Journal des Economistes et des Etudes Humaines

Volume 9, *Number* 4 1999 *Article* 8

NUMÉRO 4

The Pilgrimage to Liberty

Leonard P. Liggio, *George Mason University*

Recommended Citation:
Liggio, Leonard P. (1999) "The Pilgrimage to Liberty," *Journal des Economistes et des Etudes Humaines*: Vol. 9: No. 4, Article 8.
Available at: http://www.bepress.com/jeeh/vol9/iss4/art8
DOI: 10.2202/1145-6396.1177

THE PILGRIMAGE TO LIBERTY

Leonard P. Liggio°

After reading *The Road to Serfdom* several times, I see the work as much more than the popular book of F. A. Hayek. I have found it to contain a number of themes and references which find depth and expanse in his other works. Hayek saw that National Socialism, Fascism and Marxism each condemned Classical Liberalism as its most hated doctrine.

Hayek attributed the origins of *The Road to Serfdom* to "my annoyance with the complete misinterpretation in English "progressive" circles of the character of the Nazi movement (Preface 1976 (p. xxi))." Hayek wrote a memorandum to Sir William Beveridge, director of the London School of Economics, where Hayek was Economics Professor, which he expanded into an article in *Contemporary Review* (1938). He enlarged the article at the request of Professor Harry Gideonese's (University of Chicago and later president of Brooklyn College) for his Public Policy Pamphlets.

The Road to Serfdom was one of a number of works that Hayek produced in the 1940s. He presented papers at Cambridge University, and "Individualism: True and False" (University College, Dublin) which Hayek felt introduced his unfulfilled study of individualist philosophy of the eighteenth century. War-time Cambridge University lectures were presented under the chairmanship of the leading English economic historian, Sir John Clapham.[1]

Hayek in his "Opening Address to a Conference at Mont Pelerin" noted the importance for him of historical studies:

> "You will probably agree that the interpretation and teaching of history has during the past two generations been one of the main instruments through which essentially anti-liberal conceptions of human affairs have spread; the widespread fatalism which regards all developments that have in fact taken place as inevitable consequences of great laws of necessary historical development, the historical relativism which denies any moral standards except success and non-success, the emphasis on mass movements as distinguished from individual achievements, and not least the general emphasis on material necessity against the power of ideas to shape our future, are all different facets of a problem as important and

° Institute for Humane Studies. George Mason University.

[1] Hayek-1967.

Volume 9, numéro 4, Décembre 1999, pp 637-653.

> almost as wide as the economic problem. I have suggested as a separate subject for discussion merely one aspect of this wide field, the relation between historiography and political education, but it is an aspect which soon leads us to the wider problem. I am very glad that Miss Wedgwood and Professor Antoni have consented to open the discussion on this question".[2]

Hayek used his historical perspective to look at the future of Classical Liberalism. Later in this essay, the importance of history for a Hayekian research program, and its relation to the Hayekian knowledge analysis, will be presented. From the history of Classical Liberal responses to earlier crises, Hayek drew confidence that Classical Liberalism could survive the second world war and the march of Communism. He believed that Classical Liberalism could play an important role in the re-emergence of the German liberal tradition to play its part in the defense against Marxism.

The chapters of Hayek's *The Counter-Revolution of Science* appeared in the journal, *Economica* (1941-44), along with a chapter of Eli Halevy's *The Era of Tyrannies*. There Hayek dealt with the retreat of liberalism in France and he hoped to expand that to deal with Germany, England and America but did not. The consequent decay of reason under totalitarianism was "initially presented in popular form in my book *The Road to Serfdom*." After those works, Hayek abandoned his projected history of modern social thought, and looked to more theoretical presentations of his ideas: *The Constitution of Liberty*; and *Law, Legislation and Liberty*. Hayek said *The Road to Serfdom* led to *The Constitution of Liberty* (1960) and *Law, Legislation and Liberty* (1973-76):

> "But though I tried hard to get back to economics proper, I could not free myself of the feeling that the problems on which I had so undesignedly embarked were more challenging and important than those of economic theory, and that much that I had said in my first sketch needed clarification and elaboration".[3]

The American edition of *The Road to Serfdom* has been the University of Chicago Press's best selling book. Dr. Fritz Machlup, who had been a fellow member with Hayek of Ludwig von Mises' Vienna Seminar, presented the English page proofs to Professor Aaron Director (later professor of economics in Chicago's law school, and brother of Rose Director Friedman). Aaron Director shared the page proofs with his economics colleague, Frank Knight, who recommended Hayek's book to the University of Chicago Press.

The first Chicago printing with the introduction of the well-known New York editor, John Chamberlain, was 2,000 copies (September, 1944). Following the review by the *New York Times'* economics editor, Henry Hazlitt's front page review in the Sunday *New York Times Book Review*, Chicago ordered a second printing of 5,000 copies, and on September 27 ordered a third printing of 5,000 copies,

[2] Hayek-1967, p. 154.
[3] Hayek-1976, Preface, p. xxii.

DOI: 10.2202/1145-6396.1177

increased the next day to 10,000 copies. A condensation was published in the *Reader's Digest* (April, 1945), and 600,000 copies in book form were distributed by the Book of the Month Club. Chicago then scheduled a large seventh printing, but due to war-time shortage of paper it was limited to 10,000 copies.

