

Scheall, Scott

Working Paper

A brief note concerning Hayek's non-standard conception of knowledge

CHOPE Working Paper, No. 2018-19

Provided in Cooperation with:

Center for the History of Political Economy at Duke University

Suggested Citation: Scheall, Scott (2018) : A brief note concerning Hayek's non-standard conception of knowledge, CHOPE Working Paper, No. 2018-19, Duke University, Center for the History of Political Economy (CHOPE), Durham, NC

This Version is available at:

<https://hdl.handle.net/10419/191011>

Standard-Nutzungsbedingungen:

Die Dokumente auf EconStor dürfen zu eigenen wissenschaftlichen Zwecken und zum Privatgebrauch gespeichert und kopiert werden.

Sie dürfen die Dokumente nicht für öffentliche oder kommerzielle Zwecke vervielfältigen, öffentlich ausstellen, öffentlich zugänglich machen, vertreiben oder anderweitig nutzen.

Sofern die Verfasser die Dokumente unter Open-Content-Lizenzen (insbesondere CC-Lizenzen) zur Verfügung gestellt haben sollten, gelten abweichend von diesen Nutzungsbedingungen die in der dort genannten Lizenz gewährten Nutzungsrechte.

Terms of use:

Documents in EconStor may be saved and copied for your personal and scholarly purposes.

You are not to copy documents for public or commercial purposes, to exhibit the documents publicly, to make them publicly available on the internet, or to distribute or otherwise use the documents in public.

If the documents have been made available under an Open Content Licence (especially Creative Commons Licences), you may exercise further usage rights as specified in the indicated licence.

A BRIEF NOTE CONCERNING HAYEK'S NON-STANDARD
CONCEPTION OF KNOWLEDGE

BY

SCOTT SCHEALL

CHOPE WORKING PAPER NO. 2018-19

DECEMBER 2018



CENTER FOR THE
HISTORY OF POLITICAL ECONOMY
AT DUKE UNIVERSITY

A Brief Note Concerning Hayek’s Non-Standard Conception of Knowledge

Scott Scheall

*Arizona State University, College of Integrative Sciences and Arts, Faculty of Social Science,
Mesa, Arizona, USA*

And

Arizona State University, Center for the Study of Economic Liberty, Tempe, Arizona, USA

Abstract

Whatever F.A. Hayek meant by “knowledge” could not have been the *justified true belief* conception common in the Western intellectual tradition from at least the time of Plato onward. In this brief note, I aim to uncover and succinctly state Hayek’s unique definition of knowledge.

Keywords: F.A. Hayek, knowledge, economic coordination, justified true belief, methodology, market process

JEL Codes: B2, B3, B4, B5, Y8

F.A. Hayek ([1937] 2014, 72-73) argued that “the really central problem of economics as a social science” concerns the coordination of *knowledge*: “How can the combination of fragments of knowledge existing in different minds bring about results which, if they were to be brought about deliberately, would require a knowledge on the part of the directing mind which no single person can possess?” (*Ibid.*, 76).

However, it should be obvious to the philosophically-inclined that whatever Hayek meant by “knowledge” could not have been the *justified true belief* conception common in the Western intellectual tradition from at least the time of Plato onward.¹ If the fragments of knowledge existing in different minds were justified true beliefs, the coordination problem Hayek raised would not appear: “The peculiar character of the problem of a rational economic order is determined precisely by the fact that the knowledge of the circumstances of which we must make use never exists in concentrated or integrated form but solely as the dispersed bits of incomplete and frequently *contradictory* knowledge which all the separate individuals possess” (Hayek [1945] 2014, 93; italics added). If all the various bits of knowledge were true, then – though there might be a dearth of knowledge in society and, thus, some need for learning – there could be no contradictions between them and, therefore, no need for their resolution via coordination.

The aim of this brief note is to uncover and succinctly state Hayek’s unique definition of knowledge. There would seem to be some confusion on the matter.² I am currently engaged in two interrelated research projects that aim to clarify and extend the implications of Hayek’s epistemically-oriented writings³ for both political epistemology and the philosophy of science.

¹ It has been generally accepted among traditional epistemologists, at least since Gettier (1963), that the standard definition of knowledge is in need of some supplementation. Unfortunately, the auxiliary conditions both necessary and sufficient for knowledge have yet to be discovered—or, at least, have yet to be as widely accepted *as such* as the three traditional conditions were prior to Gettier. It is no part of the present argument that Hayek’s non-standard conception of knowledge solves the Gettier problem as the latter is typically understood.

