so on.

HAZLETT: If the spontaneous order has a beneficial effect on legal institutions, would the United States, for instance, be better off just to abolish the federal government and to have fifty state governments try different institutions?

HAYEK: What I would favor, in a case like this, is to have a common law in my sense of general rules, but devolve practically all governmental functions to smaller units. I dream of all governmental functions performed by local units competing with each other for citizens.

HAZLETT: You mentioned before that libertarian political movements are springing up in this country and in Europe. What major differences do you perceive between your philosophy and the idea of a spontaneous order and the libertarians, who in many cases are nearer anarchism in their philosophy?

HAYEK: Well, of course, I can't generalize about this, because within this large number you have everything from pure anarchists to people who are much too interventionist for me; so I would be somewhere in the middle of that group.

HAZLETT: You have written almost alone on the subject, in The Constitution of Liberty, of the separation of the concept of value and the concept of merit--that good people don't deserve more money but that, in the economic system, people get money for a lot of reasons that we

can't even describe. And this is a subtle point. I don't know if libertarians, even people that agree with your political conclusions, have caught on to this. Do you find that this point is being missed?

HAYEK: I think it has been missed, and when I put it in The Constitution of Liberty, I even followed it up to its ultimate conclusion. I think it's all a matter of the basic difference between the attitudes we developed in the closed, face-to-face society and the modern, abstract society. The idea of merit is an idea of our appreciation of known other persons in the small group-- what is commonly called the face-to-face society; while in the greater open society, in apparent terms, we must be guided purely by abstract considerations, and merit cannot come in.

Incidentally, this is a point which, curiously enough, has been seen by Immanuel Kant. He puts it perfectly clearly--yes, I think he uses the equivalent of merit-- that merit cannot be a matter of general rule.

HAZLETT: Of course, in society as a whole the social justice concept is still quite prevalent, and there are even many very popular philosophers who advocate that any sort of good fortune or luck that is economically beneficial to individuals be taxed away.

HAYEK: Well, it's absolutely essential that individuals

are making use of luck, and if it's no longer worthwhile to pursue pure luck, very desirable things will be left out.

I think the old concept of social justice is a misconception in the sense that a conception which applies to individual conduct only is applied to a spontaneous process which nobody directs, and in fact the concept is wholly empty, because no two people can agree what social justice would be.

HAZLETT: What do you make of Alexander Solzhenitsyn's criticism of Western society?

HAYEK: I'm a little puzzled by it. I'm a great admirer of Solzhenitsyn, but my interpretation [of his criticism] was [that it must have been the result of] just shock by too great a difference between what he had known and was familiar with and what he experiences in the United States-- the politics, the many peculiar features of the United States that are essential to a free society. I was not greatly impressed by this; in fact, I was a little disillusioned in my admiration for Solzhenitsyn when he came out with that statement, although in a way it is a good illustration of one of my main points. Namely, that civilization disagrees with a great many of our innate instincts, and most of the people haven't reconciled themselves with that fact. Civilization has certain costs and involves

certain constant disappointments of what we call natural needs. Solzhenitsyn is still a man who relies a great deal on natural instincts, and to discover that there are so many natural instincts which the advanced civilization does not satisfy oppresses him. So I can understand it, but I don't think his argument is compatible with the argument for a free society.

HAZLETT: He has objected, of course, to the hedonism and lack of responsibility that is found in a free society. Is it simply a product of him having very little experience in a free society that this bothers him so much?

HAYEK: It bothers him more, but of course he shares it with so many of our own philosophers that it can't be surprising, really. It's shocking [coming from] a man who has been protesting so loudly against the extreme form of tyranny, but when you reflect upon it, you must almost expect it in his situation. That he should come to the resignation at which somebody has arrived who has studied for a long time the extent to which to achieve civilization we had to renounce many of our natural instincts, you cannot really expect from a man whose whole concern has been that his natural instincts have been oppressed by that system. That even civilization requires restraints on natural instincts he has not yet discovered.

HAZLETT: Looking at the Russian dissidents, who certainly

face a heroic battle in our time vis-à-vis the concept of liberty, are you disappointed by the lack of libertarianism in some of their thoughts?

HAYEK: Emotionally, perhaps; intellectually, no. I understand too well that this is almost an inevitable situation. We admire these people for what they dislike, but that they have not a clear idea of what would be desirable is so little surprising that we ought really not to be upset by it. One is naturally upset if a man with whom one feels he's been agreeing all the time suddenly turns, like Solzhenitsyn, against Western civilization. It comes as a shock, but in fact psychologically nothing is more natural than that.

HAZLETT: Of course, it might be disappointing that somebody as brilliant as a Solzhenitsyn has as difficult a time understanding the principles of a liberal society as he does. So that might cause some consternation.

HAYEK: It naturally does. But, you know, when you turn to modern Western literature, there's very little chance of finding a satisfactory explanation of the workings of Western society. And I must say, I was a little apprehensive when I heard that Solzhenitsyn was moving to America and probably getting in the hands of American intellectuals-- not scholars but the makers of opinion, who are fundamentally not the most sensible people you can wish for.

[laughter]

HAZLETT: Going back to the intellectual reversion in Western society, let's take a look at Europe. Where do you feel the brightest currents are coming from?

HAYEK: Well, I only know really about three countries now: England, Germany, and France. I think it began really in Germany, with a very small group, at first at the university where I finally taught and am now living-- Freiburg. They influenced Erhard, and for a time in the fifties and sixties, a small group of German intellectuals were leading.

There is now a similar development in England, which in a way is perhaps intellectually more founded, largely turning round a single institution, the Institute of Economic Affairs [IEA]. They have pursued the very sensible policy of not so much talking about general principles but illustrating them by investigating one particular issue after another in detail. Extremely well done.

[There is] a French movement of very recent date; I only learned about it last summer. There are now half a dozen young French economists who think like the so-called Austrians in this country, and like most of these English people or the Freiburg [people] or the social-market-economy school in Germany. I found this so encouraging because I always felt that the French situation was the most hopeless. And that there should be, from the

intellectual end, a reaction I think is more promising than almost anything else. I can never generalize about Italy; I don't know what's happening there. There are some extreme individualists and some extreme so-called communists, but both seem, when you analyze it, to be really anarchists.

HAZLETT: Now, going back to France, the so-called new philosophers have received an enormous amount of publicity in France and internationally. What do you perceive their value as?

HAYEK: They are very muddled, really. My hope is for not a nouveau philosophe but a nouveau économiste, which is a distinct group and which in fact is criticizing the nouveaux philosophes.

HAZLETT: On what grounds?

HAYEK: On having still retained much too much of the socialist preconceptions. The new philosophers are merely disappointed with Russia and the Russian doctrine; they still imagine that you can preserve the idealist element behind it and only avoid the excesses of the communist parties. On the fundamentals, they do not think very differently. They are essentially people who have been disillusioned with one idea, but have not yet a clear conception of an alternative. But apparently these new young economists really believe in a libertarian system.

HAZLETT: Why have the liberals lost in Germany? Why are they no longer influential, as they once were?

HAYEK: Well, with the usual rules of the parliamentary system in which they function, they realize that with the present type of democracy, government is inevitably driven into intervention, even against its professed principles. It's always the sort of cynicism of people who still believe it would be nice if we could stick to our liberal principles, but it proves in practice to be impossible. So they resign themselves reluctantly, and perhaps some more cynically. They believe other people are getting out things from the process of corruption; so they decide to participate in it. It's quite cynical.

HAZLETT: Well, so what does a politician do? You just wrote a foreword for a book by a former secretary of the treasury, William Simon. A Time for Truth, which became a best-seller in this country, is very widely read now. What would a Bill Simon, a secretary of the treasury, do under those political constraints?

HAYEK: Well, I'm afraid so long as we retain the present form of unlimited democracy, all we can hope for is to slow down the process, but we can't reverse it. I am pessimistic enough to be convinced that unless we change our constitutional structure, we are going to be driven on against people's wishes deeper and deeper into government control.

It is in the nature of our political system, which has now become quite as bad in the United States as anywhere else. What we have got now is in name democracy but is not a system in which it is the opinion of the majority which governs, but instead where the government is forced to serve a sufficient number of special interests to get a majority.

HAZLETT: A political tactic that has just developed very recently in this country on the part of libertarians, and Milton Friedman has certainly been a leader here, is this idea of the referendum--Proposition 13, obviously, was the case in point--to allow people as a whole to vote against, in general, big government. That seems to be the tactic now. Do you think that this really has--

HAYEK: It's not the ultimate solution, but it may not only delay or slow down the process; it may do even more. It may affect opinions in the right direction. People may come to understand what the trouble is. So I'm all in favor of it, particularly since I have been watching the thing operating in Switzerland, where again and again referendums stopped action which the politicians believed they had to take in order to satisfy the majority. Then it turned out when they asked the majority that the majority turned them down. It happened so frequently in Switzerland that I became convinced that this is a very

useful brake on the bad features of our present-time democracy. I don't think it's a longtime solution, but it might give a sufficiently long pause for the public to appreciate what the dangers are.

HAZLETT: You mention the Institute for Economic Affairs as having tremendous influence in Britain. Is this really the solution, to stimulate intellectual discourse from a free-market standpoint?

HAYEK: Oh, I'm sure you can't operate any other way. You have to persuade the intellectuals, because they are the makers of public opinion. It's not the people who really understand things; it's the people who pick up what is fashionable opinion. You have to make the fashionable opinion among the intellectuals before journalism and the schools and so on will spread it among the people at large. I oughtn't to praise them because the suggestion of the Institute came from me originally; so I let them on the job, but I'm greatly pleased that they are so successful.

HAZLETT: So if a businessman says to you, "What can I do?" from the state down, your suggestion is to send a check to the IEA or a reasonable facsimile.

HAYEK: Oh, yes. Of course, do the same thing here. In fact, the man who has founded, on my advice, the London Institute is now creating similar institutes in this country, in Los Angeles and San Francisco and New York, and

he has already done one in Vancouver, which is nearly as good as the London one.

HAZLETT: The Frazer Institute, I think you're referring to.

HAYEK: Yes.

HAZLETT: Earlier this year the London Times captioned your photograph with the title "F. A. Hayek, the greatest economic philosopher of the age." I daresay that twenty years ago, it would have had a different title.

HAYEK: Oh, very definitely.

HAZLETT: In your mind, what is the reason for the respect that your ideas are currently garnering, when so recently they met with open hostility?

HAYEK: Well, I think the main point is the decline of the reputation of [John Maynard] Keynes. Thirty years ago there were two-- I may sound curious myself saying this, but I believe about 1946, when Keynes died, Keynes and I were the best-known economists. Then two things happened: Keynes died and was raised to sainthood; and I discredited myself by publishing The Road to Serfdom. [laughter] And that changed the situation completely. For the following thirty years, it was only Keynes who counted, and I was gradually almost forgotten. Now the failure of the Keynesian system--inflation, the return of unemployment, all that--first confirmed my predictions in strictly the economic sphere. At the same time, my studies of politics provided,

I believe, answers for many problems which had begun to bother people very seriously. There is a good reason why I am being rediscovered, so to speak.

HAZLETT: Well, if Keynes were alive today, how different do you think the political climate would be?

HAYEK: I think very likely it would be very different. Keynes was very capable of rapidly changing his opinion. In fact, he was already, when I talked to him the last time, very critical of his pupils who in the postwar period were still agitating for inflation; and he assured me that if his ideas would ever become dangerous, he would turn public opinion around in a moment. Six weeks later he was dead and couldn't do it. But I wouldn't dare to say what his development would have been; he had been so much an intuitive genius, not really a strict logical reasoner, that both the atmosphere of the time, the needs of the moment, and his personal feelings might have swayed his opinions very much. I regard him as a real genius, but not as a great economist, you know. He's not a very consistent or logical thinker, and he might have developed in almost any direction. The only thing I am sure is that he would have disapproved of what his pupils made of his doctrines.

HAZLETT: Joseph Schumpeter's Capitalism, Socialism and Democracy was written just two years before your The Road

to Serfdom. What influence did Schumpeter's book have on you?

HAYEK: None, because my book was practically ready before his came out. You see, I rewrote and rewrote for stylistic reasons, but the whole argument was on paper before Schumpeter's book came out.

HAZLETT: Are you optimistic about the survival of freedom?

HAYEK: Not very. I think I said so before in this conversation that if the politicians do not destroy civilization in the next twenty years, there's good hope; but I am by no means certain that they shan't succeed in destroying it before then.

HAZLETT: So the long run is positive but the short run looks bleak.

HAYEK: Yes.

HAZLETT: Thank you very much.

TAPE: ALCHIAN I, SIDE ONE

TAPE DATE: NOVEMBER 11, 1978

ALCHIAN: Let's continue with the discussion of some of your early students--Mrs. Lutz, Vera Lutz. Where did you first have her as a student? Was this in Vienna?

HAYEK: At the London School of Economics.

ALCHIAN: Was she married then to--

HAYEK: No. Oh, no.

ALCHIAN: Did you arrange that? [laughter]

HAYEK: Almost. I sent her to study [at the University of] Freiburg, and [Friedrich] Lutz was still in Freiburg. She came back bringing Lutz to London, and after a while they married.

ALCHIAN: This was Swiss Freiburg?

HAYEK: No, the Freiburg where I am now; Freiburg in Breisgau.

ALCHIAN: Yes, I see.

HAYEK: Lutz himself was a pupil of [Walter] Eucken in Freiburg. At that time, which was already after the Nazis, Freiburg was the only German university which still had a fairly independent and active intellectual life. She was doing the thesis on the development of central banking, and particularly the free-banking discussion in the middle of the nineteenth century. So I sent her to Freiburg to become familiar with the German literature, and there she

met Lutz and induced him to come to London, in turn. And ultimately they married.

ALCHIAN: My recollection is that they were an attractive couple when I got to know them, which was maybe ten years ago. But I suspect that when she was young, she might have been a pretty good-looking woman.

HAYEK: She was a very good-looking woman, and extremely intelligent. But she wasn't really very female; she had too much of a male intelligence. [laughter]

ALCHIAN: Well, our chauvinism comes out. Let's go to a male student. What about [Tibor] Scitovsky. Did he just show up in one of your classes?

HAYEK: Oh, no. In that case, his father brought him to me from Budapest.

ALCHIAN: Were you in Vienna?

HAYEK: No, I was already in London. He brought him to London and wanted somebody who was familiar with Central European conditions. So he came to me and brought a young boy saying, "Will you look after him a little while he is a student; this is his first time in a foreign country." And then we got on very well together. I believe he did his thesis under [Lionel] Robbins.

When you ask about my pupils during this English period, in most instances I won't know whether he was really formally Robbins's or mine. We had a common seminar, and

it was pure chance which of us undertook to supervise a thesis. So in most instances I wouldn't know whether he was formally Robbins's or my pupil. It was really a joint seminar and a joint arrangement.

ALCHIAN: How did you run the joint seminar? Did you assign topics to students, or did you and Robbins pick a topic and discuss it?

HAYEK: There was always a main topic for the whole year, which-- I think in justice I can say Robbins did all the organizing work, including choosing the general topic. But once it came to discussion, I more or less dominated discussion. [laughter].

ALCHIAN: Well, did the two of you dominate the discussion, or were the students doing most of the discussing?

HAYEK: Oh, very much. You see, we had gradually developed a sort of-- It was a large seminar; I suppose thirty or forty people attended. But there was always a front row of people who had been members of the seminar for two or three years already, and they dominated the discussion. This included not only students: there were people like John Hicks, who was a regular member of the seminar; Freddy Bennan was a regular member of the seminar; after a while, of course, [Nicholas] Kaldor had emerged--

ALCHIAN: He took over. Yes, I see.

HAYEK: So after a while, I would say almost that whole

front row were assistants and junior lecturers at the London School of Economics [LSE].

ALCHIAN: Do you recall any of the seminar topics or main themes?

HAYEK: I think it began and dominated almost all the--

ALCHIAN: This was 1930-31?

HAYEK: Oh, '31 or '32. I started teaching in London in the autumn of '31; I suppose it was in that year that we started on the theory of production. It turned on a paper model of the production function which somebody had made. And [Roy] Allen and Hicks were evolving their own theories.

ALCHIAN: This is R.G.D. Allen?

HAYEK: R.G.D. Allen and John Hicks were developing their own theories. I don't know whether I ought to mention it-- I doubt whether John Hicks remembers it--but it's almost a joke of history that I had to draw Hicks's attention, who came from [Alfred] Marshall, to indifference curves.
[laughter]

ALCHIAN: That was a well-planted seed, all right. How did you happen to know about indifference curves?

HAYEK: Oh, I had of course spent all my early years on utility analysis and all these forms, and we had in Vienna-- [Paul] Rosenstein[-Rodan] wrote that great article on marginal utility, and with him we waded

through the whole literature on the subject of marginal utility, including-- I was very attracted, in a way, by the indifference-curve analysis. I thought it was really the most satisfactory form, particularly when it became clear that it unified the theory of production and the theory of utility with a similar apparatus. So by the time I came to London, although I had never been thinking of it in algebraic terms, the geometry of it was very familiar to me.

ALCHIAN: That's an aspect of background on Hicks I wasn't aware of; I wondered how come he suddenly got into that. Well, I wanted to go back to that seminar. Since I do some teaching, I like to know what others do.

[tape recorder turned off]

HAYEK: International trade was one year the main subject.

ALCHIAN: And again it was you and Robbins who--

HAYEK: Well, from '31 till '40, till Robbins went into government service at the beginning of the war, every year we had this common seminar, which was the center of the graduate school in economics; and people who were sitting in were not only those younger junior teachers at LSE, and assistants who gradually became teachers, but people like Arnold Plant, who regularly sat in with us without taking an active part. But he was extremely helpful with his great practical knowledge.