Milton Friedman wrote an introduction to the first edition published in Germany (1971).[4] Friedman reproduced his German introduction in the Fiftieth Anniversary Edition. Friedman said:

> "Over the years, I have made it a practice to inquire of believers in individualism how they came to depart from the collectivist orthodoxy of our times. For years, the most frequent answer was a reference to the book for which I have the honor of writing this introduction. Professor Hayek's remarkable and vigorous tract was a revelation particularly to the young men and women who had been in the armed forces during the war. Their recent experience had enhanced their appreciation of the value and meaning of individual freedom. In addition, they had observed a collectivist organization in action. For them, Hayek's predictions about the consequences of collectivism were not simply hypothetical possibilities but visible realities that they had themselves experienced in the military (Friedman, Introduction (pp. ix-x))."

Milton Friedman's contrast between the military organization and the individualism of the market society recalls the analyses of earlier individualists: Herbert Spencer's *The Man vs. The State*; William Graham Sumner's "The Forgotten Man," *What Social Classes Owe to Each Other*; and Albert J. Nock's *Our Enemy, the State* which describes the conflict between political power and social power (the free economy). Hayek considers himself a true individualist in the traditions of Locke, Hume, Smith, and Burke because of his emphasis on tradition, evolutionary institutions and spontaneous order. Individualism is the expression of social life in the family, in associations, in partnerships, in firms and in exchange in a free economy. The individualism of the family, firm, association, partnership, and exchange economy is always threatened by the coercion of political power.[5] Hayek's individualism has been described by a critic:

> "Individualism is the alternative to socialism because people understand only their own immediate circumstances, and no one can comprehend an entire social-economic order. True individualism requires spheres of independent action — the economy — where people may attempt to achieve their ends. ... Hayek assumes that analysis starts with individual actions and purposes, which create institutions as the unintended consequence, not the purpose, of most interaction. Order follows from individuals pursuing self-interest and in turn provides the proper framework for that pursuit".[6]

[4] There was a German language translation published in Switzerland in 1948; post-war Allied Occupation censors barred *The Road to Serfdom* as subversive of New Deal policies.

[5] Cf. any of the works of Robert Nisbet, for example, Nisbet-1975.

[6] Waligorski-1990, p. 27.

Based on De Tocqueville, Lord Acton and Hilaire Belloc's *The Servile State*, Hayek sees the abandonment of the principles of "the whole evolution of Western civilization:" socialism rapidly abandons "the salient characteristics of Western civilization as it has grown from the foundations laid by Christianity and the Greeks and Romans. ...the basic individualism inherited by us from Erasmus and Montaigne, from Cicero and Tacitus, Pericles and Thucydides, is progressively relinquished".[7]

Individualism vs. Collectivism is the central theme for Hayek beginning with *The Road to Serfdom*. Hayek reflected an historical analysis of individualism. Individualism for Hayek is the mainstream of Western Civilization. Liberal scholars who were not Christians viewed Western Christianity as the major contributor to the development of individualism. He was amazed Herbert Butterfield did not see the direct connection between tradition and liberty which is at the heart of institutional individualism. Hayek said:

> "Far from assuming that those who created the institutions were wiser than we are, the evolutionary view is based on the insight that the result of the experimentation of many generations may embody more experience than any one man possesses".[8]

Hayek adds:

> "To the empiricist evolutionary tradition, on the other hand, the value of freedom consists mainly in the opportunity it provides for the growth of the undesigned, and the beneficial functioning of a free society rests largely on the existence of such freely grown institutions. There probably never has existed a genuine belief in freedom, and there has certainly been no successful attempt to operate a free society, without a genuine reverence for grown institutions, for customs and habits and 'all those securities of liberty which arise from regulation of long prescription and ancient ways' (William Gladstone). Paradoxical as it may appear, it is probably true that a successful free society will always in a large measure be a tradition-bound society. Even Professor H. Butterfield, who understands this better than most people, finds it 'one of the paradoxes of history' that 'the name of England has come to be so closely associated with liberty on the one hand and tradition on the other hand'".[9]

Hayek identifies individualism with the Western Tradition beginning with Aristotle, Pericles, Thucydides, the Stoics, Cicero, Tacitus, Aquinas, Erasmus, Montaigne, the School of Salamanca, Hooker, Grotius, Milton, and Locke. Hayek notes the important influence of Thomas Aquinas on the great Anglican theologian, Richard Hooker, who was a major source of John Locke's thinking. John Locke and Francis Hutcheson provided refutations of the anti-individualist

[7] Hayek-1944, p. 17.
[8] Hayek-1960, p. 62.
[9] Butterfield-1962, p. 21, Hayek-1960, pp. 61, 435.

DOI: 10.2202/1145-6396.1177

theory of Thomas Hobbes. Hayek notes Hobbes' misrepresentions of Thucydides as demonstrated by Benjamin Constant, *On the Liberty of the Ancients Compared to that of the Moderns* and Fustel de Coulanges *The Ancient City.*[10]

From American intellectual history one can place Hayek into the philosophical milieu which he entered in America and particularly in Chicago in 1950. Chicago was at the center of two related developments in American higher education: 1. the leadership of Neo-Scholasticism or Neo-Thomism with its strong base in Aristotlianism at University of Chicago; and 2. the Great Books Movement which was centered in Chicago. Both were organized and fostered at the University of Chicago by President Robert Hutchins, who invited Hayek to Chicago. The Committee on Social Thought at the University of Chicago (headed by the leading economic historian, John U. Nef) trained Ph. D. students in an interdisciplinary approach based on moral philosophy. Hayek's professorship of moral and social science was in the Committee on Social Thought at which the Neo-Scholastic and Great Books movements merged and which was an important part of Hutchins' vision of higher education.