² Perhaps the most infamous case in the history of economic thought in which Hayek’s unique treatment of knowledge *may* have contributed to confusion concerns Robert Lucas’s appropriation of Hayek’s statement of the problem of the business cycle in *Studies in Business Cycle Theory* (1981, p.216). I’m not presently prepared to defend the thesis of a substantive connection between the uniqueness of Hayek’s epistemology and Lucas’s misimpression, so I merely refer the reader to the extensive literature on the relationship between Hayek and Lucas’s respective approaches to the trade cycle: see (*Ibid.*), Butos (1985), Scheide (1986), Hoover (1988), Garrison (1991), Aréna (1994), Hamouda and Rowley (1994), Hoover (1994), Lucas (1994), Ruhl (1994), White (2015).

In any case, the apparent confusion among economists, and historians and philosophers of economic thought, concerning Hayek’s conception of knowledge has been brought home to me on three recent occasions, when presenting to a group of such scholars on a topic related to Hayek’s epistemology, I have been posed some variation of the question, “Hayek obviously did not conceive of knowledge as justified true belief—what did Hayek mean by ‘knowledge’?”

³ These include, but are not necessarily limited to (1920) 1991, (1937) 2014, (1945) 2014, (1952) 2010, 1952, (1955) 2014, (1962) 2014, (1964a) 2014, (1964b) 2014, (1967) 2014, (1968) 2014, (1969) 2014, (1970) 2014,

Transparency with respect to Hayek's conception of knowledge is naturally essential to the success of these projects. The present note should be of value not only to the reader of Hayek's knowledge-focused writings unfamiliar with his non-standard conception of knowledge, but also to anyone who aims to understand his work in the social sciences, and (*a fortiori*) to anyone, such as myself, interested in developing Hayek's research program in new ways and extending it into novel arenas.

Epistemology was, for Hayek, neither some idle fascination nor merely a tool to better understand social phenomena. His first academic writing⁴ was an investigation of how consciousness might develop as a consequence of an organism's (and its species') confrontations with an external environment – indeed, although Hayek didn't quite recognize it at this early date,⁵ it was nothing less than an inquiry into the central epistemological problem of the relationship between mind and body – and Hayek returned to the topic on several occasions in essays of more or less direct relevance to economics and the social sciences.⁶

We've already noted that Hayek's conception does not include the requirement that knowledge be *true*. That an item of knowledge may not be true is apparent in a number of places in Hayek's writings (see, e.g., [1937] 2014, 62-64, 67-68, 72-76; [1945] 2014, 93; 1952, 168). Indeed, Hayek's dismissal of the truth condition is an implication of the formulation ((1937) 2014, 72-76) already stated of the knowledge that exists in society at any given time as *fragmented, divided* (or *dispersed among many minds*), and *subjective*. As Bruce Caldwell (2014, 5) puts the point: "Hayek posits... a world in which knowledge is divided or dispersed (i.e.,

(1975) 2014, and 1991.

⁴ Unfortunately, this work ([1920] 1991) remains unpublished in English at the time of this writing, though it has been published in German (see Hayek 2006) and will eventually appear in *The Sensory Order* edition of Hayek's *Collected Works*.

⁵ See Hayek (1952, Preface, 1–8)

⁶ Hayek returned to this topic, explicitly, in (1952) and (1969) 2014, and, more obliquely, in (1963) 2014 and (1967) 2014.

different agents have access to different bits of knowledge) and in which knowledge claims are subjectively-held (i.e., *they can be wrong*)” [italics added].⁷

It is tempting to leap from this denial of the truth condition to the conclusion that, for Hayek, knowledge must have meant justified belief. However, whether this is the correct formulation depends on the meaning of *justification* in Hayek’s epistemology. All beliefs are, according to Hayek (1952, 167-168), either possessed by an individual organism as a consequence of its own interactions with the external environment (i.e., ontogenetically) or inherited from its ancestors in virtue of *their* interactions with the external environment (i.e., phylogenetically). That is, in principle, all beliefs can ultimately traced back to some set of such encounters in the organism’s developmental history, broadly construed. If a belief is justified to the extent that it is a consequence of either ontogenetic or phylogenetic interactions with the environment, then, as all beliefs are acquired in one of these two ways, all beliefs are justified beliefs, and, therefore, all beliefs are, for Hayek, items of knowledge. On the other hand, if a belief is justified (and, thus, counts as knowledge) only to the extent that the individual can explicitly state how the belief was acquired, then only the relevant subset of the individual’s beliefs the members of which satisfy this condition qualifies as knowledge.

That the latter conception is untenable from Hayek’s perspective is clear from his frequent emphasis upon knowledge with regard to which we may not be “explicitly aware,” but which we “merely manifest...in the discriminations which we perform” (Hayek 1952, 19).⁸ That is, it is possible for an individual to possess an item of knowledge without explicitly knowing

⁷ It should be noted that this distinction between knowledge and knowledge claims does not appear in Hayek: no one denies that knowledge *claims* can be wrong; Hayek is somewhat unique in that he treats *knowledge* as possibly not true.