Occasionally, but only the first few years, even T[heodore] Gregory, who was the senior of the department, would still come in, but he was already somewhat remote. I think it is true to say that although formally, through the early part of the period, Robbins, I, and Gregory, the senior, were the three professors of economics, with Plant as professor of commerce joining in, Gregory was gradually getting interested outside the school of economics; so his influence was comparatively small. I don't know; I may be forgetting-- Barrett Wale also came.

ALCHIAN: Oh, Barrett Wale, yes. Those are all familiar. I started my studies of economics in 1933 and '34, and those names were well known then. Where did these meetings occur?

HAYEK: In the seminar room, which was then behind the refectory of the London School of Economics, where we had a sort of small hand library on the side for things we most frequently used. We usually held it in the afternoon.

ALCHIAN: If I were to go there now, could you tell me how to get there?

HAYEK: No, you wouldn't find the same room. In the course of reconstruction, it has disappeared.

ALCHIAN: Now, were the topics for each week assigned, or did somebody have a paper?

HAYEK: Oh, there were papers, but the discussion of any

paper might go on for several weeks.

ALCHIAN: Independently of the paper itself, sometimes. Although you said that you maybe dominated the discussion after Robbins started, were there some of the people there who were very forceful personalities?

HAYEK: Abba Lerner was very important.

ALCHIAN: By virtue of intellectual power, rather than by--

HAYEK: Yes. Among those people who started as students and continued as assistants and senior lecturers, [Nicholas] Kaldor, Abba Lerner, and for a time even Hicks took the position almost of a junior lecturer, and then rose gradually to a dominating personality. There were two or three others whom I have lost sight of. There was the unfortunate Victor Edelburg. I don't know whether you know him.

ALCHIAN: I know of him. Did he die early?

HAYEK: Well, I think he is finally in a lunatics institution.

ALCHIAN: Oh, is that right?

HAYEK: He completely went to pieces. And a man called Iraki, whom I have completely-- [He was] not Japanese; Iraki is also a Japanese name. [There was also] Ardler, who I believe is now with the international bank somewhere. There was, as I say, a group of six or eight very senior students who were ultimately graduate assistants, who throughout the years-- Of course, there was a constant

flow of American visitors. I think every year we had one or two junior American lecturers, and even junior professors were passing through and spending a year with us, including-- Who was the former president of [University of California] Berkeley, who has recently--

ALCHIAN: Kerr? Clark Kerr?

HAYEK: Not Kerr, no.

ALCHIAN: Hitch? Charlie Hitch?

HAYEK: Yes, it's Hitch.

ALCHIAN: Yes, he was an Oxford scholar.

HAYEK: He was one of them. Arthur [D.] Lewis, who played a similar role in the seminar later.

ALCHIAN: Did Abba Lerner still wear-- Was he then not wearing neckties and wearing open-toed shoes?

HAYEK: Sandals, yes. Well, he was a very recent convert to civilization. [laughter]

ALCHIAN: He told me that when he was a very young child, they were so poor his mother used to put water in the milk, and he always thereafter liked skim milk.

HAYEK: Very likely, very likely. He was then a Trotskyist who had, before he came to the university, I believe, failed in business and become interested in economics because he had failed in business. But from the beginning, he was extremely good.

ALCHIAN: He failed in what?

HAYEK: In business. He had been a practical businessman of some kind--some sort of small shop or something. I never found out quite what it was.

ALCHIAN: Smuggling books, maybe. [laughter]

HAYEK: Possibly. In the end-- Well, that, I think, ought to be under lock and key for the next twenty-five years.

ALCHIAN: Although he would probably tell it himself if he were here, I don't want to press on a matter which would be under lock and key.

HAYEK: No, I don't think it would benefit to make it public now. I was going to say simply this: in the end, we had the problem that both Kaldor and Lerner were clearly such exotic figures that we couldn't keep them both in the department. And one of very few points on which Robbins and I ever disagreed was which of the two to retain.

[laughter]

ALCHIAN: I'd heard that there was a dispute. My impression or recollection--you needn't correct it or say it's right or wrong--was that you favored Lerner and he favored Kaldor.

HAYEK: Yes, that's perfectly correct.

ALCHIAN: They all make mistakes. [laughter]

HAYEK: I don't think it was a mistake.

ALCHIAN: No, I think that you were right.

HAYEK: It would have done a great deal of good to England

if Lerner had stayed and Kaldor had gone to America.

[laughter]

ALCHIAN: Oh, you've wished that all your life. [laughter]
Lerner's become a very good friend of mine. In fact, his book Economics of Control was the first book I read after the war, about 1945, when I was in Texas in the air force. I had a chance to go to a library, and I pulled off the shelf Lerner's Economics of Control. I just saw this book--how it got there I don't know. It was in Fort Worth, Texas. And I also pulled off the shelf later an article by the economist at Princeton [University] who was writing an attack on Marshallism--I forget who that was. It's just as well that I've forgotten his name, because it was a terrible article. I read it and was so distressed that I said, "What's this? What's happened in economics in the year that I've been away?" Then I read Lerner's book, and it was a very influential book.

HAYEK: I still think it's a very good book. He's mistaken some points, but--

ALCHIAN: Yes, it's very good.

HAYEK: Oh, another person who was for a time a member of the seminar--it's obvious why I remember him after Lerner--was Oskar Lange.

ALCHIAN: Yes, he was one of my teachers, but--

HAYEK: Oh, was he?

ALCHIAN: Yes, he was here at Stanford [University] and came once a week to give a course in mathematical economics. We learned standard mathematics, but no economics as such. We just learned how to formulate the models, and then we would walk from the campus to what was then the railway station, and he'd tell me some things about why socialism was a good thing. Somehow it never quite took. Fortunately, I should say. In those seminars did you go to a blackboard very much? Are you a blackboard user?

HAYEK: Not I personally. Occasionally for a diagram, but the blackboard was used much by people like Hicks and Allen. [laughter]

ALCHIAN: Somehow I've never seen you at a blackboard. I wondered what you'd be like; whether you'd use it a lot. I cannot work without a blackboard, just to make marks, if nothing else. Were you always white-haired? Of course not. [laughter]

HAYEK: Oh, no.

ALCHIAN: Were you very dark-haired, or light, or blond?

HAYEK: It was a darkish brown, and I think I retained it into my late fifties.

ALCHIAN: And how did you have it? Was it always parted on the side?

HAYEK: Oh, parted. It was just a little fuller than it is now. [laughter]

ALCHIAN: Never a severe problem for you? You never wore it in wild manners to annoy your parents?

HAYEK: Oh, I did once. You see, I now use as a very effective opening with American students the phrase: "Fifty years ago, when I first grew a beard in protest against American civilization--" [laughter]

ALCHIAN: Well, there's still some left; a little bit left, I see. So there's a mild protest. But when did you first grow a beard?

HAYEK: On my visit here in '23 and '24.

ALCHIAN: Oh, you came in '23 and '24, then. Let's see, you were then about twenty.

HAYEK: I was the first Central European student who came over on his own without a Rockefeller [fellowship], on the basis of a quasi invitation from Jeremiah W. Jenks, if that name still means anything. He was the author of the standard book on trusts, and [he was] president of the Alexander Hamilton Institute at New York University [NYU]. He came to Vienna in '22, where I met him and explained to him that I was anxious to go to America to improve my knowledge of economics. He assured me by saying, "I am going to write a book about Central Europe; so if you come over next fall, I can employ you for a time as a research assistant."

Now, that was immediately after the end of the inflation

in Austria; so to collect enough money even to pay my fare was quite a problem. I had saved even the money on the cable announcing that I would arrive. As a result, when I arrived in New York, I found that Professor Jenks was on holiday and left instructions not to be communicated with. So I had arrived in New York on March 23 with exactly twenty-five dollars in my pocket. Now, twenty-five dollars was a lot of money at that time. So I started first presenting all my letters of introduction, which [Joseph] Schumpeter had written for me, and which earned me a lunch and nothing else. [laughter]

ALCHIAN: Well, that's more than most letters today will earn you. Was this in New York, or was this in Boston?

HAYEK: New York. With the help of another five dollars which somebody had slipped in the box of cigarettes they gave me after the luncheon, I lasted for over two weeks on that money. Finally I was down to--after having reduced my ambitions more and more--accepting a post as a dishwasher in a Sixth Avenue restaurant. I was to start next morning at eleven o'clock. But then a great relief came to me--but that I never started washing dishes is a source of everlasting regret now. [laughter] But on that morning, a telephone call came. Professor Jenks had returned and was willing to employ me.

ALCHIAN: Well, I was just about to say we have one thing

in common. I also worked as a dishwasher when I first came to Stanford. But you do not have that honor on your record.

HAYEK: Oh, there's one episode in connection with this. I was then working for Jenks for six months in the New York Public Library on the same desk with [Frederick] Macaulay.

ALCHIAN: Oh, the bond man of the National Bureau?

HAYEK: Yes, and Haggott Beckhart and Willard Thorp. Thorp got me to do the parts on Germany and Austria in his business annals. You will find in the preface that in fact almost my first publication is a contribution to the business annals.

ALCHIAN: Was Jenks at NYU at that time?

HAYEK: Jenks was at NYU, yes. But I spent much of my time in New York gate-crashing at Columbia [University], without having any formal contact with Columbia.

ALCHIAN: My first year I did the same thing.

HAYEK: I read the last paper in the last seminar of John Bates Clark.

ALCHIAN: Oh, you had the honor or the privilege of going to one of his seminars?

HAYEK: He invited me personally, and that was one effect of the Schumpeter letters of introduction.

ALCHIAN: This reminds me that when I was in New York in

1939, I gate-crashed again on the lectures of [Harold] Hotelling and Abraham Wald. And I've been very, very pleased to think back on having seen them. Let me switch a little bit to some of your works. In '30-31 you gave the lectures which became Prices and Production.

HAYEK: In January of '31, yes.

ALCHIAN: Why was that the topic you talked about?

HAYEK: Oh, I was extremely lucky. In fact, I owe my career very largely to a fortunate accident. Of course, by that time I was invited to speak on a subject I had more or less already published--that book on monetary theory and the trade cycle. Robbins, who did not know me personally, made this the occasion of asking me to give the lectures; but the form which the lectures took was due to a fortunate accident.

I had accepted writing the volume on money for the great German Grundriss der Sozialökonomik, which still hasn't got that volume [laughter], because one or two people died, and I went off to England before completing it. But what I had already done for what was meant to be a great textbook on money was a part of the history of money and monetary theory. So I arrived in London to lecture on monetary theory better informed about the English monetary discussions of the nineteenth century than anyone in my audience, and the great impression I made was

really knowing all about the discussions at the beginning of the nineteenth century, which even Gregory didn't know as intimately as I did at that time. Of course, nobody knew why I had this special knowledge, but it became extremely useful. The first lecture of Prices and Production really gives a sketch of the development of these ideas.

The ideas themselves were also due almost to an accident. When I came back from the United States in '24, I wrote an article on American monetary policy since the Federal Reserve Act, which had a passage suggesting that an expansionist credit policy leads to an overdevelopment of capital goods industries and ultimately to a crisis. I assumed that I was just restating what [Ludwig von] Mises was teaching, but [Gottfried] Haberler, who was as much a pupil of Mises, said, "Well, it needs explanation; that is not sufficient." So I first put in that article a very long footnote--about [number] 25--sketching an outline of what ultimately became my explanation of industrial fluctuations. Then I started writing that, first in the monetary theory and the trade cycle, and then--

At this moment, when I had in my mind a clear conception of the theory, but hadn't worked it out in detail, I uniquely had the faith in my being able to give a simple

explanation without being aware of all the difficulties of the problem. And in this fortunate position, I was asked to give these lectures. So I gave what I still admit is a particularly impressive exposition of an idea, which if I had become aware of all the complications, I couldn't have given. A year later it probably would have been a highly abstruse argument which nobody in the audience would have understood. But at this particular fortunate juncture of my development, I was able to explain it in a way which impressed people, in spite of the fact that I still had considerable difficulties with English.

I had had this year in the United States before, but I had never lectured in English. In fact, I am told, or have been told since, that so long as I stuck to my manuscript I was partly unintelligible; but the moment I found I could explain freely, without following the manuscript, I became intelligible.

ALCHIAN: I wanted to ask one line of questioning, but I'm going to divert for a moment to another line, and then come back to this, if I don't forget. The other question was going to be: Do you write your manuscripts by longhand, or do you talk them out and have somebody--

HAYEK: I write and write and write. I begin with cards, with notes, and I always carry this sort of thing with me.

[shows cards]

ALCHIAN: Those little five-by-eight cards. I see.

HAYEK: And all my ideas I first put down in this form. Then I still write it out in longhand from these cards the first time, and that is the longest process. Then I still go on myself typing it out in what I suppose is a clean manuscript.

ALCHIAN: You type it yourself?

HAYEK: Yes. And then starts the problem of correcting, giving it to a typist, correcting it again; so I suppose everything of substance which I have written has been in written-out form three or four times before I send it to the--

ALCHIAN: I want every graduate student to hear that, because I tell them, "You've got to write, and rewrite, and rewrite," and they resist strongly the idea that they should rewrite. If they can just get it down in black and white, they think that's it.

HAYEK: At the moment I'm very unhappy, because this epilogue to the Hobhouse Lecture, which I have only finished in May and is going finally into print now, with the result that as I was correcting the page proofs, I finally had to insert at the end of the book additions to the text. [laughter] I always get the best formulations of my ideas after they have already been on paper.

ALCHIAN: Yes. For some people, [Fritz] Machlup for one,

when I read his work I can see the man talking, I can hear him, just by the words that come out. And somewhat similarly with you, when I read your work, I can see you standing there talking, because the sentences of your written material are very much like your oral sentences. They are well phrased, well put together.

The first time I ever heard you--I think maybe it was at Princeton in maybe '57; I'm not sure where--you got up and gave a spontaneous lecture, and all I could say was, "I don't know what he was saying, but how can he phrase that so beautifully, so elegantly?" You've always done that; that's a remarkable talent that some have. How did you develop it, or was it just natural? Whatever natural may mean.

HAYEK: It was comparatively late, and I learned it, I think, in the process of acquiring English as a lecturing language. I don't think I could have done it in German before. I certainly learned a great deal in acquiring a new language for writing, although I have retained one effect of my German background: my sentences are still much too long. [laughter]

ALCHIAN: Yes, they are long. But they're put together well. Karl Brunner, who is a very good friend of mine, has the same thing. He says, "If you can say it long, you can say it longer in German."

Let me go back to Prices and Production, because it has a particularly warm place in my heart. The first book in my first year in upper-division work in economics-- in 1934, the year I came to Stanford--we took a technical book that was not a textbook. There were two books: one was Adolf Berle's The Modern Corporation and Private Property; and your book, Prices and Production. I tried to go to the library and get that book that I had used, but I couldn't find it. Those two books I've read, and I've reread them, and they've both been influential. One I think is grossly full of error--The Modern Corporation and Private Property; yours may be grossly full of error, but I haven't yet caught them all.

But, nevertheless, it was a book that set a tone of thinking for me. I reread it again, knowing I was going to get a chance to talk to you. There's one point in there I wanted to make to you. In the first lecture, you quote [David] Ricardo, I believe, on [Thomas] Malthus's fourth saving doctrine. I don't recall having read it earlier--it was the first time I read it--but fifteen or twenty years ago I did some work on inflation and the fourth saving doctrine. I was impressed when I read that particular quote that you had there, because it contains, I think, the correct and the incorrect implications of that doctrine. Then I began to look at the rest of your

work to see whether you rested upon the correct or the incorrect doctrine, and fortunately you rested on the correct doctrine, I think. [laughter] But I want to explore it again.

I won't press you on it, but let me just say that there are two doctrines in there: one is that when you increase the stock of money, as so eloquently said by Ricardo, the larger stock of money chases the same amount of goods, and someone has to go with less. And the quote does correctly say, "Those who have money, lose the value of their money." Then he goes on to make the next statement, which, as it turns out--I will assert here--is incorrect. And that is that business firms make large, unusual profits because of this. There is the seed of-- Instead of simply saying that the wealth transfer goes from money holders to those who first get the money to spend, he goes on to say there's a transfer of wealth from wage earners to-- Although he doesn't say wage earners, he says there is a gain to the businessman, that is, those who are selling, with a price lag, and that's in error. It's just the first thing that counts.

So, in reading your first chapter through, I was paying particular attention to see which of these two you rested your argument on. Fortunately, whether you know it or not, it was not on the second one. It was on the first one.

HAYEK: Well, you know, I don't suppose I saw it as clearly as I see the thing now, but I think it all began with my becoming aware that any assumption that prices are determined by what happened before is wrong, and that the function of prices is to tell people what they ought to do in the future.

ALCHIAN: That's the modern rational expectation. You can see it in there. As I read it through last week--

HAYEK: Forgive me for interrupting, but it's of course the other way around. It's by discovering the function of prices as guiding what people ought to do that I finally began to put it in that form. But so many things-- The whole trade-cycle theory rested on the idea that prices determined the direction of production.

You had, at the same time, the whole discussion of anticipations. I found out that the whole Mises argument about calculation really ultimately rested on the same idea, and that drove me to the '37 article, which then became the systematic basis of my further development.

ALCHIAN: I was struck that that first essay would be an interesting essay to look at on the history and development of ideas--how the error, the erroneous part of it, was picked up by [John Maynard] Keynes, when he talked about excess-profits taxes and the lag of wages behind prices, and then picked up by E. J. Hamilton, who had this big

explanation of the development of society as a result of inflation which hurt the wage earners and transferred wealth to the merchants. That's all fallacious, and the evidence disproves it as well. But in the Ricardo statement they are both there, and I looked to see-- As I say, to repeat myself, you're stuck with the right part. Consciously or unconsciously, I don't care; it doesn't make any difference.