In the early 20th century American higher education faced a crisis. With several thousand university-level institutions and a dramatically increased student population, the problem was what would form the common core for university educated people. Previously, Greek and Latin had been the requirement for higher education. As a substitute as a common core, the Great Books of Western Civilization in translation were introduced. Classical authors and philosophers, St. Augustine, Aquinas, Erasmus, Montaigne, Grotius, Descartes, Milton, Locke, Hume, Adam Smith, and Kant were the common canon. Hayek's thinking about *The Constitution of Liberty* (1960) was formed in that atmosphere. (The College at the University of Chicago has been a bulwark in America of this quality higher education based on the Great Books.)

We should recall what Hayek said to the first meeting of the Mont Pelerin Society (May, 1947) already quoted above in his statement about the central importance of historical studies, if there ever is to be a revival of classical liberalism:

1. interpretation of history has "been one of the main instruments through which essentially anti-liberal conceptions of human affairs have spread;" these anti-liberal concepts include:
2. "the widespread fatalism which regards all developments that have in fact taken place as inevitable consequences of great laws of necessary historical development;"
3. "the historical relativism which denies any moral standards except those of success and non-success;"
4. "the emphasis on mass movements as distinguished from individual achievements;"
5. "not least the general emphasis on material necessity against the power of ideas to shape our future."

[10] Hayek-1960, p. 459, n. 11.

Especially note Hayek's attack on relativism "which denies any moral standards except those of success and non-success." Hayek concluded this statement that these "are all different facets of a problem as important and almost as wide as the economic problems." Also, note that Hayek's analysis was presented years before he arrived in the atmosphere of moral philosophy at the Committee on Social Thought. The next paragraph of Hayek's opening address to the Mont Pelerin Society recalls that many persons who shared the values of individual freedom "were repelled by the aggressive rationalism which would recognize no values except those whose utility (for an ultimate purpose never disclosed) could be demonstrated by individual reason, and which presumed that science was competent to tell us not only what is but also what ought to be." For Hayek, the major enemies of Liberalism were Positivism and Hegelianism which were the opposites of "the essence of the true liberalism that regards with reverence those spontaneous social forces through which the individual creates things greater than he knows." Hayek adds:

> "It is this intolerant and fierce rationalism which is mainly responsible for the gulf which, particularly on the Continent, has often driven religious people from the liberal movement into reactionary camps in which they felt little at home. I am convinced that unless this breach between true liberal and religious convictions can be healed there is no hope for a revival of liberal forces. There are many signs in Europe that such a reconciliation is today nearer than it has been for a long time, and that many people see in it the one hope of preserving the ideals of Western civilization. It was for this reason that I was specially anxious that the subject of the relation between Liberalism and Christianity should be made one of the separate topics of our discussion; and although we cannot hope to get far in exploring this topic in a single meeting, it seems to me essential that we should explicitly face the problem".[11]

Hayek noted that some philosophers associated individualism with egotism and with selfishness: "But the individualism of which we speak in contrast to socialism and all other forms of collectivism has no necessary connection with these." He adds:

> "But the essential features of that individualism which, from elements provided by Christianity and the philosophy of classical antiquity, was first fully developed during the Renaissance and has since grown and spread into what we know as Western civilization — are the respect for the individual man *qua* man, that is, the recognition of his own views and tastes as supreme in his own sphere, however narrowly that may be circumscribed, and the belief that it is desirable that men should develop their own individual gifts and bents".[12]

[11] Hayek-1967, p. 155.
[12] Hayek-1944, p. 17.

Hayek focused his research on the individualism of the Scottish Enlightenment, and of the individualist successors educated on the European continent: Benjamin Constant, Alexis de Tocqueville, and Lord Acton. Scotland has a Dutch-Roman legal tradition. Scotland in the eighteenth century had an intellectual affinity to France. Francis Hutcheson, David Hume, Adam Smith, Dugald Stewart, Adam Ferguson, Hugh Blair had various connections to Europe.

Constant was Swiss, Tocqueville was a Norman, Lord Acton was born in the Two Sicilies where his grand-father had been the prime minister (his uncle was Charles Januarius Cardinal Acton in Rome). Rejected by English universities as a Catholic, Acton studied at Edinburgh and the University of Munich, and became a close friend of Montalembert, de Tocqueville, Fustel de Coulanges and Bluntschli.[13] In his famous chapter X, "Why the Worst Get on Top," Hayek emphasizes the conflict of power and liberty: "While to the great individualist social philosophers of the nineteenth century, to a Lord Acton or a Jacob Burchhardt, down to contemporary socialists, like Bertrand Russell, who had inherited the liberal tradition, power itself has always appeared as the archevil, to the strict collectivist it is a goal in itself".[14]

Hayek sometimes made a dichotomy between English and French ideas: English = pragmatic, relaxed, malleable; French = rigid, doctrinaire, logical. Hayek's Scotch and continental sources seem to be between these two unhappy extremes. Hayek's invitation to an academic career and citizenship in England may have influenced his desire to give primacy of place to English modes of thought.

Perhaps, Hayek was on surer ground once he moved away from this philosophical dichotomy and he had focused on the different political and legal histories of England and France. The growth of sovereignty and central power in France (the grand theme of Tocqueville's *The Old Regime and the Revolution* and of Hippolyte Taine's *Les Origines de la France Contemporaine*), and their absence in England is the Whig History which led Hayek to call himself an Old Whig (in the concluding chapter of *The Constitution of Liberty*, "Why I am not a Conservative"). Bruno Leoni's *Freedom and the Law* caused Hayek to move on from that dichotomy to the more productive difference between the concept of sovereignty which led to the Jacobin state, and its absence in Whig England.

The historical contributions of Alexis de Tocqueville and Hippolyte Taine were important in clarifying the background to modern liberalism. They were addressing a question of why individualism in its institutional form was excluded in France. Why was individual initiative in the form of associations and societies absent? Karen Vaughn has identified this expression of individualism as institutional individualism. Institutional individualism is the activation of individualism in its natural social and cooperative activities.

[13] Cf. Raico-1970.
[14] Hayek-1944, p. 159.

Tocqueville and Taine demonstrated that the centralization of the state had asphyxiated institutional individualism. They showed that the French Revolution had not destroyed the absolute state, but instead exchanged the state's officials. Worse, the French Revolution increased the centralization of the state, and did not enhance liberty. Institutional individualism was discouraged and impeded by the centralized state.

Norman P. Barry's work on Hayek's evolutionary tradition and spontaneous order provides us with an extension of Barry's already immense contribution to Hayek scholarship.[15]

In his 1993 Nobel Prize in Economic Sciences address, Douglass North emphasizes that his selection for the Nobel Prize was due to his focus of attention on institutions and time. It is the application of historical science (time) to institutions which will provide us with answers to some of the most difficult problems which we face. Hayek had seen the task of social sciences to explain social order:

> "unpredictability in social and economic affairs should not blind us to the fact that observable orders maintain themselves through time and to some extent reproduce their salient features with some degree of predictability".[16]

There is a practical distinction between the respective methodologies of the social sciences concerned with the human action of individual choices and the physical sciences concerned with physical phenomena. Hayek has sought to highlight the great gulf between the incredible increases in the physical sciences and the limited growth of knowledge in regard to the humane sciences.

Hayek has caused us to place at the center of our thinking the question of knowledge. He has emphasized the importance of recognizing the central role of ignorance. This places us, along with Hayek, in the eighteenth century, and Immanuel Kant's attempt to provide a basis for epistemology in the philosophical world created by David Hume.

Ludwig von Mises similarly was concerned with these issues as expressed in *Epistemological Problems of Economics* (German, 1933; English, 1960), and *The Ultimate Foundations of Economic Science* (1962). In particular, focusing on the importance of historical studies to explicate Hayek's evolutionary conceptualization, one must emphasize Ludwig von Mises' *Human Action*[17] and most especially, Mises' *Theory and History; An Interpretation of Social and Economic Evolution*.[18] Fritz Machlup paralleled Mises concern about knowledge. We may conclude that Mises' continued in the direction of Kant to provide an answer to Hume. Hayek seemed more inclined to continue David Hume's cautions regarding human knowledge.

[15] Cf: Barry-1979; Barry-1982; Barry-1994, and O'Brien-1994; Kukathas-1989; Sowell-1980; and Shenoy-1989.
[16] Hayek-1978a.
[17] Mises-1949.
[18] Mises-1957.

DOI: 10.2202/1145-6396.1177

Hayek's Nobel Memorial Lecture on receiving the Nobel Prize in Stockholm, Sweden, on December 11, 1974: "The Pretense of Knowledge" said:

> "The recognition of the insuperable limits to his knowledge ought indeed to teach the student of society a lesson in humility which should guard him against becoming an accomplice in men's fatal striving to control society — a striving which makes him not only a tyrant over his fellows, but which may well make him the destroyer of a civilization which no brain has designed but which has grown from the free efforts of millions of individuals."[19]

Because the failure of socialism is the failure to recognize human ignorance the most important contemporary economics textbook in the Hayekian tradition is: *The Economics of Time and Ignorance*, by Gerald P. O'Driscoll, Jr. and Mario J. Rizzo.[20] Time and ignorance are unavoidable parts of human existence which must be challenged by private effort, but cannot be solved by state power. *The Economics of Time and Ignorance* challenge neo-classical economics' deterministic econometric models and its pretense of knowledge.[21]

Ignorance, knowledge and coordination by spontaneous order are themes in Hayek's legal philosophy.[22] Norman Barry notes in his paper for the 1994 MPS meeting in Cannes that spontaneous order and made organizations, such as the firm, are consistent. The firm provides an important means by which transaction costs, such as contracting, can be saved. Barry quoted Ronald Coase: "The main reason why it is profitable to use the firm would seem to be that there is a cost of using the price mechanism".[23] The more complicated aspect of spontaneous order concerns the evolution of social institutions. From the beginning, it is valuable to remember the emphasis by Douglass North on time. The evolution of social institutions means the evolution over time. Time can be a factor during the life of an individual, and it can be a factor over the lives of succeeding individuals. Rules and practices develop over a long time period. They continue because they solve pre-existing problems. The rules provide order and deter disorder. The majority of a society prefers order or certainty.