What's also interesting is that I just read a paper-- some thoughts by Axel Leijonhufvud on the Wicksellian tradition. I read it, I guess, in the last couple of days, at the same time [I reread yours]. And the similarity between that chapter, your first chapter, and [Knut] Wicksell's exposition is quite strong and clear. Again, in reading that paper of Axel's I can again see how the error that--I call it error--came in Keynes's work, in the Treatise and more in the General Theory explicitly, where he again--I shouldn't say again--where he also abandoned the so-called rational-expectations idea of prices depending on foresight. He slipped into making the error that somehow we expect prices to go down some more tomorrow; so we wait for them until they do go down--an error the denial of which is the basis for the very recent work on rational expectations.

But I do remember my earlier work here at Stanford with

Holbrook Working, who kept telling me that all prices reflect future anticipations. So when we got to Keynes's book on the general theory, Ed Shaw, who was then a professor here at Stanford, gave a course which I and two others took, and he just tore that general theory apart for the errors it made in economics. One of them was this one about expectations.

That's a long digression, but I'm going to go back and say that in that first chapter, there are these two points, and I was just curious to know whether or not you looked back yourself at what you'd written to see if you were consciously aware of having gone down the right path rather than the other path, which led to the kind of error that was in [Keynes's] General Theory?

HAYEK: You know, I am almost inclined to give the famous answer which [Arthur] Pigou once gave to an inquiring American professor: "I am not in the habit of reading my own books." [laughter]

ALCHIAN: That's a very good trait, yes. But I put this in here not so much to tell you but, since this is an oral history--and I hope that in maybe ten or twenty years in the future, parts of it will be made available to other graduate students--that they will give some heed to what I've said in looking back and trying to evaluate the role of your work in the development of--

HAYEK: One point which deserves mention in this connection is that Keynes knew appallingly little about nineteenth-century economics, or about nineteenth-century history. He hated the nineteenth century for esthetic reasons. [laughter] While he was a great expert on Elizabethan history, he just disliked the nineteenth century so much that beyond Marshall and just a little John Stuart Mill and Ricardo, he knew nothing of the literature and very little about the history of the period.

ALCHIAN: I can't resist the remark that I've read, I think, all of Keynes's work, and the one that I regard as superbly good was the tract on monetary reform, where he does not make the error he made later on.

HAYEK: That reminds me of another thing: it sounds almost ludicrous today that it shouldn't have been generally known, but while I was working in America in '23 and '24, my first essay on monetary theory was never published because Keynes's book came out--the one you mentioned, the tract on monetary reform. But I had taken great pains to demonstrate what I thought was the new argument that he couldn't at the same time have a stable price level and stable exchange rates, which was a completely new idea. But Keynes put it that way, and so there was no point in publishing my article. [laughter]

ALCHIAN: Well, that's the way it goes. In Prices and Production, on page 29 of the second edition, I ran across a sentence I didn't remember you having made at that time. You made the prediction about the future, which turned out to be wrong, unfortunately. You said something to the effect--I don't have the exact quotation--that in the future the theorists will abandon the concept of a general price level and concentrate on relative price effects in the change of the quantity of money.

HAYEK: It was a wish. [laughter]

ALCHIAN: It was a wish, and I think it's beginning to now come about. The recent work on monetary economics is emphasizing now more the relative price effect, but up to the very recent time it's all been on general price level.

HAYEK: The future was just a little more recent than before. [laughter]

ALCHIAN: Well, that may be correct. That leads me to a question I wanted to ask you, which is again a side issue and something I'd like to contemplate, but I'm unable to get anyplace. And that is predicting what it's going to be like a hundred years from now. Have you ever tried that, and are you totally frustrated by it?

HAYEK: No, I am much encouraged by the developments among the younger economists now.

ALCHIAN: By "frustration" I meant not dislike but just the inability to-- I feel helpless in trying to predict.

HAYEK: Well, after all, I now see that these things are having effects forty years later than I hoped they would.

TAPE: ALCHIAN I, SIDE TWO

TAPE DATE: NOVEMBER 11, 1978

HAYEK: The general phrase which I am using so often that you probably have heard of it is that I am pessimistic in the short run, optimistic in the long run. If the politicians don't destroy the world in the next thirty years, I think there's good hope for it. But the chances are not very good. [laughter]

ALCHIAN: That's a shame. But do you have any predictions or beliefs, not about economics but about the state of society?

HAYEK: I think the great danger is that the so-called fight against inflation will lead to more and more controls and ultimately the complete destruction of the market.

ALCHIAN: Oh, I'm convinced of that, rightly or wrongly, hopefully or unhelpfully.

HAYEK: I hope that on Monday there will be a letter from me in the Wall Street Journal, which just suggests that I hope they would put in every issue in headline letters the simple truth: "Inflation is made by government and its agents. Nobody else can do anything about it."

ALCHIAN: --for the benefit of government and its agents. [laughter] But I just gave a talk at the Southern Economic Consolidation meetings in Washington on Thursday, and I

criticized [President] Carter, not in name, for complaining about human rights abroad while destroying them at home by denying us property rights here. I said the way to do it is to have an inflation, put on controls, and that's the politician's best friend. I'm convinced it's true.

Did you know William Hutt?

HAYEK: Oh, very well indeed.

ALCHIAN: Well, you haven't mentioned him yet, and I kind of thought you did. I was interested in where you met him and--

HAYEK: I met him through Lionel Robbins, and it may not have much to do with the story, but it's an amusing story. Bill Hutt had been a fighter pilot in World War I. And on that particular day he had bought his first car, and he had never driven a car before. He took Lionel and me up to Lionel's home in that car driving fighter-pilot style.

[laughter]

ALCHIAN: Without parachutes.

HAYEK: It was a somewhat exciting experience. No, I came to know him very well indeed, and sympathized with him very much. I am rather proud of having invented the title of his book Economics and the Public for him, and I think fundamentally we are very much in agreement.

ALCHIAN: His book The Theory of Vital Resources, I think, is a superb book.

HAYEK: Excellent.

ALCHIAN: Much ignored. In fact, many ideas that I thought I had developed, and others had developed, I have discovered, in looking back, that there they are! I've had a copy of the book made--it's been out of print--but now I think it's back in print again.

HAYEK: I think he's much underestimated. I don't know. You see, he sometimes impresses people as being naive by having an extraordinary gift of putting things in a very simple manner.

ALCHIAN: That's right. The first time I met him, I couldn't believe it was the same Bill Hutt who wrote this book. But as I got to know him better, I appreciated--

HAYEK: Well, I spent some time with him in South Africa once, when I came to know him and his wife.

ALCHIAN: Were you touring the South African wine country when you were there? He's a great wine buff.

HAYEK: Yes, he took me to a wine-sampling party.

[laughter]

ALCHIAN: Just as I've had the pleasure of having you in my home, he was in my home once, too, and we served him a particularly good wine, it turned out. I had no idea he knew wines, and he just liked the wine and complimented us.

HAYEK: Well, I think he was president of a wine society.

ALCHIAN: So we were very pleased about that. I want to, for the record, I guess, tell a little episode about your visit to our house. You know, in our house we've had four Nobel Prize winners, now that I think about it. We've had you, [Paul] Samuelson, [Milton] Friedman, Hicks, [Wassily] Leontief. When you walked into our house-- You impressed my wife enormously, because the first time she met you, you walked in, and we happened to have on the little table a Greek kylix. You walked up to it, the first thing--you didn't say hello to anybody--you walked up to it, and you said, "Oh, 400 B.C.," or something like that. [laughter] She nearly fell over. So you were a big hit on that. Where did you learn about wines?

HAYEK: Well, as I say, beyond Burgundies, I have never been very expert. Burgundies I just liked very early and took every opportunity to drink them.

ALCHIAN: Did your parents have wine every night at dinner?

HAYEK: No. So far as they drank anything, it was beer rather than wine. I am not particularly fond of the Viennese wines, although I discovered since--

ALCHIAN: Green wines?

HAYEK: Up on the Danube [River], slightly north of Vienna, they produce some very good ones. But the famous Vienna Grinzing and so on, and Gumpoldskirchner, I didn't particularly care for. In general, till fairly recently,

my preference was red wines. It's only now that in this fortunate position at Freiburg, where all around they produce first-class, very small vintages of white wines, that I'm getting very interested in wines.

ALCHIAN: That means, then, you like to drink your wine before dinner. Usually the red wine is something you'll drink with dinner. Is that right?

HAYEK: Both. I drink it normally with dinner, except occasionally after dinner in the evening I take a bottle of wine to my desk and go on drinking. [laughter]

ALCHIAN: Do you have any favorite? Is there a white wine or a sweet white wine?

HAYEK: Yes, but they are very specialized. Mark graefler of the south--south of Freiburg--now.

ALCHIAN: If I wanted to go to see where you grew up, could you have drawn a map and said, "Go to this little place, and you'll see where I was a child, where I grew up"?

HAYEK: [That would be] very difficult, because, you see, my father was a district physician and was moved around Vienna. So we were living, in my childhood, in four different districts of Vienna, and there is no particular one which I feel very much at home in. And of course, in general, Vienna has so much changed. Present-day Vienna I no longer feel at home in.

ALCHIAN: How about London?

HAYEK: In London, of course, we had our little village in Golders Green, a Hampstead Garden suburb, where all the economists lived: the Robbinses and I were practically neighbors, Arnold Plant, Frank Paish, George Schwartz; we all lived in that region.

ALCHIAN: Do they have little porcelain plaques on the wall saying-- [laughter] We should do that. We'd have them all around.

HAYEK: Well, if you ever are in London, the one who still lives in the same house is Lionel Robbins.

ALCHIAN: He does?

HAYEK: Yes, he still lives in the same house.

ALCHIAN: Do you know the address, or has it escaped you?

HAYEK: 10 Midway Close.

ALCHIAN: I'll have to get that recorded. I want to ask you one question which is impertinent. But it's serious, and I hope that maybe later you will be willing maybe to answer it. Forgive me for asking it, but I detect a strong respect for moral standards and their importance in society. Now, all of us, I'm conjecturing, in our lifetime have faced problems where we have said, "Here is a moral standard, and I want to break it." I have done that, and I've thought back at times, "How did I justify that?" I said, "Well, I justified it." You must have had some; I'm assuming you've had some. Would you be willing, in that

private tape of yours, to maybe indicate what some of them were? and what went through your mind at the time, if that happened, and what your response would be now to someone in the same situation?

I was impressed by this when you were talking to Bob Bork about the sense in which our moral standards and restraints are part of our civilization. I liked that very much--why, I don't know--but I thought one way-- I've been thinking myself of things I've done that I would not want to discuss even on a tape maybe, but still it would be interesting if in, say, fifty years we could--

HAYEK: Well, if it's on that unmarked tape, I'm quite willing to talk about it. There's only one thing--

ALCHIAN: I'm not trying to inquire. I just want to raise the issue.

HAYEK: There's no reason for [hesitation] when it's after your lifetime. I know I've done wrong in enforcing divorce. Well, it's a curious story. I married on the rebound when the girl I had loved, a cousin, married somebody else. She is now my present wife. But for twenty-five years I was married to the girl whom I married on the rebound, who was a very good wife to me, but I wasn't happy in that marriage. She refused to give me a divorce, and finally I enforced it. I'm sure that was wrong, and yet I have done it. It was just an inner need to do it.

ALCHIAN: You'd do it again, probably.

HAYEK: I would probably do it again.

ALCHIAN: You have children by your first marriage?

HAYEK: By my first marriage only.

ALCHIAN: I see. Is your first wife still living?

HAYEK: No, she is dead now.

ALCHIAN: I see. Well, let me ask, where are your children now?

HAYEK: In England.

ALCHIAN: Are they a boy and a girl, or two boys?

HAYEK: A boy and a girl. The boy is married; he's a doctor, or rather has become now a bacteriologist. He is staff bacteriologist to a big hospital in Torquay, and so he lives in Devon, in ideal conditions. He has three children--an English girl is his wife. My daughter is unmarried, an entomologist, a specialist in beetles in the British Museum of Natural History in London.

ALCHIAN: Oh, she puts all the pins through all the beetles? [laughter]

HAYEK: No, you see, beetles are a very-- There are more beetles as a species than all the other animals together, with the result that at any one time there is in the world only one expert on any one group of beetles. So she is the world expert on one particular group of beetles.

ALCHIAN: They will take over the world someday, I suppose.

HAYEK: Maybe.

TAPE: ALCHIAN II, SIDE ONE

TAPE DATE: NOVEMBER 11, 1978

ALCHIAN: Professor Hayek, can I use the name "Fritz"?
Where did that develop?

HAYEK: My mother called me like that, and I dislike it particularly. [laughter] Of course, my friends in London picked it up, but it so happens that there are few Christian names which I like less than my own. [laughter]

ALCHIAN: Does [Fritz] Machlup feel the same way?

HAYEK: No, no, he is quite happy about it. To me it reminds me too much of the Fritz, the Prussian emperor.

ALCHIAN: Speaking of the Prussian emperor, you had served in the Austrian army, I believe, and you had done mountain climbing as a--

HAYEK: Oh, yes, mountain climbing and skiing were my only hobbies.

ALCHIAN: What climb is the one which you regard as the best climb, or the one you are most pleased to have made?

HAYEK: Oh, some of the really difficult rock climbing was done in the Dolomites--the famous Tre Cime [de Lavaredo], the small one, which is quite a difficult climb. But it wasn't so much the technique of rock climbing which fascinated me, partly because for that purpose you had to get a guide. I was a guideless mountaineer in finding my way on difficult, but not exceedingly difficult,

terrain--combinations of ice and rock; that really interested me.

ALCHIAN: They were unplanned climbs.

HAYEK: Well, in a sense. Finding your way in difficult terrain where you knew there was one possible way to get through the face of a mountain, which needn't be technically difficult. But you knew you would get stuck unless you found the one possible way through.

ALCHIAN: You weren't a mountain climber of the type of Alfred Marshall, who used to just take strolls in the Swiss mountains. There's a famous picture of Alfred Marshall revising his textbook.

HAYEK: No, I was much more serious. I made the English Outbound Club, for which you have to provide a fairly long list of successful climbs.

ALCHIAN: How old were you during most of this? Were these in the twenties?

HAYEK: In the twenties. It was while I was climbing with my brothers. The moment I had to climb with my wife, I had to have a third person, usually a guide, because I couldn't have her belay me on a glacier and so on. It was all before '26.

ALCHIAN: What climbing techniques did you use? Now they have little pitons.

HAYEK: I detest all these artificial kinds.

ALCHIAN: Oh, very good.

HAYEK: I would use a piton for belaying, but I would not do anything which I could not have done without the artificial means.

ALCHIAN: I see. So climbing El Capitan would not be of any interest.

HAYEK: No, no.

ALCHIAN: You haven't mentioned Marshall at all among the people with whom you had any contact or interest. Is there some reason?

HAYEK: Of course, I never saw him. I might have seen him, but my first visit to England was in '26, just after he had died. I read Marshall. In fact, when I tried to read Marshall first, my English was not yet good enough; I had to read him in a German translation. I didn't find him to appeal very much to me; I don't know. I never became as familiar with Marshall as all my English colleagues were. That really meant that I was moving, to some extent, in a different intellectual atmosphere than nearly all my colleagues. Not so much at the London School of Economics, of course. They were brought up on [Edwin] Cannan rather than Marshall, and there was a certain critical attitude towards Marshall, even among [Lionel] Robbins, [Arnold] Plant, and so on. [John] Hicks was a complete Marshallian when he came, and it was really in discussion-- I probably

had more theoretical discussions with John Hicks in the early years of the thirties than with any of the other people. As I mentioned before, you know, it was I who drew his attention to indifference curves, and it was from him that I began to appreciate Marshall, up to a point. But it was never very sympathetic to me; it's not a thing which I felt at home in.

ALCHIAN: Perhaps it might have been more appropriate for the Nobel Prize to have gone to you and Hicks together, and [Kenneth] Arrow and [Gunnar] Myrdal together.

HAYEK: Oh, surely. [laughter]

ALCHIAN: Where did you first read or hear of Adam Smith? Or do you recall?

HAYEK: I certainly read Adam Smith first in German; not very early in my studies. I knew Adam Smith mainly through the history of economics--lectures and so on--and it probably was very late that I read right through The Wealth of Nations. At first the part on public finance didn't interest me at all; I only came to appreciate the semi-political aspects of it very much later. Being brought up on the idea that the theory of value was central to economics, I didn't really fully appreciate him. I think he's the one author for whom my appreciation has steadily grown, and is still growing.

ALCHIAN: I think that's true for most economists. Where

did you get your first formal education in economics?

HAYEK: Well, in [Friedrich von] Wieser's lectures.

ALCHIAN: What were they like? Did he just come in and give a lecture?

HAYEK: No, they were most impressive. He knew by heart his own book, so much so that we could follow his lecture in the book. He spoke in absolutely perfect German, in very long sentences, so that we amused ourselves making note of all the subsidiary sentences. We would wonder whether he could get all the auxiliary words in there right. And he did! [laughter] He did it equally perfectly when he inserted [something] in his original text. Unless you followed it in writing, you would not know how he could remember this very big book--The Theory of Social Economy--in that perfect form. Occasionally he would pause with a certain trick. He had a golden hunting watch in a leather thing, and if he was in doubt about words he would pull that out, spring it open, look at it, close it, put it back, and continue his lecture. [laughter]

ALCHIAN: I guess we puff on a pipe as an excuse to do something like that. Didn't you mention that [Karl] Menger's book was more influential?