The traditional rules and practices do not necessarily hinder change. Western Europe and North America have experienced major economic and social changes during the past thousand years. One of the most momentous was the urbanization of society. In England more than half the population was urbanized by 1850; the United States had half its population in cities by 1920. In the United

[19] Hayek-1978a.

[20] O'Driscoll-1985.

[21] See O'Driscoll-1977.

[22] Cf. Liggio-1994. They are themes also in the legal thought of Richard Epstein. Cf: Rizzo-1980; and Epstein-1977. It is important to emphasize the importance of Fritz Machlup's essays on Hayek which originally appeared in *The Swedish Journal of Economics* (Machlup-1974a): "Friedrich von Hayek's Contribution to Economics," and "Friedrich von Hayek on Scientific and Scientistic Attitudes," (Machlup-1974b).

[23] Coase-1937, p. 336.

States, empty places had acquired a million inhabitants in a half century, Chicago for example.

These populations had moved from the country-side, either from American farms, or from rural areas of Ireland, Sicily, Hungary, Poland, Sweden, Ukraine. Their response to urbanization whether from Cork or Lancaster, from New England or Galacia, was the same as migrants to cities in the eleventh and twelfth centuries. They gained the advantages of the money economy in place of the barter economy, and they replaced the security of land tenure with a variety of associations whose practical consequence was the provision of insurance — for health, death, unemployment. David Green's (Institute of Economic Affairs) studies for England and Australia, and David Beito's (Institute for Humane Studies and now at the University of Alabama) studies for America have detailed the numerous associations which provided insurance. The professional and white collar employees utilized the more recognized major insurance companies whose capital reserves made possible further investment industry and expansion of urbanization, as well as farm improvements permitting further movement from agriculture into industry. Fraternal voluntary associations in industrialized England and America (described by David Green and by David Beito) performed economic and social functions of rural societies. But, they were similar to urban voluntary associations of the pre-industrial era. They provided risk averting insurance, and social functions. Early twentieth century evidence shows that American Blacks, both in the North and South, had the best records for punctual payment of their association's insurance premium payments. In all the groups, local officers monitored the illness or job-searching by members by fraternal visits. This voluntary social role was destroyed by the government compulsory insurance systems.

The small number of least capable were covered by private charity or local, county welfare. But, to include the least fortunate to pretend they had the foresight, etc., of the vast majority of the populations, government insurance schemes were set-up. For these tribalist, egalitarian reasons — to pretend the least capable were not less capable — the majority of the population were placed backwards to replace modern, voluntary societies with the pre-capitalist, compulsory government programs. The 20th century compulsory government programs are similar to replacing modern, private road construction companies with the corvee as abolished by the Great Turgot.

Are fraternal, voluntary associations "communal, pre-individualistic?" Is a bureaucratic government retirement or health ministry "modern, industrial, and individualistic?" Hayek's emphasis on tradition helps us to see the falseness of that kind of conceptual division. Hayek would say that there are atavistic, dangerous residues of the human past — the tribal mentality — expressing itself through the ministry of health. It is the new bureaucracy of the health ministry which is atavistic, and the old-fashioned fraternal health insurance which is modern and individualistic. It is the backwardness of the government intervention which has the power to crush the modernity of the intimate voluntary associations.[24]

[24] Cf. Hayek-1978b, pp. 57-68.

DOI: 10.2202/1145-6396.1177

The work of classical liberal historians, such as David Green at the IEA (London), and David Beito of IHS (George Mason University), has begun to show there was a very rich texture of voluntary provision of retirement, unemployment and health insurance which was destroyed by the welfare state. This is the kind of historical research which Hayek encouraged, and which he had hoped, at the founding of the Mont Pelerin Society, would be important to MPS members. Unfortunately, the MPS has not encouraged historians to participate in the programs of the Society.

The lack of encouragement to historians was a continuing disappointment to Hayek. The early MPS program which resulted in F. A. Hayek, editor, *Capitalism and the Historians*,[25] did not have successors. At the twenty-fifth anniversary meeting of the Mont Pelerin Society in 1972 in Montreux, Switzerland, future MPS president, Professor Max Hartwell (Nuffield College, Oxford), presented a follow-up paper to the Capitalism and the Historians program of the MPS: "History and Ideology,"[26] which concerns the historical myths which classical liberal historians need to rectify.

Hayek had written about two types of minds: one called the "memory type" or "master of his subject" and in the *Encounter* article, "Types of Mind,"[27] he gives Ludwig von Mises as the example. The second type, of which Hayek gave himself as the example, was the "puzzler" who tried to see the relation of someone else's ideas to his own and tried to see solutions.[28]

I believe that some of the issues raised regarding spontaneous order and evolution of institutions in Hayek's thinking may find explanation in Hayek's self-described manner of thinking. Taking into account Norman Barry's various studies of the conceptual analysis of Hayek's theory, I think that some explication of it will come from actual historical research along the lines which Douglass North has highlighted. Hayek's not being a "memory type" explains why his brilliant contributions did not include historical writing. He made efforts to succeed in the history of economic, social and constitutional thought, and he was successful. But, he found it burdensome, although he made the effort in the early 1940s which contributed to his unfulfilled history of individualist philosophy in the eighteenth century. This was the research project which was introduced by the papers (noted above) that Hayek presented during wartime at Cambridge University and at University College, Dublin ("Individualism: True and False"), and the chapters of Hayek's *The Counter-Revolution of Science*[29] which appeared in the journal *Economica* (1941-1944), along with a chapter of Eli Halevy's *The Era of Tyrannies*.

In those essays Hayek had dealt with the retreat of Liberalism in France in the nineteenth century, and he had hoped to expand that study to deal also with

[25] Hayek-1954.
[26] Hartwell-1974.
[27] Hayek-1975.
[28] A revised version appeared as "The Two Types of Mind" in Hayek-1978c, pp. 50-56.
[29] Hayek-1952.

Germany, England and America. But, he did not continue. Instead, the consequent decay of reason was presented in *The Road to Serfdom*. Drawing on Alexis de Tocqueville, Lord Acton and Hilaire Belloc's *The Servile State*[30] Hayek described the growth of statism as a sharp break from the "whole evolution of Western civilization" which was rapidly abandoning "the salient characteristics of Western civilization as it has grown from the foundations laid by Christianity and the Greeks and Romans".[31]

The institutional individualism analyzed by Hayek was an historical record. Christian and ancient philosophy were the foundations of Hayek's individualism. Hayek sought successfully to engage that subject in *The Constitution of Liberty*. Hayek's early 1940s endeavor to write a history of European individualism received some fulfillment in The Constitution of Liberty. We might note the authors most frequently cited by Hayek: Lord Acton, Edmund Burke, Adam Smith, David Hume, A. V. Dicey, John Stuart Mill, Ludwig von Mises. Also, Hayek gave attention to the French individualist writers: Benjamin Constant, Fustel de Coulanges, Montesquieu, Tocqueville, the Great Turgot, and Gabriel Tarde.[32]

Hayek's impressive reading in constitutional thought is reflected in the footnotes to Chapter 11 of *The Constitution of Liberty*, "The Origins of the Rule of Law," pp. 456-469. There he indicates the importance of the contribution of Thomas Aquinas to Liberal thought. Hayek notes the valuable research in Sir R. W. and A. J. Carlyle, *A History of Medieval Political Theory*.[33] *Law, Legislation and Liberty* (3 vols.) shows that the added stimulation of Bruno Leoni's *Freedom and the Law*[34] caused Hayek to demonstrate his mastery of constitutional thought.[35]

Hayek found in his study of constitutionalism the inter-section of political ideas and social institutions. Thus, he concludes *The Constitution of Liberty* by agreeing with Lord Acton that ""the notion of a higher law above municipal codes, with which Whiggism began, is the supreme achievement of Englishmen and their bequest to the nation" and, we may add, to the world. It is the doctrine which is at the basis of the common tradition of the Anglo-Saxon countries. It is the doctrine from which Continental liberalism took what is valuable in it. It is the doctrine on which the American system of government is based."[36]

Hayek shared his interest in Lord Acton's emphasis on medieval constitutionalism with Hayek's sometime colleague at Cambridge University, and Lord Acton's later successor in the Regis Professorship of Modern History at

[30] Belloc-1913/1980.

[31] Hayek-1944, p. 17.

[32] Gabriel Tarde was a Professor in the College de France and Member of the Institute; his work on imitation (Tarde-1903) and his general sociology need to be re-discovered by Liberals (Tarde-1999).

[33] Carlyle-1903.

[34] Leoni-1962.

[35] Liggio-1994. Regarding the legal historians of the common law which is central to Hayek's and Leoni's jurisprudence, see Cosgrove-1987.

[36] Hayek-1960, p. 409 (drawing on Lord Acton, *Lectures on Modern History* (London, 1906) p. 218). For American constitutional thought, Hayek draws heavily from the leading authority, Edwin S. Corwin (1878-1963) (Princeton University), in particular, Corwin-1929 and Corwin-1948.

DOI: 10.2202/1145-6396.1177

Cambridge University, Sir Herbert Butterfield, the Master of Peterhouse. Lord Acton's great unwritten History of Liberty was paralleled by the greatest book on Acton that was never written — by Herbert Butterfield.[37]

The historical constitutionalism of Hayek, rooted in Lord Acton's historical studies, leads us to examine the role of historical sciences in the solution of the puzzle presented by Norman Barry's analyses of spontaneous order and of evolution in Hayek. Recently, Professor David E. Van Zandt (Northwestern University Law School, Chicago) published "The Lesson of the Lighthouse: "Government" or "Private" Provision of Goods,".[38] Van Zandt is drawing on Ronald Coase, "The Lighthouse in Economics,"[39]. Van Zandt says:

> "The most famous of these revisionist accounts is Ronald Coase's 1974 article on lighthouses. After collecting quotations from several notable economists who claimed that lighthouses are a quintessential government good, Coase sets out to demonstrate that lighthouse services were, in fact, provided by private enterprise rather than governments for an extensive period of human history. From this, he drew (that) ... rather than engage in armchair theorizing, we should develop generalizations for policy purposes "from studies of how such activities are actually carried out within different institutional frameworks." (This lesson) has been an important and enduring legacy of Coase's work and is the only possible basis for a modern social scientific study of the law".[40]

Although Van Zandt seems to have underestimated how widespread was the provision of lighthouses both by charitable contributions and by associations and guilds of merchants, he demonstrates the almost total private provision of lighthouses in the medieval period. The process was similar to the much more widely known medieval provision of bridges by charitable brotherhoods, as well as donations for the maintenance of some part of a road.