HAYEK: Yes. This was before I went to Wieser's lectures. It's very curious; the man who drew my attention to Menger's book was Othmar Spann. I don't know if the name

means anything to you. He was semicrazy and changed violently from different political persuasions--from socialism to extreme nationalism to Catholicism, always a step ahead of current fashions. By the time the Nazis came into power, he was suspect as a Catholic, although five years before he was a leading extreme nationalist. But he drew my attention to Menger's book at a very early stage, and Menger's Grundsetze, probably more than any other book, influenced me.

ALCHIAN: Would [George] Von Tungeln have been available to you?

HAYEK: Von Tungeln, no. I came to know him very late.

ALCHIAN: How large was Wieser's class? Was it, say, twenty?

HAYEK: No, it was a formal class to which he lectured. They were a special kind of lectures, and particularly if the lecturer was His Excellency, the ex-minister, nobody would dare to ask a question or interrupt. We were just sitting, 200 or 300 of us, at the foot of this elevated platform, where this very impressive figure, a very handsome man in his late sixties, with a beautiful beard, spoke these absolutely perfect orations. And he had very little personal contact with his students, except when, as I did, one came up afterwards with an intelligent question. He at once took a personal interest in that individual.

So he would have personal contacts with 5 or 6 of the 300 that were sitting in his lectures. In addition, you attended his seminar one year--that, again, was a very formal affair--for which somebody produced a long paper which was then commented upon by Wieser. But personally I ultimately became very friendly with him; he asked me many times to his house. How far that was because he was a contemporary and friend of my grandfather's, I don't know.

This reminds me of the fact that in Vienna--I would have to restrict it to non-Jewish intelligentsia--there was a very small circle where everybody knew everybody else. It so happened the other day that somebody was asking me about the famous people from Vienna from the period, beginning with [Erwin] Schrödinger--of course, I knew him as a young man--and [Karl von] Frisch, the man [who studied] the bees, he was an old friend of my father, and so it went on all through the list, till it came to Freud. No, that was a different circle. I had never met him, and that is because it was a Jewish circle as distinct from the non-Jewish one. Although I moved a good deal later on the margin of the two groups--there was a sort of intermediate group--the purely Jewish circle in which Freud moved was a different world from ours.

ALCHIAN: Were there any Jewish economists in the Jewish group there?

HAYEK: [Ludwig von] Mises, with whom, of course, I was very close indeed. Well, that's not correct. Mises was not of the Jewish group. He was Jewish, but he was rather regarded as a monstrosity--a Jew who was neither a capitalist nor a socialist. But an antisocialist Jew who was not a capitalist was absolutely a monstrosity in Vienna. [laughter]

ALCHIAN: Or anyplace. As a university student, or even shortly thereafter, what were the major topics of interest in economics? Were they tactical questions, or were they questions of socialism, or were they questions on inflation, or was there any dominant set of themes?

HAYEK: You know, to me you have to distinguish very sharply between two periods: before I went to America and after, when I still retained my connection with the university. The early period was very short. I did my degree in three years--the law degree with veterans' privileges--as I've mentioned before. So, in that period, before I went to America, I did not take part a great deal in discussion. Except, perhaps, for the two years I was already with Mises, between '21 and '23. Then the main interests were, on the one hand, pure value theory--and I was working on imputation--and Mises's ideas on socialism.

As I was starting for America, I had got bored with these two subjects; I still wrote up the article on

imputation I had been working on, but I turned in America to monetary theory. I was largely interested by the great discussions which were then carried on about Federal Reserve policy, on the idea they had mastered the trade cycle. I was in constant contact with Haggott Beckhart who was writing his book on the discount policies of the Federal Reserve system, and it was he who led me in all these discussions on the possibility of controlling the presumed cycle. And it was in America that my interest in monetary theory started, for which I had the background of a strong influence of the [Eugen von] Böhm-Bawerk tradition.

I believe I also mentioned already that I didn't know Böhm-Bawerk as an economist personally, although he, like Wieser, his exact contemporary, was a friend of my grandfather's. And I actually saw him in the home of my grandfather before I knew what economics was. But in the Mises seminar the shade of Böhm-Bawerk was dominating; he was the common base upon which we talked and understood each other. But even in his work, his writings on marginal utility were perhaps more important than his work on interest. I think nearly everybody had some reservations on his interest theory, while everybody accepted his article on marginal utility as the standard exposition, really, of the marginal-utility theory.

When I came back I had changed in my interests from

value and socialism to problems of capital interest and money. And I had, in fact, in the United States started writing a thesis at New York University under the title "Is the Stabilization of the Value of Money Compatible with the Functions of Money?" I think you can still find in the files of New York University a registration for a doctor's degree under this subject. But when I came back, I was soon asked to write that missing volume for the great Encyclopedia of Economics, the Grundriss der Sozialökonomik, which was practically finished then except that the authors who were to write the volume on money had died one after the other before supplying it. So I finally undertook it but didn't do it, because in the end, before I had done it, I went to London. So I at first had to interrupt working on it, and then before I returned to it, Hitler had come to power, and the publisher came to visit me in London to ask me to be released from the contract, because he could no longer publish in this German work the work of an author who had moved to England.

This was a great relief to me, because my interests had moved to other tasks. To write, while I was starting a professorship in London, a great treatise in German was clearly impracticable. But it was in the work on that-- Well, I'll say one intermediate step [I achieved] out of my American thesis was a plan for what I believe I intended

to call "Investigations into Monetary Theory." Again only one long article was ever written and published, that called "The Intertemporal Equilibrium of Prices and the Changes in the Value of Money," I think, in the Weltwirtschaftliches Archiv. This, I believe, is probably the most characteristic product of my thinking of that period, before I turned definitely to industrial fluctuations and the history of monetary theory. It was really only the history of monetary theory that I did for that extended textbook; I never started on the systematic part of it.

And that was the stage at which I was invited to give-- Oh, there's one other feature I ought to mention: while I was in America, I got interested in the writings of [William] Foster and [Waddill] Catchings, and there was then this competition for the best critique of Foster and Catchings, in which I did not take part. I afterwards regretted this, because I thought the products were all so poor that I could have done better. When I had to give my formal lecture for being admitted to the honorary position of Privatdozent, I chose a critique of Foster and Catchings on the title "The Paradox of Saving" for that lecture. I published it in German, and Lionel Robbins read that particular essay, which led him to invite me to give the lectures in London.

In those lectures I drew on what I had done for my textbook on money, and of course the move to-- Well, then I was asked by Robbins--I think it was even before, or was it when I was giving the lectures?--to do the review of [John Maynard] Keynes's Treatise. So I had a year or two which I invested in reviewing that thing. Again, this had a curious outcome, which is the reason why I did not return to the charge when he published the General Theory. When I published the second part of my essay on Keynes, his response was, "Well, never mind, I no longer believe that."
[laughter]

ALCHIAN: The General Theory?

HAYEK: No, the second part of my review of his Treatise. I think this was very unfortunate, because the second part of the Treatise was probably the best thing Keynes ever did.

ALCHIAN: Yes. You mentioned that Robbins saw your critique of Foster called "The Paradox of Saving," and that's what caused--

HAYEK: --caused him to invite me to give these lectures.

ALCHIAN: I was going to inquire how he came to hear about you, or know of you. In Vienna you worked with the reparations group--

HAYEK: No, no, it wasn't the reparations commission. The peace treaty, I believe through the same truce of the

German peace treaty, made arrangements for the payment of private debts between two countries which got blocked by the outbreak of war. Incidentally, the claims the Austrians had on the Allies would be credited to a reparations account, but that was only an incidental aspect of it. The main thing was just clearing these debts, which had been outstanding for five years, with extremely complicated provisions because of currency changes and so on. I got the job because I knew law, economics, and several languages.

Now, by that time I had returned from America; I used to speak French fairly well, which I have almost completely forgotten; and I knew even some Italian, which I had picked up in the war. The three foreign languages, plus law, plus economics, qualified me for what was comparatively a very well-paid job. Well paid for a government office, because it was a temporary position; I was not a regular civil servant but a temporary civil servant, with a much higher salary than I would have had. So it was quite an attractive position, even if it hadn't been that Mises became my official head.

ALCHIAN: That's where you met him?

HAYEK: Yes. I believe, again, I told the story already. I was sent to him by an introduction from Wieser, in which I was described as a promising young economist. Mises, reading this, [said], "Promising young economist? I've never seen you at my lectures!" [laughter]

ALCHIAN: We are still the same. When you went to work in Vienna, did you carry a briefcase every day with your lunch in it to work and back?

HAYEK: No, we had a sort of canteen in the building, or in the ministry opposite. So I lunched there.

ALCHIAN: Were you married then?

HAYEK: Not initially. I married while I was in this job.

ALCHIAN: When did you write that piece on rent control, and what was the motivation?

HAYEK: Oh, the cause was simply that I was irritated by the fact that no economist had dealt with it. It seemed to me such a clear demonstration of what effects price fixing had. And none of the local economists paid any attention to it. There were even a few of the social policy people who were all in favor of it and proved that they didn't understand any economics.

ALCHIAN: When was this--what year--do you recall?

HAYEK: I believe '22, if I am not mistaken.

ALCHIAN: In Vienna?

HAYEK: In Vienna. It was a paper I read to our economics club. There had been an economics club which died during the inflation period--I don't know why--and I still had been as a guest at the meetings before it had died. Then I more or less revived it; my main purpose was to bring Mises's admirers together at the same desk, because they



were not on very good relations, really. That had created some difficulty for us younger people--we had to be on good terms with [Hans] Meyer in order to have any prospects at the university. We were more attracted by Mises, and so we revived this institution, which apart from the Mises seminar was the other occasion for general discussions of economics. And my one paper to the club was the one on rent restriction, which then was published as a pamphlet, in an enlarged form.

ALCHIAN: Is that still easily available? Do you know where?

HAYEK: Not easily. A partial translation is contained in a brochure on rent control, or rent restrictions, which the London Institute [of Economic Affairs] published; but it's not complete.

ALCHIAN: Do you have a complete set of your works?

HAYEK: I have one, yes.

ALCHIAN: It has not been published as such, or as a collector's series, has it?

HAYEK: No, no, they have not been reprinted; but there is, of course, a complete list of my publications in that Machlup volume.

ALCHIAN: But a list is quite different from the--

HAYEK: Yes.

ALCHIAN: Would you be tolerant of a proposal to have the works all published and made available?



HAYEK: Well, of course, everything in recent years which is worth republishing I have collected, but only what appeared in English; not the early things I published in German. There aren't many, and they have some defects which would have to be very carefully looked into. There are things like that article, "The Intertemporal Equilibrium of Prices and the Changes in the Value of Money," the one on American monetary policy, the one on imputation. I suppose yes; but they would require translating and some revision. For instance, I only discovered years later that in the article on American monetary policy, the printer ultimately mixed up the pages. [laughter] They don't occur in the proper sequence.

ALCHIAN: Is it true that Mrs. Hayek has been checking some of the translations? I had the impression she did.

HAYEK: She did some of the translating. Three of my books were essentially done by her: The Counter-Revolution of Science, one other of the early ones, and finally, she practically redid The Constitution of Liberty. There was a complete translation which was unsatisfactory.

ALCHIAN: You wrote that originally in German?

HAYEK: Oh, no, I wrote it in English. It had been translated by somebody else, but it was very poor, and she redid it.

ALCHIAN: I see what you mean. So we have your monetary



theory work in the United States, rent control, and--
Where would the capital theory interest come in? Or can
you identify a place where you got involved in capital
theory?

HAYEK: Oh, yes. I think it was essentially after
Prices and Production that I couldn't elaborate this
without elaborating capital theory. You see, I was
relying on it in its simple, Böhm-Bawerkian form, and I
very soon became aware that with the average period of
production, you didn't get anywhere. It was planned as
a two-volume work: one on static and one on dynamic. I
took so long on the static part that I was finally glad of
the excuse of the outbreak of war to bring out something
which wasn't really finished, pretending that I never
knew if it would be published at all if I delayed, and
without having even started on what I intended to be the
second dynamic volume. Well, I never did it.

ALCHIAN: Are you referring to The Pure Theory of Capital?
It came out in '41.

HAYEK: The Pure Theory of Capital is the first part of
what was intended to be a two-volume work: The Pure Theory
of Capital and The Dynamics of Capital.

ALCHIAN: Again, I've looked at that lately, and my thought
was that had [Irving] Fisher not written his theory of
interest book, with the words, the algebra, and the arithmetic

illustrated, that your book would probably be better known and more widely used. Do you have any conjectures as to whether that's true?

HAYEK: Well, you know, capital theory is an extraordinary-- I forget; there is a good English word for it--a thing which refuses simple treatment. There was another very important book in the Wicksellian tradition, by a man called Ackerman, which is really very important, but nobody understands it [laughter] because it's so complex and difficult. I think the same is very largely true of my book. It's become too difficult because the subject is too difficult. Friedrich Lutz once told me one day that after he finds the things himself, he finds I have already said them, because he never learned it from my book and had to work it out himself.

ALCHIAN: In The Pure Theory of Capital I was taken by the similarity between your position and that of Joan Robinson and Passenetti and the others at the current English Cambridge school, who are objecting to the classical simple homogeneous model. I don't want to associate you with that Cambridge school, but nevertheless, there is a similarity.

HAYEK: I've been told so before, particularly by [Ludwig] Lachmann, who carefully followed this discussion. I haven't followed it.

ALCHIAN: Well, you might find it entertaining, because Joan Robinson is saying you cannot use a simple concept of capital and understand capital theory, and there's been a big debate on that. My own impression is that they are quite right, but when I read your work, or even the work of Fisher, I often wonder why anybody thought otherwise.

HAYEK: Well, I have no doubt you are right, because, as I say, Lachmann, who probably knows my work better than almost anybody else, has told me the same thing. But since they came out, I never could return to that interest.

ALCHIAN: Why not? Or do you know why not?

HAYEK: Oh, I've become much too interested in the semi-philosophical policy problems--the interaction between economics and political structure.

ALCHIAN: Those are more difficult problems.

HAYEK: They are in a way more difficult, and of course much more difficult to come to clear conclusions. But I have been engaged in them so long-- You know, it was The Road to Serfdom which led me to The Constitution of Liberty. Having done The Constitution of Liberty, I found that I had only restated in modern language what had been the classical-liberal view; but I discovered there were at least three issues which I had not answered systematically. I cannot now enumerate them; it'll come back to me in a moment.

So I felt I had to fill the gaps, and I believe that in a way the thing on which I have now been working for seventeen years, which I have now at last finished-- Law, Legislation and Liberty--is probably a much more original contribution to the thing. It's not merely a restatement, but I have developed my own views on several issues--on the whole relation between rule and order, on democracy, and the critique of the social justice concept, which were absolutely essential as complements to the original ideas, answering questions which traditional liberalism had not answered. But that was such a big and long-- I never imagined, in either case-- Well, in fact, The Constitution of Liberty I did relatively quickly. I wrote the three parts in three successive years, and then took a fourth year to rewrite the whole thing. So I must have done The Constitution of Liberty--well, we have '78 now-- Yes, since I formed the conception--I didn't immediately start working on it--it's been seventeen years.

ALCHIAN: I was going to ask, do you have a work schedule during the day? Do you in the morning do work of rewriting?

HAYEK: It has changed in the course of time by a great deal.

TAPE: ALCHIAN II, SIDE TWO

TAPE DATE: NOVEMBER 11, 1978

HAYEK: Most of my life I could work most all morning and then again in the evening. The evening is out now for any original work; I can only read in the evening. And my steam lasts for two hours only even in the morning, or something like that. I usually, if I am not disturbed, as soon as I have read my newspaper, I sit down to work and work for two hours. Sometimes a cup of coffee helps me on a little longer, but not very much longer.

ALCHIAN: When you're working, are you at your desk writing, or do you pace and think, or what works?

HAYEK: In an easy chair, leaning back and writing on my knees.

ALCHIAN: I see. That's a nice comfortable way. You don't go to sleep often and wake up five minutes later?

HAYEK: Oh, no. Well, if I try to do it in the afternoon, it happens to me. [laughter] I should say I have my reading periods and my writing periods. When I really want to read extensively, I cannot write at the same time.

ALCHIAN: You mean during the same week or so, or during the same day?

HAYEK: Oh, sometimes it's a question of two or three months that I do only reading, practically. Well I'm making notes all the time, but I don't attempt to pursue systematically

a train of thought. While once I settle down to writing, I consult books, but I no longer read systematically, at least on that subject. In the evening I will be reading something else.

ALCHIAN: In general, for many of your articles, when you have written them, did you foresee when you started what you were going to say, or did you take a topic and then work and work and pretty soon out came a finished product which was entirely different than what you thought you were going to be saying?

HAYEK: Mostly the latter. There are a very few short pieces which I saw clearly beforehand, and could write out at once. But the normal process, one which I already described, is of collecting notes on cards, rearranging them in a systematic order, writing it out in longhand in a systematic order. So in only very few exceptional cases I just sat down and wrote an article.

ALCHIAN: Let me just make this comment to purge my mind. If you could have one of your books or articles destroyed because you wish you had never published it, is there any such work? It was a waste of time and you should have never written it?

HAYEK: I think there are things which I published prematurely. For instance, the article, that early one, on the "Intertemporal Equilibrium of Prices and the Changes in



the Value of Money," which I believe contains some important ideas, was clearly prematurely published. I didn't see the things yet in the right way; it would have been wiser not to publish it at that time, although that probably would have meant that I would have never published those ideas at all. They exist only in the imperfect form. Others-- Well, I would have to think of those that I have not republished, which I have probably forgotten. [laughter]

ALCHIAN: If you remember what they are, we'll know which ones they should have been. Was there pressure in the twenties, as there is now, to so-called "publish or perish"? Or was publication a matter of getting yourself acquainted with other people, letting them know what you're doing--a mode of communication rather than to establish your prestige?