Coase's emphasis on the necessity for historical studies of the evolution of institutions, as the medieval lighthouses, has been proven by the model provided by Douglass North. The *Neue Zurcher Zeitung* published a lecture of Douglass North upon receiving an Honorary Doctorate from the Economics Faculty of the University of Zurich. Douglass North began:

> "It seems paradoxical that modern economic growth first took root in Western Europe, a relatively backward part of the world in the Middle Ages. From our present-day perspective there would appear to have been many likely candidates a millennium ago — societies with more advanced economies, with more scientific knowledge, with more attention paid to the arts, literature and the pursuit of knowledge generally.

[37] Among Butterfield's essays on Lord Acton, see Butterfield-1948.
[38] Van Zandt-1993, pp. 47-72.
[39] Coase-1974, reprinted in Coase-1988.
[40] Van Zandt-1993, pp. 47-48.

> The apparent paradox, however, stems from modern misconceptions about the source of economic growth. ...
>
> Societies do not make the necessary investments in technology and human capital because the institutional and organizational structure does not provide incentives to do so. Failures of human organization underlie not only economic backwardness, but social, intellectual and political backwardness as well. In going back a millennium to search for the roots of modern economic growth, we must look to the institutional frameworks and to the intellectual context from which sprang the belief systems and consequent perceptions that guided human actions. ...
>
> The proper focus, however, should be not on specific norms but on the learning process by which a particular belief structure — in this case derived from religion — evolves. The learning process is a function of 1) the way in which the belief structure filters the information derived from experience, and 2) the different experiences (local learning) that confront individuals in different societies, at different times."[41]

North sees Christianity's limitation on state power, and the persistence of polycentric political systems, as central to the development of capitalism.[42]

Max Hartwell's presidency of the Mont Pelerin Society (1992-94) and Douglass North's award of the Nobel Prize in Economic Science should encourage us to carry forward F. A. Hayek's encouragement of a historical research program. The recent and future historical research will provide a picture of the process of spontaneous order and of evolution which was behind Hayek's thinking. Norman Barry's significant questions regarding these important aspects of Hayek's contribution may receive some answers from this direction of study.

[41] North-1993, pp. 23-24.

[42] Baechler-1976; Roover-1948; Jones-1981; Rosenberg/Birdzell-1986; and Berman-1983 have provided a clear beginning for a classical liberal historical research program. Cf. Liggio-1999, pp. 63-82; and Milgrom/North/Weingast-1998.

DOI: 10.2202/1145-6396.1177

References

Baechler, J. (1971) *Les Origines du Capitalisme*, Gallimard; St. Martin's Press, 1976.

Barry, N.P. (1979) *Hayek's Social and Economic Philosophy*, London, MacMillan.

Barry, N.P. (1982) "The Tradition of Spontaneous Order," *Literature of Liberty*, Vol. 5, n°2, Summer.

Barry, N.P. (1994) "The Road to Freedom" in Birner, J. & van Zijp, R. eds., *Hayek, Coordination and Evolution*, London, Routledge, pp. 141-63.

Belloc, H. (1913) *The Servile State*, Indianapolis, IN, Liberty Press, 1980.

Berman, H. (1983) *Law and Revolution*, Harvard University Press.

Butterfield, H. (1948) *Lord Acton*, London, The Historical Association.

Butterfield, H. (1962) *Liberty in the Modern World*, Toronto.

Carlyle, A.J. (1903) *A History of Medieval Political Theory*, 6 volumes, Edinburgh and London, William Blackwood and Sons.

Coase, R.H. (1937) "The Nature of the Firm," *Economica*, n.s. 4 .

Coase, R.H. (1974) "The Lighthouse in Economics", *Journal of Law and Economics*, Vol. 17, reprinted in Coase, R.H.: *The Firm, the Market, and the Law* (1988).

Corwin, E.S. (1929) "The 'Higher Law' Background of American Constitutional Law," *Harvard Law Review*, Vol. XLII, reprinted in "Great Seal Books" Ithaca, New York, Cornell University Press, 1955.

Corwin, E.S. (1948) *Liberty against Government*, Baton Rouge, Louisiana State University Press.

Cosgrove, R.A. (1987) *Our Lady the Common Law*, New York, New York University Press.

Epstein, R.A. (1977) "Crime and Tort: Old Wine in Old Bottles," in Barnett, R. & Hagel, J. III eds.: *Assessing the Criminal: Restitution, Retribution and the Legal Process*, Lexington, MA, Ballinger.

Hartwell, M. (1974) "History and Ideology" *Modern Age*, Vol. 18, n°4, Fall.

Hayek, F.A. (1944) *The Road to Serfdom*, Chicago, University of Chicago Press

Hayek, F.A. (1952) *The Counter Revolution of Science: Studies on the Abuse of Reason*, Glencoe, Ill, The Free Press.