HAYEK: Well, of course, it was in this sense very strong in Austria for getting the Privatdozentur. You had to publish, relatively early, a major piece of work. It was not a question of a number of articles; it had to be one substantial work. But that's the only thing corresponding to the "publish or perish," which I experienced, but partly of course because I was so extremely fortunate to get, at the age of thirty-two, as good a professorship as I could ever hope to get. I mean, if you are at thirty-two a professor at the London School of Economics, you don't have any further ambitions. [laughter]



ALCHIAN: But there was an episode when I first heard of your work through Prices and Production and, let me call it the debate, or discussion, with [Frank] Knight over The Pure Theory of Capital. Do you have any memories of that, or stories you might tell us?

HAYEK: No, it was really a very distant affair. I had known Knight slightly; he had been on a visit to Vienna in the twenties, but I didn't know him at all well. All the discussions in which I got involved, except with Keynes, whom I knew fairly well, were really with distant targets of persons who were not live figures to me: Knight, [Arthur] Pigou, whom I also came to know later quite well. There was still another one I got engaged in--one or two Germans and some others. Those were all discussions with distant figures and were not really continued as discussions. I commented on their work once and left it at that.

ALCHIAN: They were very hard articles to read, and the one by Knight was very difficult. In fact, Knight's attitude, I guess, was that capital is just a big homogeneous mass--

HAYEK: I never understood really in what sense it was a mass at all. It was not a magnitude in any sense.

ALCHIAN: In fact, there was this theory of bombing during the war, when some of the bombing experts said, "Let us pick certain topics and destroy specific capital," and the Knightians said, "Oh, no, all capital in time is substitutable.



Bomb anything; you're bombing capital. So just go out and dump the bombs on Germany--any old place." That was known as the Knightian theory of bombs. [laughter]

HAYEK: You know, of course, Knight was a very puzzling figure. He was a man of such intelligence, and yet capable of going so wrong on particular points--for the moment only, though; a year later he would see it. But he got committed to a particular thing and pursued it to its bitter end, even when it was wrong.

ALCHIAN: Well, to someone like me who had known of your works--Prices and Production, The Pure Theory of Capital--finding The Road to Serfdom suddenly after the war was a jolt. I said to myself, "What does he know about this? What's he doing writing on a subject like this?" But if one knows your history, it's not at all surprising. But at that time it was a very surprising event for me to see that book come out.

HAYEK: When I started in '39 on these articles that became The Counter-Revolution of Science, this was the beginning of a plan to write a major book called The Abuse and Decline of Reason. Whereas what I published is the beginning of the study of the abuse of reason--what I now call the constructivist approach--the decline of reason was to be something of which ultimately The Road to Serfdom became a popular advance sketch.



So I had the whole idea in my mind when external circumstances of environment made it necessary for me to explain to my English colleagues that they were wrong in their interpretation of the Hitler movement. Particularly Sir William Beveridge, as he was then, who was incredibly naive on all these things. He firmly believed that the bad German capitalists had started a reaction against the promising socialist developments. So I wrote out my basic idea in a memorandum to him and expanded it into an article, and then Gideons here asked me to supply it enlarged into a pamphlet.

Then I just had plenty of time during the war. You see, I was in that fortunate position of being already a British subject, so I could not be molested; but being an ex-enemy, I was therefore not drawn into any war job. And having practically no students for the war period, I had plenty of time. So after I had finished The Pure Theory of Capital, I did not have any other plans; so I gradually enlarged this pamphlet into a book. I was restricted only by the fact that the Russians were then our allies; so I had to tame down what I said about communism. I may have perhaps overemphasized the totalitarian developments of the Nazi kind, while not saying much about the other.

Though it was the outcome of a fairly long period of development of my thinking, still at that time I thought it

was a pamphlet for the time, for a very specific purpose: persuading my English--what you would call liberals--Fabian colleagues that they were wrong. That the book caught on in America was a complete surprise to me; I never thought the Americans would be the least interested in that book.

ALCHIAN: Yet if one looks back at your earlier thinking on socialism, when you were in the Vienna area, and your collectivist economic planning essays, the book isn't surprising if one is aware of that other material.

HAYEK: You know, the planning book had a curious effect on my thinking, because it was the thinking on the planning problem which drew my interest to the methodological problems, to the real problem of the philosophical approach to the social sciences. It was quite unexpected. I first intended to publish merely a collection of translations of the things which had remained unknown in the English literature, when I was told that I had to write an explanation of the environment in which the discussion had taken place. Then there was some discussion at the beginning about the problems. So I wrote a concluding essay dealing with the recent literature. But that was all very much unplanned and unintended, although doing it had effects on my further thinking.

ALCHIAN: Did you ever know Thomas Nixon Carver?

HAYEK: I visited him once, on my first visit to America. It was one of the letters of introduction from [Joseph] Schumpeter. And I did, during these fifteen months in America, travel as far as Boston to the north, Washington to the south, and Bear Mountain, [New York], to the west

ALCHIAN: That covers it. [laughter]

HAYEK: And at Harvard I delivered my letters to [Frank] Taussig and Carver, and I made the acquaintance of both gentlemen. Carver took me to his country club and gave me a big luncheon, which I almost abused. [laughter] All I remember is that he was frightfully offended that I-- He and John Hobson in England had published books under a similar name--something about distribution; I forget what it was--and my mentioning his and Hobson's book in one sentence greatly offended him. [laughter]

ALCHIAN: When I first went to UCLA, he walked into my office and asked if [Benjamin] Anderson was present. I said, "No, who shall I say came?" He said, "Tell him Carver was here." And as he left I thought, "Well, there was a famous Carver, but it couldn't be him. He must have died many years ago." But he lived past ninety in Santa Monica, and he and his wife celebrated their seventy-fifth wedding anniversary.

Two things you wrote that had a personal influence on me, after your Prices and Production, were "Individualism

and Economic Order" and "The Use of Knowledge in Society." These I would regard as your two best articles, best in terms of their influence on me.

HAYEK: "Economics and Knowledge"--the '37 one--which is reprinted in the volume, is the one which marks the new look at things in my way.

ALCHIAN: It was new to you, too, then? Was it a change in your own thinking?

HAYEK: Yes, it was really the beginning of my looking at things in a new light. If you asked me, I would say that up till that moment I was developing conventional ideas. With the '37 lectures to the Economics Club in London. my presidential address, which is "Economics and Knowledge," I started my own way of thinking.

Sometimes in private I say I have made one discovery and two inventions in the social sciences: the discovery is the approach of the utilization of dispersed knowledge, which is the short formula which I use for it; and the two inventions I have made are denationalization of money and my system of democracy.

ALCHIAN: The first will live. [laughter] How did you happen to get into that topic? When you had to give this lecture, something must have made you start thinking of that.

HAYEK: It was several ideas converging on that subject.

It was, as we just discussed, my essays on socialism, the use in my trade-cycle theory of the prices as guides to production, the current discussion of anticipation, particularly in the discussion with the Swedes on that subject, to some extent perhaps Knight's Risk, Uncertainty and Profit, which contains certain suggestions in that direction--all that came together. And it was with a feeling of a sudden illumination, sudden enlightenment, that I-- I wrote that lecture in a certain excitement. I was aware that I was putting down things which were fairly well known in a new form, and perhaps it was the most exciting moment in my career when I saw it in print.

ALCHIAN: Well, I'm delighted to hear you say that, because I had that copy typed up to mimeograph for my students in the first course I gave here. And Allan Wallace, whom I guess you must know, came through town one day, and I said, "Allan, I've got a great article!" He looked at it, started to laugh, and said, "I've seen it too; it's just phenomenal!" I'm just delighted to hear you say that it was exciting, because it was to me, too.

But when did the idea hit you? When you started to write this paper, started to think about it, there must have been some moment at which you could just suddenly see you had something here. Was there such a moment at which you said, "Gee, I've got a good paper going here"?

HAYEK: It must have been in the few months preceding that, because I know I was very unhappy about having to give the presidential address to the Economics Club. Then I hit on that subject, and I wrote it out for that purpose. How long it was exactly before the date [of the address] I couldn't say now, but I do know that the idea of articulating things which had been vaguely in my mind in this form must have occurred to me when I was thinking of a subject for that lecture--the presidential address at the London Economics Club.

ALCHIAN: Well, that was a very influential article, I must say. There's the [David] Ricardo effect, on which you've done some work. Do you have any recollections about getting into that? I guess I should go back and say one thing on this bit about use of knowledge and individualism. I would have conjectured that your rent control article might have had some carry-over on that. If one perceives that, he can begin to see this broader issue.

HAYEK: Well, I was recently surprised at how much I had forgotten about that article; I hardly knew any longer that it existed. It must have played a very important role in my actual thinking, but I find it very difficult to recall now exactly what role it played. It somehow fitted in with my concern with the direction of investment, and the role which prices and interest rates played in governing the

direction of investment. But I cannot at the moment-- Maybe the next time when we talk it will come back. It usually happens that my mind-- My memory is now a slow process. I usually remember things a little later than I wish I would.

ALCHIAN: It'd be interesting to compare that article with the one by [George] Stigler and [Milton] Friedman on the same subject to see what similarities there are.

HAYEK: Oh, they are very similar indeed. If I am not mistaken, they are both reprinted in that pamphlet of the London Institute.

ALCHIAN: The IEA [Institute of Economic Affairs]?

HAYEK: Yes.

ALCHIAN: Oh, I see. I'll check. I'm a trustee of that board, and I should know what they're doing. Let me, then, return for a couple of minutes to that Ricardo effect, which again came through, I guess, in the capital-value theory.

HAYEK: Yes. That was the main result of trying to provide a foundation for Prices and Production in elaborating the theory of capital. And it was certainly in the course of working on The Pure Theory of Capital that I became aware of this fact that the price of labor really very largely determined the form of investment--that the more expensive labor was, the more capital-intensive you made production. Then I think it was a pretty sudden event that made me think

that this is the same thing I have been arguing in Prices and Production, in a slightly different form. The curious thing is that so many people did not see that it was the same argument in a different form.

ALCHIAN: I think they're discovering it now. Even the reswitching theory that's coming out of the Cambridge school on the connection between interest rates and the so-called ratio of labor to capital is essentially the same.

HAYEK: You know, I have just published an article in the London Times on the effect of trade unions generally. It contains a short paragraph just pointing out that one of the effects of high wages leading to unemployment is that it forces capitalists to use their capital in a form where they will employ little labor. I now see from the reaction that it's still a completely new argument to most of the people. [laughter]

TAPE: CHITESTER I, SIDE ONE

TAPE DATE: UNSPECIFIED

CHITESTER: I'd like to start talking about something that-- In the United States right now, there's a fad, and you may or may not be aware of it. Everybody's running. They're all out running marathons. The New York marathon a week ago had 11,000 people in that run. They go out and brutally throw themselves through twenty-six miles of activity. Do you have any reactions to those kinds of things in society? Why are people all over the United States running? Do you have a perception on that?

HAYEK: Oh, I can see [why], in general. I mean, it was conspicuous that the Americans did no longer walk. My wife used to say that they would soon lose the capacity to walk. I think some doctor discovered this, but why things spread like this, again, is a typical American thing. It's not only difficult to generalize about the Americans in space, but it's equally difficult to generalize about them in time. Every time we have come to the States, it has changed.

CHITESTER: Is that unique in the world?

HAYEK: I think it's unique among grown-up people. It's very common with the young. When I lecture to the revolutionary young people, I say the reason I have no respect for your opinions is because every two years you have

different opinions. And I think that is true to some extent of the Americans. This is, in a sense, a virtue. You change your opinions very rapidly; so if you adopt something very absurd one time, there's a good chance you will have forgotten about it next year.

CHITESTER: Do you think that the running is simply a fad in that sense? It's an expression--

HAYEK: No, I think there is something else about it--a feeling that you ought to exercise your body, that you have had not enough exercise. What amazes me is how rapidly a thing like that can spread. In another country it would come very slowly and through to a certain part of the population; but last time I was in the States and I had to stay in a hotel in Greenwich Village, there was, in the middle of the town in the morning, a stream of people jogging before me. In a town it looked very curious; here on the campus, of course, it seems quite natural.

CHITESTER: Yes, when people run up and down city streets it does give you a--Within your comments it's interesting that there seems to be something unique, then, in the United States. You mentioned the speed with which the fad develops. Do you have any sense of what this difference is?

HAYEK: No, I don't really know. Perhaps it's the degree of constant communication with the media (now one has to call it media; it used to be the press) which is much

greater than you would expect of a people with the same general level of education. Compared with current influences, the basic stock of education is rather low. It's the contrast between the two. The European peasant has less basic education but is not subject to the same stream of constant current information. Usually people who are subject to such a stream of current information have a fairly solid stock of basic information. But Americans have this flood of current information impacting upon comparatively little basic information.

CHITESTER: That's interesting. I sense maybe even the chicken and the egg--that the currency for current information tends to drive out the other. You know, schools focus on current things, on current materials, rather than, in a sense, on the basics.

HAYEK: Yes, probably. I haven't thought about that, but it fits in with what I said.

CHITESTER: That would be why, for example, classical education is no longer at all a common thing in the United States.

HAYEK: You see, I used to define what the Germans call Bildung, a general education, as familiarity with other times and places. In that sense, Americans are not very educated. They are not familiar with other times and places, and that, I think, is the basic stock of a good general

education. They are much better informed on current affairs.

CHITESTER: Yes, that's true. Newspaper magazines are devoured in the United States, although that's true in other countries, isn't it?

HAYEK: Yes. But I doubt whether the Americans are book readers. You see, if you go to a French provincial town, you'll find the place full of bookstores; then you come to a big American city and can't find a single bookstore. That suggests a very fundamental contrast.

CHITESTER: Yes, that's interesting. I understand that in many communities it's hard to find bookstores. We're always chasing around looking for appropriate books. From your point of view, which is-- How many years have you been observing the human affair? You're how old?

HAYEK: I'm in my eightieth year. I've passed into my eightieth year; I will be eighty next May.

CHITESTER: Eighty next May. Well, you certainly then have a perspective of a very long period of time that you've observed things.

HAYEK: I've known the United States for fifty-seven years.

CHITESTER: Fifty-seven years. Within your own experience, your personal experience, is this tendency for rapid change-- You made the comment earlier that in the United States it's different because, though it's a characteristic of the young,

in the United States it seems to prevail throughout the entire society. Can you identify changes in your own experience?

HAYEK: Changes in the United States?

CHITESTER: No. I'm sorry. Changes in how you approach things.

HAYEK: Oh surely, surely. Very much so, not to speak about the great break of the First World War. I grew up in a war, and I think that is a great break in my recollected history. The world which ended either in 1914 or, more correctly, two or three years later when the war had a real impact was a wholly different world from the world which has existed since. The tradition died very largely; it died particularly in my native town Vienna, which was one of the great cultural and political centers of Europe but became the capital of a republic of peasants and workers afterwards. While, curiously enough, this is the same as we're now watching in England, the intellectual activity survives this decay for some time. The economic decline [in Austria] already was fairly dreadful, [as was] cultural decline. So I became aware of this great break very acutely.

But, as I said, if you leave this out of account and speak only of the last fifty or sixty years, yes, I suppose in all spheres, but in the political sphere very noticeably, [there has been great change]. One of my favorite gags is

to say that when I was a very young man nobody except the very old men still believed in classical liberalism; when I was in my middle age nobody except myself did; and now I find that nobody except the very young believe in it--

CHITESTER: That's interesting!

HAYEK: --and that gives me some hope in the future of the world.

CHITESTER: Yes, truly. You mentioned change earlier, and the fact that change has occurred so rapidly in the United States. Is it a positive thing? I assume that you do have some reservations, though, about rapid change.

HAYEK: Oh, yes. I think it's a very serious problem so far as moral change is concerned. While, on the one hand, I believe that morals necessarily evolve and should change very gradually, perhaps the most spectacular and almost unique occurrence in our lifetime was a fashion which refused to recognize traditional morals at all. What was the final outbreak of the counterculture was the people who believed that what had been taught by traditional morals was automatically wrong, and that they could build up a completely new view of the world.

I don't know whether that had ever occurred before. Perhaps it came in the form of religious revolutions, which in a sense are similar; but this sense of superiority of

the deliberately adopted rules of conduct as against all the cultural and traditional rules is perhaps, in the moral field, the most spectacular thing I've seen happening in my lifetime. It certainly began in-- Well, I have to correct myself at once. It did happen in Russia in the last century. But in my lifetime, it happened the first time in the forties and fifties and started from the English-speaking world--I'm not quite sure whether it began in England or the United States--and that created in some respects a social atmosphere unlike anything I can remember or has happened in Western European history.

When I think about it, the attitude of the Russian intelligentsia in the middle of the nineteenth century seems to have been similar. But, of course, one hasn't really experienced this; one knows this from novels and similar descriptions. Perhaps even the time of the French Revolution [was similar]; I don't think it went as deeply even then.

CHITESTER: The most current example, in the sixties and the change there, that's one that I have some personal familiarity with. Is there any sense in which that was simply a fad--going back to what we were talking about earlier--that spread rapidly? Are there any similarities? Is there any similarity to how quickly the running thing has evolved and how quickly ideas in this sense--

HAYEK: Oh, yes, particularly in the sense that the Americans are more liable to this sort of quick change. There is a much more deeply ingrained tradition on the Continent than there is in American urban life. I don't know American rural life at all, and I may do injustice to the rural America. All I see is the urban America, and urban America certainly [represents] often an instability and changeability which I have not come across anywhere else.

CHITESTER: Do you perceive a balance to that? It would seem to me you have to have some balance in society or that would run amok, so to speak.

HAYEK: The very balance consists in the fact that they are passing fashions. They have great influence for the moment, but I should not be surprised if-- In this case, I might be surprised, but let me just give an example: if I come back again, say, in two years, which is my usual interval, I shall find people are no longer jogging.

CHITESTER: Yes. Or the ones who do are in some way different from the others. There is a hard core that I assume would continue, but their motivation is different than those of the balance.

HAYEK: Oh, no, I don't think jogging is to me a very good illustration, because if I were eighteen or twenty I feel I might do it myself. [laughter] But most of the follies I observe are of the kind I wouldn't do myself.

CHITESTER: Yes, but certainly, as a class, it's different than the musical, for example--the way music changes and the styles of music. I think you've mentioned the fact that it does have another element to it, which is the physical well-being of the individual supposedly involved. So it's more than simply something to do. So I agree it's probably a more complex one. But it certainly is something that has come about very rapidly in the United States.

HAYEK: Oh, very rapidly, yes.

CHITESTER: Do you feel in the long run that these kinds of rapid changes have a role to play in world society? Is the experience here in the United States of any guidance to the world? It seems to me we have a society in which change is something we have to deal with.

HAYEK: Surely.

CHITESTER: We have books written about that: Future Shock and these other popularized approaches.

HAYEK: You see, my problem with all this is the whole role of what I commonly call the intellectuals, which I have long ago defined as the secondhand dealers in ideas. For some reason or other, they are probably more subject to waves of fashion in ideas and more influential in the American sense than they are elsewhere. Certain main concerns can spread here with an incredible speed.

Take the conception of human rights. I'm not sure whether it's an invention of the present administration or whether it's of an older date, but I suppose if you told an eighteen year old that human rights is a new discovery he wouldn't believe it. He would have thought the United States for 200 years has been committed to human rights, which of course would be absurd. The United States discovered human rights two years ago or five years ago. Suddenly it's the main object and leads to a degree of interference with the policy of other countries which, even if I sympathized with the general aim, I don't think it's in the least justified. People in South Africa have to deal with their own problems, and the idea that you can use external pressure to change people, who after all have built up a civilization of a kind, seems to me morally a very doubtful belief. But it's a dominating belief in the United States now.

CHITESTER: It clearly is. Is that true in other countries, or, again, is that unique within the United States? Do we as a people tend to rush headlong into everything?

HAYEK: I can't quite judge whether in countries like England and Germany the thing is being followed to please the United States or whether it is a spontaneous movement. My feeling is that it is very largely done because they feel they have to conform with what the United States does.

CHITESTER: That's interesting, too. So you have two aspects of it: one is the direct involvement of the United States, and the other is the indirect influence it has on its partners in the world, so to speak.

HAYEK: It's so clear that in some respects America is bringing pressure on the other countries in respects that are by no means obvious that they are morally right. I have been watching in two countries now the pressure brought by the United States to inflate a little more. Both Germany and Japan are under pressure from the United States to help by inflating a little more, which I think is both unjustified and unjust. Yet it's, I think, indicative of the extent to which certain opinions which are generated in Washington are imposed upon the world.

An early instance was the extreme American anti-colonialism: the way in which the Dutch, for instance, were forced overnight to abandon Indonesia, which certainly hasn't done good to anybody in that form. This, I gather, was entirely due to American pressure, with America being completely unaware that the opposition to colonialism by Americans is rather a peculiar phenomenon.

CHITESTER: Well, as a class, don't those kinds of intrusions into policy matters worldwide represent a failure to perceive cause-and-effect relationships clearly? Isn't that part of it?

HAYEK: Yes. Too great a readiness to accept very simplified theories of explanation.

CHITESTER: The thing that occurs to me, too, is that the one axe--in this case, in the anticolonial spirit to divest the Dutch of their holdings in Indonesia--was perceived to be a good. And yet you've said it certainly was not a good.

HAYEK: I could not conceive an experience in any other country which I had--I forget what year it was--in the United States, when suddenly every intellectual center was talking about [Arnold] Toynbee. Toynbee was the great rage. Two years later I think everybody's forgotten about him again.

CHITESTER: Do you have a problem with that personally? How has your currency risen and fallen? Has there been a cycle? Do you find there are periods in which people are--

HAYEK: Oh, very much so, and to a different extent in different countries. I had a fairly good reputation as an economic theorist until 1945, or '44, when I published The Road to Serfdom. Even that book was accepted in Great Britain by the public at large as a well-intentioned critical effort which had some justification. It came in America just at the end of the great enthusiasm for the New Deal, and it was treated even by the academic community very largely as a malicious effort by a reactionary to

destroy high ideals, with the result that my reputation was duntrodden even among academics. You know, it affects me to the present day. I have--this is always apparently inevitable--since my Nobel Prize been collecting quite a number of honorary degrees. But not one [have I received] from what you call a prestigious university. The prestigious universities still regard me as reactionary; I am regarded as intellectually not quite reputable.

So it happens that while in the more conservative places I am still respected, in intellectual circles, at least until quite recently, I was a rather doubtful figure. There was one instance about four or five years after I had published The Road to Serfdom, when a proposal of an American faculty to offer me a professorship was turned down by the majority. It was one of the big American universities. So I had a long period, which I didn't particularly mind, when at least among the intellectuals my reputation was very low--down indeed. I think it has recovered very slowly in more recent years, perhaps since I published The Constitution of Liberty, which seems to have appealed to some people who did not completely share my position. So it has been slowly rising again.

But in a way, you know, I didn't mind, because I hadn't been particularly happy with my predominantly political reputation in the forties and fifties, and later

my reputation rested really again on my purely scientific work, which I didn't particularly mind.

CHITESTER: If I recall, in your foreword or introduction to The Road to Serfdom, you specifically made that comment: that you were venturing into this area with a good deal of trepidation and hesitation, but that you felt compelled to do it because you saw threats to liberty. Yet despite that, it was not accepted in that spirit.

HAYEK: No, it wasn't accepted in the United States; but in England the general opinion was ready for this sort of criticism. I don't think I had in England a single unkind criticism from an intellectual. I'm not speaking about the politicians; both [Clement] Atlee and [Hugh] Dalton attacked the book as one written by a foreigner. They had no better argument. But intellectuals in England received it in the spirit in which it was written; while here I had, on the one hand, unmeasured praise from people who probably never read it, and a most abusive criticism from some of the intellectuals.

CHITESTER: It's currently more popular, is it not? Isn't it coming back?

HAYEK: It's being rediscovered, yes.

CHITESTER: It's the kind of book that the lay reader, the lay public, it would seem to me, can deal with as opposed to a more technical economics book. The use of the word

foreigner in the exchange you mentioned in Britain is an interesting one. It relates to some other things that we were talking about. I wanted to ask this question earlier, and I think maybe this would be an appropriate time. To what extent does--and I know you've done some recent thinking about this--culture, in some definition, play a role in the ordering of world activities. You mentioned the intervention, in this respect, of the United States, and it would seem to me that some element of that, of the wrongness of that, is based on an inability, it would seem to me--that doesn't mean we're inept--of one culture to fully understand and deal with another. Do you have any thoughts on that?

HAYEK: There's something in that, but it is not necessarily the culture into which you were born that most appeals to you. Culturally, I feel my nationality now is British and not Austrian. It may be due to the fact that I have spent the decisive, most active parts of my life between the early thirties and the early fifties in Britain, and I brought up a family in Britain. But it was really from the first moment arriving there that I found myself for the first time in a moral atmosphere which was completely congenial to me and which I could absorb overnight.

I admit I had not the same experience when I first came to the States ten years earlier. I found it most interesting

and fascinating, but I did not become an American in the sense in which I became British. But I think this is an emotional affair. My temperament was more like that of the British than that of the American, or even of my native fellow Austrians. That, I think, is to some extent a question of your adaptability to a particular culture. At one time I used to speak fairly fluent Italian; I could never have become an Italian. But that was an emotional matter. I didn't have the kind of feelings which could make me an Italian; while at once I became in a sense British, because that was a natural attitude for me, which I discovered later. It was like stepping into a warm bath where the atmosphere is the same as your body.

CHITESTER: It suggests a very fascinating way of classifying personality types.

HAYEK: It probably is.

CHITESTER: You could classify them by the culture within which they would feel most comfortable. It suggests that ethnic association, ethnic relationships, are a matter of personality, not one's birthright or even one's place of habitation.

HAYEK: Yes; oh, yes.

CHITESTER: What was it about the British? Can you identify, in any way, why you felt comfortable with it? What is it about you that makes you feel comfortable with the British?

HAYEK: The strength of certain social conventions which make people understand what your needs are at the moment without mentioning them.

CHITESTER: Can you give us an example?

HAYEK: The way you break off a conversation. You don't say, "Oh, I'm sorry; I'm in a hurry." You become slightly inattentive and evidently concerned with something else; you don't need a word. Your partner will break off the conversation because he realizes without you saying so that you really want to do something else. No word need to be said about it. That's in respect for the indirect indication that I don't want to continue at the moment.

CHITESTER: How would that differ in the United States? More direct?

HAYEK: Either he might force himself to listen too attentively, as if he were attentive, or he might just break off saying, "Oh, I beg your pardon, but I am in a hurry." That would never happen--I can't say never happen--but that is not the British way of doing it.

CHITESTER: How does it differ from the Austrian?

HAYEK: Oh, there would be an effusion of polite expressions explaining that you are frightfully sorry, but in the present moment you can't do it. You would talk at great length about it, while no word would be said about it in England at all.

CHITESTER: And from your point of view it is a question of-- Is it the comfort of shared-- It's like you don't have to--there's the old saying--you don't have to tell someone you love them if you love them.

HAYEK: You might sit together with somebody and you don't have to carry on a conversation.

TAPE: CHITESTER I, SIDE TWO

TAPE DATE: UNSPECIFIED

CHITESTER: And you find that very comfortable personally.

HAYEK: I find it very congenial to me. It's a way in which I would act naturally.

CHITESTER: Does it in any way relate to your intellectual persuasion or convictions? Is there any continuity between the two?

HAYEK: It may well be, but I'm not aware of it. I shouldn't be surprised if somebody discovered that my general way of thinking made me fit better into this sort of convention than into any other.

CHITESTER: Because, again, that would suggest itself in terms of how ideas flow and are developed and supported. Doesn't that suggest that a culture has an important role to play in sustaining certain ideas?

HAYEK: You might find an answer to this by studying the difference between British literature and literature of other countries. I shouldn't be surprised, but I can't give evidence offhand.

CHITESTER: Another quick thought: The Road to Serfdom, you said, was received quite favorably in Britain, except for the politicians. As a reflection now, from the point of view of 1978, it would seem it did not have the required effect. Do you have any thoughts about that?--the corollary

being that the United States has, at least to this point in time, not suffered quite as much a diminution of liberty that seems to be apparent in Britain.

HAYEK: You know, in a sense I believe the British intellectuals in their majority are less committed to a doctrine of socialism than, say, the Harvard [University] intellectuals. They still have their great sympathy with the trade-union movement and refuse to recognize that the privileged position which the trade unions have been given in Britain is the cause of Britain's economic decline.

But the British Labour party is not predominantly a socialist party but is predominantly a trade-union party, which is something very different. And although there are always some doctrinaire socialists in the government, I think they are a small minority. It's not, from a socialist position, as bad as it seems to be in Russia, where Solzhenitsyn assures us there's not a single Marxist to be found in Moscow. But I doubt whether there are more than two or three radical socialists to be found--maybe five or six--among the leading figures of the British Labour party. It is essentially a trade-union party.

CHITESTER: But doesn't it, though, still incorporate the basic kinds of threat to personal freedom in the long term that you envision in--

HAYEK: Oh, yes. In the effect, of course, they are driven

by their policies, which are made necessary by the trade unions, into ever-increasing controls, which make things only worse. Yet, in addition--but even that was initially caused by the trade-union problems--[there was] dominance of Keynesian monetary theories. But it is rather important to remember that even in the 1920s, when [John Maynard] Keynes conceived his theories, it all started out from the belief that it was an irreversible fact that wages were determined by the trade unions. They had to find a way around this, and he suggested the monetary way to circumvent this effect.

CHITESTER: Let me come back to some things that I feel more comfortable with. I'd be very fascinated to chat with you a little bit about what it is that has made you excited about life. I sense a sparkle in the eye, a get up in the morning with a challenge. What is it? How would you identify that?

HAYEK: On the whole I am healthy. I say this now because I had a fairly recent period in my life in which I was not. There is evidently some physical reasons for it; the doctors don't agree. But from my seventieth to my seventy-fifth year, what you say just would not have applied. Before and afterwards it did. So my answer must really be that now and for most of my life I have been a healthy person.

CHITESTER: Of course, "healthy" means both physically and

mentally in that sense.

HAYEK: These things are very closely related. You know, I belong to the people who really regard their mental process as part of the physical process, to a degree of complexity which we cannot fully comprehend. But I do not really believe in metaphysically separate mental entities. They are a product of a highly developed organism far beyond anything which can be explained, but still there is no reason to assume that there are mental entities apart from physical entities.

CHITESTER: Now, obviously you are referring to Freud and the whole Austrian psychologists and the school there, which clearly, as a fellow countryman, you would have direct feelings about.

HAYEK: In my recent lecture, I have a final paragraph in which I admit that while apart from many good things, some not so good came from Austria; much the worst of it was psychoanalysis. [laughter]

CHITESTER: Why do you feel that? Why do you feel psychoanalysis suffers from that?

HAYEK: Well, there are two different reasons. I think that it has no scientific standing, but I won't enter into this. It becomes a most destructive force in destroying traditional morals, and that is the reason I think it is worthwhile to fight it. I'm not really competent to fight it on the purely scientific count, although as you know

I've also written a book on psychology, which perhaps partly explains my scientific objections. But it is largely the actual effect of the Freudian teaching that you are to cure people's discontent by relieving them of what he calls inhibitions. These inhibitions have created our civilization.

CHITESTER: Yes, indeed they have. It is interesting, as you were saying, that feeling good is something certainly most of us want to achieve. The feeling good--let's stay with that for a minute--and the obeying, if you would, or the following, of a moral structure seems to contribute to that, doesn't it?

HAYEK: Yes, the way I put it now is that good is not the same thing as natural. What is good is largely a cultural acquisition based on restraining natural instincts. And Freud has become the main source of a much older error that the natural is good. What he would call the artificial restraints are bad. For our society it's the cultural restraints on which all depends, and the natural is frequently the bad.

CHITESTER: Now, one thought that occurs to me in trying to explore that further is a feeling of good, for example, among a group of individuals who recognize in each other, or several of them, something which in a way, I think, you were getting at when you commented on the British: they

acquiesce to a common set of behavioral standards, and the feeling of good comes out of the kind of mutual flow of recognition back and forth that occurs. If I walk into a group of these people, I feel good because I know they identify that I'm meeting their standards.

HAYEK: Yes, but that leads to a very fundamental issue: they conflict between common concrete ends and common formal rules which we obey. Our instincts, which we have acquired in the primitive band, do serve known needs of other people and [urge us] to pursue with other people a known common goal. This is something very different from obeying the same rules.

The great society, in which we live in peace with people whom we do not know, has only become necessary because we have learned, to some extent, to suppress the natural instinct that it's better to work for a common goal with the people with whom we live and to work for the needs of people whom we know. This we had to overcome to build the great society. But it's still culturally strange to our natural instincts, and if anybody like Freud then comes out with, "The natural instincts are the good ones; free them from artificial restraints," it becomes the destroyer of civilization.

CHITESTER: The word artificial gets thrown around an awful lot. Freedom from artificial restraints. Are the restraints artificial?

HAYEK: No, I was really inconsistent by using the term in that connection, because I stress that the confusion in this field is largely due to the dichotomy, which derives from the ancient Greeks, between the natural and the artificial. Between the natural and the artificial is the cultural, which is neither natural nor artificial, but is the outcome of a process of selection. This was not a deliberate process but is due to the fact that certain ways of behaving have proved more successful than others, without anybody understanding why they were more successful. Now that, of course, is neither natural nor artificial; I think the only word we have for it is cultural. The cultural is between the natural, or innate, and the artificial, which ought to be confined to the deliberately designed. The way in which we can describe it is the cultural.

CHITESTER: The use of artificial by proponents of directed change, it seems to me, is that kind of distortion. To use it as a rhetorical weapon; to say to someone, "Why, that's artificial; you shouldn't be doing that." Again, the Freudian thing: remove your inhibitions and you're going to be a wonderful person and enjoy life. The argument, then, is that these inhibitions are artificial, and they clearly are not. You're saying that, to the degree that they are voluntarily agreed to--even subconsciously--

that they certainly-- Would you call that artificial or not? Is that a midground?

HAYEK: I think this is intermediate ground for which we have no other word but culture, which people confuse with artificial. But the cultural is not artificial, because culture has never been designed by anybody. It's not a human invention; in fact, I go so far as to say that it's not the mind which has produced culture but culture that has produced the mind. This would need a great deal of examination.

CHITESTER: Yes. There's an interesting--and I know you've dealt with this--problem which this suggests, in that cultural restraints seem to be a necessity within a society. How does the individual achieve freedom and liberty within those constraints?

HAYEK: Freedom has been made possible by the restraint on freedom. It's only because we all obey certain rules that we have a known sphere in which we can do what we like. But that presupposes a restraint on all of interfering in the protected sphere of the other, which in the end comes to private property, but is much more than private property and material things.

I like to say that primitive man in the small band was by no means free. He was bound to follow the predominant emotions of his group; he could not move away from

his group; freedom just did not exist under natural conditions. Freedom is an artifact. Again, the word artifact is the one we currently use, but it is not the result of design, not deliberate creation, but of a cultural evolution. And this cultural evolution produced abstract rules of conduct which finally culminated essentially in the private law--the law of property and contract--and a surrounding number of moral rules, which partly support the law, partly are presupposed by the law.

The difference between law and morals is essentially that the law concerns itself with things where coercion is necessary to enforce them and which have to be kept constant, while morals can be expected as the acquired traditional traits of individual conduct which are also to some extent experimental. Thus, it's not a calamity if you find a person you have to deal with who does not obey current morals, whereas it is a calamity if you find that a person with whom you have to deal does not obey the law.