Hayek, F.A. ed. (1954) *Capitalism and the Historians*, University of Chicago Press.

Hayek, F.A. (1960) *The Constitution of Liberty*, Chicago, University of Chicago Press.

Hayek, F.A. (1967) "Historians and the Future of Europe," in *Studies in Philosophy, Politics and Economics*, Chicago, University of Chicago Press.

Hayek, F.A. (1975) "Types of Mind", *Encounter*, Vol. 45, September.

Hayek, F.A. (1978a) *New Studies in Philosophy, Politics, Economics and the History of Ideas*, Chicago, University of Chicago Press.

Hayek, F.A. (1978b) "The Atavism of Social Justice," R.C. Mills Memorial Lecture, University of Sydney, October 1976, in *New Studies in Philosophy, Politics, Economics and the History of Ideas,* Chicago, University of Chicago Press.

Hayek, F.A. (1978c) "The Two Types of Mind" in *New Studies in Philosophy, Politics, Economics and the History of Ideas,* Chicago, University of Chicago Press.

Jones, E.L. (1981) *The European Miracle,* Cambridge University Press.

Kukathas, C. (1989) *Hayek and Modern Liberalism,* Oxford, Clarendon Press.

Leoni, B. (1962) *Freedom and the Law,*

Liggio, L.P. (1994) "Law and Legislation in Hayek's Legal Philosophy," *Southwestern University Law Review,* May.

Liggio, L.P. (1999) "The Medieval Law Merchant: Economic Growth Challenged by the Public Choice State," *Journal des Economistes et des Etudes Humaines,* Vol. IX, n°1, Mars, pp. 63-82.

Lord Acton (1906) *Lectures on Modern History,* London.

Machlup, F. (1974a) "Friedrich von Hayek's Contribution to Economics," first published in *The Swedish Journal of Economics* n°76, reprinted in Machlup, F.: *Essays on Hayek,* forward by Milton Friedman, New York, New York University Press, 1976.

Machlup, F. (1974b) "Friedrich von Hayek on Scientific and Scientistic Attitudes," first published in *The Swedish Journal of Economics* n°76, reprinted in Machlup, F.: *Methodology of Economics and Other Social Sciences,* New York, 1978.

Milgrom, P.R., North, D.C. & Weingast, B.R. (1998) "The Role of Institutions in the Revival of Trade: The Law Merchant, Private Judges, and the Campagne Fairs," in Klein, D. ed., *Reputation: Studies in the Voluntary Elicitation of Good Conduct,* Ann Arbor, MI, University of Michigan Press.

Mises, L.v. (1949) *Human Action,* New Haven, Yale University Press.

Mises, L.v. (1957) *Theory and History: An Interpretation of Social and Economic Evolution,* New Haven, Yale University Press.

Nisbet, R. (1975) *The Twilight of Authority,* New York, Oxford University Press.

North, D. (1993) "Lecture", *The Swiss Review of World Affairs,* November, first published in Neue Zurcher Zeitung.

O'Brien, D.P. (1994) "Hayek as an Intellectual Historian" in Birner, J. & van Zijp, R. eds., *Hayek, Coordination and Evolution,* London, Routledge, pp. 343-74.

O'Driscoll, G.P. Jr. (1977) *Economics as a Coordination Problem: The Contributions of Friedrich A. Hayek,* with a foreword by F. A. Hayek, Kansas City, Kansas, Sheed Andrews & McMeel.

O'Driscoll, G.P. Jr. & Rizzo, M.J. (1985) *The Economics of Time and Ignorance,* Oxford, Basil Blackwell; new edition, London and New York, Routledge, 1996.

Raico, R. (1970) "The Place of Religion in the Liberal Thought of Benjamin Constant, Alexis de Tocqueville and Lord Acton", unpublished University of Chicago, Committee on Social Thought Ph. D. dissertation supervised by Hayek.

Rizzo, M.J. (1980) "Foreword", Richard A. Epstein, *A Theory of Strict Liability: Toward a Reformulation of Tort Law*, San Francisco, Cato Institute.

Roover, R. de (1948) *The Medici Bank: its Organization, Management, Operations and Decline*, New York, New York University Press.

Rosenberg, N. & Birdzell, L. Jr. (1986) *How the West Grew Rich*, New York, Basic Books.

Shenoy, S.R. (1989) "Comment on Hayekian Analysis for Eastern Europe" in Moldofsky, N. ed *F. A. Hayek, Order — With or Without Design?* London, Centre for Research into Communist Economies, IEA.

Sowell, T. (1980) *Knowledge and Decisions*, New York, Basic Books.

Tarde, G. (1903) The Laws of Imitation, translated from the second French edition, Henry Holt & Co.; Peter Smith 1962.

Tarde, G. (1999) *4 volumes on sociology*, Collection Les Empecheurs de penser en rond, Presses Universitaires de France.

Van Zandt, D.E. (1993) "The Lesson of the Lighthouse: 'Government' or 'Private' Provision Goods" *Journal of Legal Studies*, Vol. XXII, January, pp. 47-72

Waligorski, C.P. (1990) *The Political Theory of Conservative Economists*, Lawrence, University Press of Kansas.