CHITESTER: Can you give us two specific examples of this? I mean one specific example of each.

HAYEK: Well, I must be assured that people are made to keep contracts if I am to make contracts and rely on them. There is the whole field of honesty. You know, there are kinds of honesty which, if they did not exist,

would make normal life impossible. And there are minor kinds of honesty which are not defined by the law and which the law does not define because they are not essential.

CHITESTER: So, if I were to enter into an effort to violate a contractual agreement, that is a level of dishonesty that would be dealt with by the law. And, as you said, this would be of the calamitous type. On the other hand, if I chose to do something that violates your sense of propriety, that is not calamitous. It may be calamitous to our relationship, but it's not calamitous in the sense--

HAYEK: I can still live a sensible life even if people around me will not follow certain morals; but it is absolutely essential--and I think this is perhaps important to state, because [it defines] the difference between my view and some of my friends who lean into the anarchist camp--that within the territory where I live I can assume that any person that I encounter is held to obey certain minimal rules. I cannot form voluntary groups of people who obey the same rules and still have an open society. I must know that within the territory in which I live, any unknown person I encounter is held to obey certain basic rules--

CHITESTER: And not his own.

HAYEK: --certain common, basic rules which are known to me.

CHITESTER: This is then the weakness of a concept that bases everything on voluntary association, because the stranger has his own voluntary association and you have yours, and there's no commonality.

HAYEK: Libertarianism quite easily slides into anarchism, and it's important to draw this line. An open society in which I can deal with any person I encounter presupposes that certain basic rules are enforced on everybody within that territory.

CHITESTER: A thought occurs to me--the difficulties in Africa of bringing into existence some form of nation-states. It seems to me that the tribal kinds of organization are an example of that.

HAYEK: Sure. Certainly. Very much so.

CHITESTER: The tribes have their own voluntary rules, but they're all different.

HAYEK: Well, it's very doubtful whether you can, under these conditions, impose the whole apparatus of a modern state. I think if you achieve over the period of the next few generations the minimum that people within the territory will all learn to obey the basic rules of individual conduct, that's the optimum we can hope for.

CHITESTER: Well, that's something. It's worth something. I want you to answer one more question, and then we'll take a break. You indicated that your cycle of coming

to the United States was about every two years. Is this one of those? Has it been about that long since you've been here? When was the last time you visited?

HAYEK: Oh, only eighteen months ago.

CHITESTER: So you've shortened the cycle. [laughter]

HAYEK: It just so happens--I think I can tell you roughly--I was in the United States in '45, '46, '47, '50, then from '50 to '62 I lived here, and since '62--The next few years it was probably every three or four years, and then there was a period of ill-health when I hardly traveled at all. But since then, I must have been here every two years.

CHITESTER: What is the one thing this trip that you've noticed has changed. What's the thing that impacted on you as being the most recent fad or change or whatever? Has there been any?

HAYEK: Well, I've been here too recently, because even jogging was already popular eighteen months ago. [laughter] And I have, except for a single day in Seattle, been only just one week on the campus and haven't left the campus of Stanford.

CHITESTER: You didn't visit the King Tut exhibit in Seattle did you?

HAYEK: No. I have seen this exhibition before, not only in Cairo itself but I have seen the exhibition in London.

CHITESTER: At what point in your visits to the United States was there a period in which you were absolutely abashed at the changes that occurred?

HAYEK: Oh, of course between '24 and '45 it was a different country. The experience of the New Deal, of the Great Depression, and so on had changed the atmosphere to an extent that-- The exterior, of course, was familiar, but the intellectual atmosphere had changed completely. So far as the intellectual atmosphere was concerned, I came in '45 to a country wholly different from what I remembered from '24.

TAPE: CHITESTER II, SIDE ONE

TAPE DATE: UNSPECIFIED

CHITESTER: I can't resist talking some more about snuff. You said you have this shop in London.

HAYEK: Yes, it's a very special snuff. It's a very old shop, Fribourg and Treyer, which like an English shop, still uses the same label which they used in the eighteenth century. And I've now discovered and tried his thirty-six different snuffs. The one I decided was much the best has the beautiful name of Dr. James Robertson Justice's Mixture.

CHITESTER: That sounds good.

HAYEK: And it is very good.

CHITESTER: Why do you use snuff?

HAYEK: Well, I was stopped from smoking by the doctor some five years ago and was miserable for a long time. I was a heavy pipe smoker. Then by chance I found in my own drawer of my desk an old snuffbox which I had used years ago at the British Museum when I was working long hours in the museum. And finally my neighbor [in the museum] just joked at how silly it was to go out every hour for a cigarette. He said he used snuff and that relieved him completely of the longing.

So I got snuff for the same purpose, which worked, but I didn't acquire the habit then. I put it aside and later

found it. And as I was miserable not being allowed to smoke, I found that old snuffbox in my drawer and took some snuff and found the longing for a cigarette at once stopped. So I started taking it up and I've become completely hooked. It is as much a habit-forming thing, and you get all the nicotine you want; but the worst thing about smoking, of course, is the tar, which you don't get [with snuff]. So I get my pleasure without the real danger.

CHITESTER: Do you have a collection of snuffboxes?

HAYEK: A small collection, yes. I'm beginning to acquire--

CHITESTER: Like wine, cheeses, and things like that.

HAYEK: It's only something like two or three years that it has become really a habit.

CHITESTER: How do you feel about the question of cigarette smoking. You know in the United States there's a lot of pressure for people to quit.

HAYEK: Well, it's probably sensible so long as they don't legislate about it. I think there's even a case for preventing it in public places where it annoys other people, but even that doesn't require legislation. I think restaurants would have their choice of customers. But I am convinced that cigarettes are harmful, although my own brother, the late anatomist, was the one who argued most convincingly that it was not cigarettes but the effusion of

cars and so on which was the main cause of lung cancer. But I'm afraid he died of heart disease, I think largely induced by smoking. [laughter]

CHITESTER: Well, one pays the piper at some point. Do you ascribe to the theory-- Mark Twain said, well, he had to have a certain amount of moderately sinful behavior so he would have something to throw overboard as he got older and needed redemption. He said he wouldn't give up smoking cigars because he felt he needed that at some point in the future so that he would have something to give up.

HAYEK: Well, I don't intend to give this up.

CHITESTER: You don't intend to give it up. [laughter] Very good. There's an aspect of any individual who's involved in creative work that fascinates me. And when I say creative work, I don't limit it to intellectual: [I include] people who work with their hands, even a farmer. A farmer to me is involved in very creative work. [What I notice] is that there is an excitement about what one does. It's one of those intangibles. It's like asking what is love or how do you describe the sense of love. But I personally feel excited about being involved in things. You must have had--

HAYEK: Yes, although I get more excited by exposition, oral exposition, than by quiet writing. I can't eat after

I've given a lecture. Even my ordinary university lectures-- I used to, at Cambridge, lecture from twelve to one and had to postpone lunch to two. I couldn't possibly eat after I came back from a lecture; just too much excited from giving a lecture. In quiet work, of course, there is some excitement of a different sort. Elation, but it's purely pleasant and doesn't have any lasting effect like the effort of explaining it to somebody else. That is an excitement of a different nature, and lecturing, of course, is in general a very peculiar experience.

I will tell you a story, although it may lead off the point. My second visit to the United States in 1945 was occasioned by the publication of The Road to Serfdom. I was asked to come over to give five series of lectures at five universities. I imagined very sedate academic lectures, which I had written out very carefully, and I came--it was still war--in a slow convoy. And while I was on the high seas, the condensation of The Road to Serfdom in the Reader's Digest appeared. So when I arrived I was told the program was off; the University of Chicago Press had handed over the arrangements to the National Concerts and Artists Organization; and I was to go on a public-lecture tour around the country. I said, "My God, I have never done this. I can't possibly do it. I have

no experience in public speaking." [They said], "Oh, it can't be helped now." "Well, when do we start?" "You are late. We've already arranged tomorrow, Sunday morning, a meeting at Town Hall in New York."

At first it didn't make any impression on me; I rather imagined a little group of old ladies like the Hokinson women in the New Yorker. Only on the next morning, when I was picked up at my hotel and taken to a townhouse, I asked, "What sort of audience do you expect?" They said, "The hall holds 3,000 but there's an overflow meeting." Dear God, I hadn't an idea what I was going to say. "How have you announced it?" "Oh, we have called it 'The Rule of Law in International Affairs.'" My God, I had never thought about that problem in my life. So I knew as I sat down on that platform, with all the unfamiliar paraphernalia--at that time it was still dictating machines--if I didn't get tremendously excited I would break down. So the last thing that I remember is that I asked the chairman if three-quarters of an hour would be enough. "Oh, no, it must be exactly an hour."

I got up with these words in my ear, without the slightest idea of what I was going to say. But I began with a tone of profound conviction, not knowing how I would end the sentence, and it turned out that the American public is an exceedingly grateful and easy public. You

can see from their faces whether they're interested or not. I got through this hour swimmingly, without having any experience, and if I had been told about it before, I would have said, "I can't possibly do it." I went through the United States for five weeks doing that stunt [laughter] everyday, more or less, and I came back as what I thought was an experienced public lecturer, only to be bitterly disappointed when I went back to England.

Soon after I came back I was asked to give a lecture to some public group at Manchester, and I tried to do my American stunt. With the stolid north English citizens not moving a muscle in their faces, I very nearly broke down because I could not be guided by their expression. It's the sort of lecturing you can do with the American audience but not the British audience. [laughter] It was a very instructive experience.

CHITESTER: Yes. I can understand. I can understand it from the one side, having done public speaking to American audiences and knowing even there that there is clearly much more responsiveness than what I understand is true of European audiences. But even there, there is a range, in that many times you have an audience that is very, very flat.

HAYEK: Well, after all, you see, the New York audience apparently was a largely favorable one, which helped me.

I didn't know in the end what I had said, but evidently it was a very successful lecture.

CHITESTER: Well, I'm sure you've also had the experience of--there you were talking about feedback essentially--the feeling on the part of the audience that they like what you're saying, encouragement, the movement of heads. Wouldn't you get that out of students also?

HAYEK: No, one doesn't get it. I think I ought to have added that what I did in America was a very corrupting experience. You become an actor, and I didn't know I had it in me. But given the opportunity to play with an audience, I began enjoying it. [laughter]

CHITESTER: It's very tempting, yes. It becomes a show more than a communication; it's entertainment. Coming back to the other question, why do you work?

HAYEK: At this time, it's the only thing I enjoy. I have lost all the other hobbies. I haven't many. It was essentially mountain climbing and skiing. My heart will no longer play; so I had to give that up completely. I did a certain amount of photography, which was the other hobby I had; but the professionals have become so much better than anyone can hope to be that I no longer really enjoy it. I can't equal these people; so I've given that up, except when I travel I take snaps.

So I no longer have any hobbies, and there's no

difference between hobby and work, particularly since I am retired I no longer have any subject where I have to keep up. That can be a chore, if you have to give the same lecture year after year and have to inform the students what has happened. You have to read all sorts of stuff you don't care in the least about. But now in my retired state the work is my pleasure.

CHITESTER: Do you think hobbies and work are the same?

HAYEK: Unfortunately, not normally; but they can be. That's the most fortunate state you can be in. If you feel that what you enjoy most is also useful to the other people, this is an ideal position.

CHITESTER: In terms of achievement, now, obviously you can look at hobbies and work as you've said: when others benefit from it, it becomes work. I guess this is maybe one of the ways--

HAYEK: In my case there was one particular thing: you see, I write in a language which is not my native language. So as an adult I went through the pleasure of learning to master a new language. And while my spoken English is not faultless, I pride myself-- If I have time, I can write as good English as anyone. And to learn this and to see myself even in middle age constantly make progress in learning what is an art was a very enjoyable experience.

CHITESTER: Achievement again. Is that a key?

HAYEK: Yes, achievement. Or, to some extent, something unforeseen arising out of your work. For example, the pleasure I can get out of what may be childish: a good formulation. To give an illustration: the next article I'm going to write as soon as I'm rid of other things is going to be called "Mill's Muddle and the Muddle of the Middle." I think that's a good title. [laughter]

CHITESTER: It's a delightful title. And that's a source of enjoyment?

HAYEK: Yes.

CHITESTER: The reason I'm interested in this is that it seems to me that individuals, in coming at the questions of value, questions of society, the question of enjoyment has to be in there.

HAYEK: Oh, yes.

CHITESTER: And it seems it is so often corrupting. Why is it corrupting?

HAYEK: Because our instincts, which of course determine the enjoyment, are not fully adapted to our present civilization. That's the point which I was touching on before. Let me put it in a much more general way. What has helped us to maintain civilization is no longer satisfied by aiming at maximum pleasure. Our built-in instincts--that is, the pleasure which guides us--are the instincts which

are conducive to the maintenance of the little roving band of thirty or fifty people. The ultimate aim of evolution is not pleasure, but pleasure is what tells us in a particular phase what we ought to do. But that pleasure has been adapted to a quite different society than which we now live in. So pleasure is no longer an adequate guide to doing what life in our present society wants. That is the conflict between the discipline of rules and the innate pleasures, which recently has been occupying so much of my work.

CHITESTER: That suggests that we're outgrowing the usefulness of our native instincts.

HAYEK: Yes, yes. And it does raise the question whether the too-rapid growth of civilization can be sustained-- whether it will mean the revolt of our instincts against too much imposed restraints. This may destroy civilization and may be very counterproductive. But that man is capable of destroying the civilization which he has built up, by instincts and by rules which he feels to be restraints, is entirely a possibility.

CHITESTER: Yes, that's a kind of a terrifying thing.

HAYEK: Oh, yes.

CHITESTER: It suggests that there's no way out.

HAYEK: Well, there is no way out so long as-- It's not only instincts but there's a very strong intellectual movement

which supports this release of instincts, and I think if we can refute this intellectual movement-- To put it in the most general form, I have to revert to [the idea that] two things happened in the last hundred years: on the one hand, an always steadily increasing part of the population did no longer learn in daily life the rules of the market on which our civilization is based. Because they grew up in organizations rather than participating in the market, they no longer were taught these rules. At the same time, the intellectuals began to tell them these rules are nonsense anyhow; they are irrational. Don't believe in that nonsense.

What was the combination of these two effects? On the one hand, people no longer learned the old rules; on the other hand, this sort of Cartesian rationalism, which told them don't accept anything which you do not understand. [These two effects] collaborated and this produced the present situation where there is already a lack of the supporting moral beliefs that are required to maintain our civilization. I have some--I must admit--slight hope that if we can refute the intellectual influence, people may again be prepared to recognize that the traditional rules, after all, had some value. Whereas at present the official belief is, "Oh, it's merely cultural," which means really an absurdity. That view comes from the intellectuals; it doesn't come from the other development.

CHITESTER: And it comes also from some elements of the science community.

HAYEK: Oh, yes.

CHITESTER: The scientist-technologist point of view.

HAYEK: Very much so. To the extent to which science is rationalistic in that specific sense of the Cartesian tradition, which again comes in the form of, "Don't believe in anything which you cannot prove." And our ethics don't belong to the category of that which you can prove.

CHITESTER: Don't you feel, though, that the average individual finds that to be difficult. I, as a person, have a sense of joy, of excitement, and it is not based on a rational perception. And I am fairly willing to accept it as such. Isn't there a way we can somehow or other sublimate the changes in society. As you've said, the native ability doesn't work anymore. But yet there ought to be some way to relate those instincts to a changing society.

HAYEK: I hope it can be done. You see, these instincts, of course, are the source of most of our pleasure in the whole field of art. There it's quite clear; but how you can evoke this same sort of feeling by what comes essentially to these rules of conduct which are required to maintain this civilized society, I don't know.

CHITESTER: Those people who work for themselves, who are not guided by a master, must they not as a class have that as a motivation? Doesn't that have to be an element?

HAYEK: No doubt they have some such motivation, but that's not a thing you can create; perhaps it can spread by imitation, by example. But I wouldn't know any way in which you can systematically teach it.

CHITESTER: I would assume that statistically it can be shown that a lot of people who work for themselves don't do so for purely economic gain, because it can be shown that they could do better in a different situation.

HAYEK: Surely, surely. You know, I am in the habit of maintaining that so far as literary production is concerned, there's no justification for copyright because no great piece of writing has been done for money. And I don't think our literature would be much poorer if it were not a way of making a living.

CHITESTER: That's true. I think many people are motivated to write for other than monetary reasons.

HAYEK: Surely.

CHITESTER: I think [Charles] Dickens was also, in certain circumstances, writing in exchange for dollars.

HAYEK: Yes, I think he did have to write and perhaps in this case a compulsion was a good thing, but there are very few instances. If you ask the question, which great

works of literature would we not have if it hadn't been for the incentive of earning an income from it, the number is very small indeed.

CHITESTER: Let's go back. You said that today you work because you get enjoyment out of it. If we go back fifty years in Hayek's existence, and if I were to take one thing away from you that would have changed your attitude toward what you were doing so that you no longer would have cared to proceed with it, what would that one thing be?

HAYEK: Well, I suppose the one thing which might have changed my own development would have been if there didn't exist that esteem for intellectual work which in an academic environment-- You see, my determination to become a scholar was certainly affected by the unsatisfied ambition of my father to become a university professor. It wasn't completely unsatisfied; he was by profession a doctor. He became a botanist, and his main interest became botany. He became ultimately what's called an "extraordinary professor" at the university. At the end of his life it was his only occupation, but through the greater part of my childhood, the hope for a professorship was the dominating feature. Behind the scenes it wasn't much talked about, but I was very much aware that in my father the great ambition of his life was to be a university professor.

So I grew up with the idea that there was nothing

higher in life than becoming a university professor, without any clear conception of which subject I wanted to do. It just seemed to me that this was the worthwhile occupation for your life, and I went through a very long change of interests. I grew up with biology in my background. I think it was purely an accident that I didn't stick to it. I was not satisfied with the sort of taxonomic work in botany or zoology. I was looking for something theoretical at a relatively early stage.

When I was thirteen or fourteen my father gave me a treatise on what is now called genetics--it was then called the theory of evolution--which was still a bit too difficult for me. It was too early for me to follow a sustained theoretical argument. I think if he had given me the book later, I would have stuck to biology. In fact, my interests started wandering from biology to general questions of evolution, like paleontology. I got more and more interested in man rather than, in general, nature. At one stage I even thought of becoming a psychiatrist.

And then there was the experience of the war. I was in active service in World War I. I fought for a year in Italy, and watching the dissolution of the Austro-Hungarian Empire turned my interest to politics and political problems. So it was just as the war ended and

I came back that I decided-- Well, I didn't even decide to do economics. I was hesitating between economics and psychology. Although my study was confined to three years at veterans' privileges, and I did a first-class law degree, I divided my time essentially between economics and psychology. And it was for essentially practical reasons that I decided on economics rather than psychology. Psychology was very badly represented at the university. There was no practical possibility of using it outside a university career at that time, while economics offered a prospect.

Finally I got definitely hooked by economics by becoming acquainted with a particular tradition through the textbook of Karl Menger, which was wholly satisfactory to me. I could step into an existing tradition, while my psychological ideas did not fit into any established tradition. It would not have given me an easy access to an academic career. So I became an economist, although the psychological ideas continued to occupy me. In fact, they still helped me in the methodological approach to the social sciences. I finally wrote out the ideas I had formed as a student thirty years later--or nearly thirty years later--in that book The Sensory Order. And I still have a great interest in certain aspects of psychology, although not what is predominantly taught under

that name, for which I have not the greatest respect.

CHITESTER: What's your reaction at this point about having achieved what your father desired? He desired to be a professor as an ultimate and as a measure of achievement. Is there a secret wish somewhere in Professor Hayek that, knowing what you now know, you might have attempted to strive to achieve some other objective?

HAYEK: I think my choice was right. I'm satisfied with the choice. There was a period when the possession of a professorship gratified me, and I think it's appropriate to my old age that I'm now relieved of any formal duties. In fact, up to a point I still enjoy teaching. I have a marvelous arrangement. The German universities are in that respect ideal. You are just relieved of duties, but you retain your rights. So I can still teach, and I do it in the easy manner of joining in with one of my active colleagues who takes the responsibility and I sit in in the seminar, which is the absolutely ideal position at my age.

CHITESTER: You're making a hobby out of your vocation in that sense.

HAYEK: Yes.

TAPE: CHITESTER II, SIDE TWO

TAPE DATE: UNSPECIFIED

CHITESTER: That's interesting. Is it important, in the sense of joy that one achieves, that there is external recognition of excellence?

HAYEK: Yes, although I don't think I was ever guided in the choice of the subjects I worked on by the aim at recognition. But when it comes it's very pleasant. But I would not have very much regretted having spent my life on something which I still thought was important but had not found recognition. I might have found it an inconvenience if it didn't bring an adequate income; but it would not have been a major obstacle to me if I was convinced something would ultimately be recognized as important, perhaps after my death.

In my lifetime I have found no little recognition. In fact, recognition in that sense, except in a very narrow group of colleagues, is a new experience to me. There was one period of popularity after the publication of The Road to Serfdom, but so far as public recognition is concerned-- As we mentioned before, the period between '50 and '70 was a period when I--you could almost say--had become relatively unknown.

I've always regretted a remark I made to my wife in 1950, which I think was true at that time but ceased

soon to be true, that when [John Maynard] Keynes died I was probably the best-known economist. At that time, as a result of the controversy between us, we were the two leading economists. But when Keynes died he became a saint and I was forgotten. It was a curious development. Between '50 and '70, I was known to a few specialists but not by the public at large.

CHITESTER: In periods of time like that, you need a guidepost against which to judge your achievements. We all do this. We have measuring tools.

HAYEK: I was sufficiently settled. By the age of fifty or the early fifties, one might say your habits, but certainly your immediate aims, are very much settled. I never had any ambition for public activity. In fact, at a very early stage I came to the conclusion that for an economist it was not a good thing to be involved in government. Long before I confirmed it in my own experience, I used to say that in the twenties England and Austria produced good economists because they were not involved in policy matters, and Germany and America produced bad economists because they were all tied up in politics.

I have by my migrations avoided getting tied up in politics. I left Austria almost immediately--it was by accident--after I had been called to sit on the first

governmental committee; I left England after twenty years-- it takes much longer there--just after the Colonial Office had begun to use me for public matters; I was never long enough in the United States to be used for public affairs; and of course in Germany, when I arrived I was an old man. I think it was no longer a practical problem.

So I'm almost unique among economists of some reputation of practically never having been tied up in government work, and I think it has done me a lot of good. [laughter] Government work corrupts. I have observed in some of my best friends, who as a result of the war got tied up in government work, and they've ever since been statesmen rather than scholars.

CHITESTER: Isn't there a problem that you have to deal with in that regard? I understand and am very sympathetic to that perspective. How does one translate, then, from the theoretical to the practical and political? Who is the intermediary? Is there a class of individuals, then, that must lie between the intellectual and the politician? How do you bridge the gap?

HAYEK: The economists whom we train who do not become academics also do economics. After all, we are training, unfortunately, far too many and certainly many more than ought to go into academic life. And I don't mind even people of first-class quality going into politics. All

I'm saying is they no longer have the right approach to the purely abstract theoretical work. They are beginning to think about what is politically possible, while I have made it a principle never to ask that question. My aim is to make politically possible what in the present state of opinion is not politically possible.

CHITESTER: A parallel I see to what you're saying is in the case of Dr. Milton Friedman, who spent a number of years of his work in the very theoretical [realm] without involvement in the political.

HAYEK: I think he is rather an exception by not getting corrupted by it.

CHITESTER: He has now become more involved because he has many specific suggestions for political solutions, which are--and he would clearly admit to this--compromises of his own theory.

HAYEK: Well, personally I think he has invested so much in a particular scheme of monetary policy that he refuses to consider what I regard as the ultimate solution of the problem: the denationalization of money and the privatization [of it]. That is so much beyond the scope of his aims that he rejects it outright. I think it is politically impractical now. I believe he even sees the theoretical attraction, but he doesn't think it's worth pursuing because it's not practical politics.

CHITESTER: It's interesting that--and this is something I don't have a clear feel for but I have a sense of--the yeoman farmer as well as the theoretical intellectual, who both stay out of politics and do their own work, are much more closely aligned in that sense than is the intellectual who is working theoretically and the one who essentially sells himself to the political process.

HAYEK: Well, of course, there is a limit. You see, I'm very interested in politics; in fact, in a way I take part. I now am very much engaged in strengthening Mrs. [Margaret] Thatcher's back in her fight against the unions. But I would refuse to take any sort of political position or political responsibility. I write articles; I've even achieved recently the dignity of an article on the lead page of the London Times on that particular subject. I'm represented in England as the inspirer of Mrs. Thatcher, whom I've only met twice in my life on social occasions. I enjoy this, but on the principle that I will not ask, under any circumstances, what is politically possible now. I concentrate on what I think is right and should be done if you can convince the public. If you can't, well it's so much the worse, but that's not my affair.

CHITESTER: It seems to me that there is another related problem that this suggests. You work obviously within a scholarly framework. The average person is not in a position

to be able to deal with the subtleties of your efforts because they don't have the basic education that permits them to do that. How does the translation between your work and thoughts and the need for the average person to have some sensitivity in regard to them occur?

HAYEK: Well, I think under normal circumstances it ought not to be too difficult, because what I call the intellectuals, in the sense in which I defined it before--the secondhand dealers in ideas--have to play a very important role and are very effective. But, of course, in my particular span of life I had the misfortune that the intellectuals were completely conquered by socialism. So I had no intermediaries, or hardly any, because they were prejudiced against my ideas by a dominating philosophy. That made it increasingly my concern to persuade the intellectuals in the hopes that ultimately they could be converted and transmit my ideas to the public at large.

That I cannot reach the public I am fully aware. I need these intermediaries, but their support has been denied to me for the greater part of my life. I did not teach ideas which, like those of Keynes, had an immediate appeal and whose immediate relevance for practical problems could be easily recognized. How much I was worried about these problems long ago you will see when you look into an article I wrote, oh, fully twenty-five years ago called

"The Intellectuals and Socialism." This was actually published in the University of Chicago Law Review but is reprinted in my volume of Studies in Philosophy, Politics and Economics. There I've tried to explain that the general rule of the intellectuals is the reason why the intellectuals of this century, I must say since about the beginning of the century, were so attracted by the socialist philosophy that they really became the main spreaders of socialism.

Socialism has never been an affair of the proletarians. It has always been the affair of the intellectuals, who have provided the workers' parties with the philosophy. And--I believe I've used this phrase already today--that's why I believe that if the politicians do not destroy the world in the next twenty years, there's good hope. Because among the young people there is a very definite reversion. There is an openness, which is the most encouraging thing that I've seen in recent years, even in the countries where intellectually the situation seemed to me most hopeless, largely because it was completely dominated by the Cartesian rationalism.

In France there is now the same reversion which has been taking place in England and America and Germany for some years. This was the first time even in France that a group of nouveaux économistes, who were thinking

essentially along the same lines which I am thinking, opposed the nouveaux philosophes. That was the most encouraging experience I've had in recent times.

CHITESTER: Changing to a somewhat different approach, what kinds of people-- How would you describe an individual whom you have the greatest difficulty dealing with, in terms of personality or attitude?

HAYEK: May I give a personal example?

CHITESTER: Please do.

HAYEK: I don't think there could ever be any communication between Mr. [John Kenneth] Galbraith and myself. I don't know why, but it's a way of thinking which I think is wholly irresponsible and which he thinks is the supreme height of intellectual effort. I think it's extremely shallow. I go so far as that when in this recent plan, which had to be postponed, of challenging an opposite group of socialist intellectuals, he was one of three whom I would exclude. I won't use the exact phrase, which would be libelous and which I don't want to be recorded, but he and two others I on principle excuse because they think in a way with which I could not communicate.

CHITESTER: Can you give us a better sense of what the characteristics of this are?

HAYEK: I don't want to be offensive, but it's a certain

attribute which is common to journalists of judging opinions by their likely appeal to the public.

CHITESTER: In other words, you in this instance, would feel that Galbraith is more of a journalistic type.

HAYEK: Yes, very much so.

CHITESTER: Do you find journalism generally to be superficial?

HAYEK: It's always dangerous to generalize because there are some exceedingly good men among them to whom it does not apply. But in terms of numbers, yes.

CHITESTER: And the basic corrupting element is, as you said, the desire to appeal, to try to second-guess what's going to be accepted or not.

HAYEK: And it's a necessity to pretend to be competent on every subject, some of which they really do not understand. They are under that necessity, I regret; I'm sorry for them. But to pretend to understand all the things you write about, and habitually to write about things you do not understand, is a very corrupting thing.

CHITESTER: You cover a broad range of interests in intellectual areas. What are some that you are totally incompetent in? Or let me put it another way. Let me make it more specific, because that's too general. What area do you receive questions about on a most frequent basis that you feel is categorically beyond your professional area of competence?

HAYEK: Well, apart from certain parts of the arts, where my interests are very limited, religion. I just lack the ear for it. Quite frankly, at a very early stage when I tried [to get] people to explain to me what they meant by the word God, and nobody could, I lost access to the whole field. I still don't know what people mean by God. I am in a curious conflict because I have very strong positive feelings on the need of an "un-understood" moral tradition, but all the factual assertions of religion, which are crude because they all believe in ghosts of some kind, have become completely unintelligible to me. I can never sympathize with it, still less explain it.

CHITESTER: That's fascinating because one of the things that has occurred to me--it's an irritant, a frustration--because of my own personal desires to communicate certain precepts, is that the sense that motivates the "religious" person is something that is very powerful. In a way, if one could find a way to use that motivation as a basis of support and understanding for, say, the precepts of a liberal free society, it could be extremely effective.

HAYEK: In spite of these strong views I have, I've never publicly argued against religion because I agree that probably most people need it. It's probably the only way in which certain things, certain traditions, can be maintained which are essential. But I won't claim any

particular deep insight into this. I was brought up essentially in an irreligious family. My grandfather was a zoologist in the Darwinian tradition. My father and my maternal grandfather had no religious beliefs. In fact, when I was a boy of I suppose eight or nine, I was presented with a children's Bible, and when I got too fascinated by it, it somehow disappeared. [laughter]

So I have had little religious background, although I might add to it that having grown up in a Roman Catholic family, I have never formally left the creed. In theory I am a Roman Catholic. When I fill out the form I say "Roman Catholic," merely because this is the tradition in which I have grown up. I don't believe a word of it. [laughter]

CHITESTER: That's interesting. Do you get questions about religion? I would assume a lot of people confuse your interest in a moral structure with religion.

HAYEK: Very rarely. It so happens that an Indian girl, who is trying to write a biography of myself, finally and very hesitantly came up with the question which was put to Faust: "How do you hold it with religion?" [laughter] But that was rather an exceptional occasion. Generally people do not ask. I suppose you understand I practically never talk about it. I hate offending people on things which are very dear to them and which doesn't do any harm.

CHITESTER: Doesn't your thinking in terms of a moral structure--the concept of just conduct--at least get at some very fundamental part of religious precepts?

HAYEK: Yes, I think it goes to the question which people try to answer by religion: that there are in the surrounding world a great many orderly phenomena which we cannot understand and which we have to accept. In a way, I've recently discovered that the polytheistic religions of Buddhism appeal rather more to me than the monotheistic religions of the West. If they confine themselves, as some Buddhists do, to a profound respect for the existence of other orderly structures in the world, which they admit they cannot fully understand and interpret, I think it's an admirable attitude.

So far as I do feel hostile to religion, it's against monotheistic religions, because they are so frightfully intolerant. All monotheistic religions are intolerant and try to enforce their particular creed. I've just been looking a little into the Japanese position, where you don't even have to belong to one religion. Almost every Japanese is Shintoist in one respect and Buddhist in the other, and this is recognized as reconcilable. Every Japanese is born, married, and buried as a Shintoist, but all his beliefs are Buddhist. I think that's an admirable state of affairs.

CHITESTER: And it's one of those activities, which we discussed earlier, where it is not a calamitous thing--one's personal decisions don't affect substantially the society around.

Going back to the question I asked you about people you dislike or can't deal with, can you make any additional comments in that regard, in terms of the characteristics of people that trouble you?

HAYEK: I don't have many strong dislikes. I admit that as a teacher--I have no racial prejudices in general--but there were certain types, and conspicuous among them the Near Eastern populations, which I still dislike because they are fundamentally dishonest. And I must say dishonesty is a thing I intensely dislike. It was a type which, in my childhood in Austria, was described as Levantine, typical of the people of the eastern Mediterranean. But I encountered it later, and I have a profound dislike for the typical Indian students at the London School of Economics, which I admit are all one type--Bengali moneylender sons. They are to me a detestable type, I admit, but not with any racial feeling. I have found a little of the same amongst the Egyptians--basically a lack of honesty in them.

If I advise speaking about honesty, I think honesty is really the best expression of what I call the morals of a civilized society. Primitive man lacks a conception of

honesty; even medieval man would put honor higher than honesty, and honor and honesty have turned out to be very different conceptions. I became very much aware of the contrast and quite deliberately began to be interested in the subject. [For example,] the different moral outlook of an officer and a broker in the stock exchange. In my traditional environment the officer was regarded as a better kind of person. I have come to the conviction that the broker at a stock exchange is a much more honest person than an average officer. In fact, the officer--and I knew them in the Austro-Hungarian army--who made debts which he could not pay was not shameful. It did not conflict with his honor, but of course it was dishonest. I sometimes like to shock people by saying that probably the most honest group of men are the members of the stock exchange. They keep all their promises.

CHITESTER: Yes they do. In that sense, one could say that the bookie on the streets of Manhattan--

HAYEK: I suppose so, but I have no experience with them.

[laughter]

CHITESTER: I don't either, but I understand that at least within the enforcement potential that exists there, a bookie always pays his bets and can be totally trusted.

HAYEK: That's completely comparable to the stock exchange people.

CHITESTER: Honor, you're suggesting, then, involves precepts that are not susceptible to statistical analysis. Honor is a more--

HAYEK: The robber baron was a very honored and honorable person, but he was certainly not an honest person in the ordinary sense. The whole traditional concept of aristocracy, of which I have a certain conception-- I have moved, to some extent, in aristocratic circles, and I like their style of life. But I know that in the strict commercial sense, they are not necessarily honest. They, like the officers, will make debts they know they cannot pay.

CHITESTER: How about intellectual dishonesty?

HAYEK: Well, of course, that's the thing I particularly dislike, but it's not so easy to draw the line. Strictly speaking, of course, every moral prejudice which enters into your intellectual argument is a dishonesty. But none of us can wholly avoid it. Where to draw the line, where you blame a person for letting nonintellectual arguments enter into his intellectual conclusions, is a very difficult thing to decide. One has to pardon a great deal in this field to the human and unavoidable.

CHITESTER: It's very difficult also because the individual--

HAYEK: To come back to the journalists, in their environment, under the conditions in which they work, they probably can't be blamed for what they do, and still more so for

the politicians. It's one of my present arguments that we have created institutions in which the politicians are forced to be partial, to be corrupt in the strict sense, which means their business is to satisfy particular interests to stay in power. It's impossible in that situation to be strictly honest, but it's not their fault. It's the fault of the institutions which we have created.

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