⁸ This is, for Polanyi (1966), “tacit knowledge,” and, for Ryle (1946), “knowledge how” as opposed to “knowledge that.” On the relative impoverishment of the English language as a means for the expression of such fine epistemological distinctions, see Hayek ((1962) 2014, 233, fn 4).

that they possess this knowledge and, thus, without being able to state, perhaps even in principle, how they acquired this knowledge (Hayek (1962) 2014, 238, 243-245; [1969] 2014, 318).

Thus, if the justification requirement of the standard definition of knowledge means that, in order to count as knowledge, a belief must be at least discursively justifiable by the individual epistemic subject, then, since Hayek rejects this requirement, for him, all beliefs qualify as knowledge. But, if instead justification means merely that, in order to count as knowledge, a belief must be a consequence of some set of encounters with the environment in the developmental history of the individual believer, then, since all beliefs satisfy this condition by definition on Hayek's theoretical psychology, all beliefs are justified, and, therefore, all beliefs are knowledge. Either way, for Hayek, "knowledge" is nothing more than a synonym for belief.

This means that, on Hayek's conception, knowledge includes both scientific knowledge ("of general rules") and particular knowledge (of "circumstances of time and place") (Hayek (1945) 2014, 95); and "all that we call skills" (Hayek (1962) 2014, 233); as well as everything that, in the system of another thinker, might otherwise fall under the heading of mere beliefs, including a person's "views," "opinions" ((1946) 2014, 115-116), and "information" ((1967) 2014, 292); and "customs," "habits" ((1962) 2014, 246), and "rules of conduct" ((1967) 2014, 292). In the end, "'knowledge' of the external world which such an organism possesses consists in the action patterns which the stimuli tend to evoke" (Hayek [1969] 2014, 320).

This definition, as strange as it might seem to the traditional epistemologist, loses some of its weirdness when considered from the perspective of Hayek's treatment of economic (and, more generally, social) equilibrium or "order" (Hayek [1968] 2014, 308-309) in terms of the interpersonal coordination of individual knowledge with external conditions. These conditions, of course, include the knowledge held by other individuals as well as environmental

circumstances more narrowly construed. Thus, “[f]or a society...we can speak of a state of equilibrium at a point of time—but it means only that compatibility exists between the different plans which the individuals composing it have made for action in time. And equilibrium will continue, once it exists, so long as the external data correspond to the common expectations of all the members of the society” (Hayek (1937) 2014, 64). The different plans of the individuals, of course, are based on what they know (believe) and what they know is identical with their (subjective) “data,” which are “(apart from his tastes) all facts given to the person in question, the things as they are *known to (or believed by)* him to exist” (Hayek (1937) 2014, 60; italics added). At any given time, the knowledge (i.e., the “subjective data,” and, thus, the plans) of any particular individual in society will be, at best, only partially consistent with both the knowledge held by other individuals and the facts of the external environment, i.e., the “objective data” (Hayek (1937) 2014, 63). The problem of the social sciences is how plans based upon different sets of subjective data (i.e., knowledge / beliefs) might come to be coordinated with the objective data: “the question why the data in the subjective sense of the term should ever come to correspond to the objective data is one of the main problems we have to answer” (Hayek (1937) 2014, 63). Stated another way, the problem of the social sciences is how individual beliefs, all acquired in virtue of either the individual organism’s or its ancestors’ unique interactions with the external environment, might come to be true (and, thus, how plans based on these beliefs come to be mutually consistent and, in the absence of further changes in the data, all actionable). The Hayekian epistemological and social-scientific project is to describe the environmental, psychological, and social processes whereby *mere* beliefs become *true* beliefs.

References

- Aréna, Richard. 1994. "Hayek and Modern Business Cycle Theory." In *Money and Business Cycles. The Economics of F.A. Hayek, Volume 1*, eds. M. Colonna and H. Hagemann, 203-217. Aldershot, UK: Edward Elgar.
- Butos, William N. 1985. "Hayek and General Equilibrium Analysis." *Southern Economic Journal* 52(2): 332-343.
- Caldwell, Bruce J. "Introduction." In *The Collected Works of F.A. Hayek, Volume XV, The Market and Other Orders*, ed. B.J. Caldwell, 1–35. Chicago: The University of Chicago Press.
- Garrison, Roger W. 1991. "New Classical and Old Austrian Economics: Equilibrium Business Cycle Theory in Perspective" *Review of Austrian Economics* 5(1): 91-103.
- Gettier, Edmund L. 1963. "Is Justified True Belief Knowledge?" *Analysis* 23:121–123.
- Hayek, Friedrich A. (1920) 1991. "Contributions to a Theory of How Consciousness Develops." Translated by Grete Heinz. Hoover Institution, Hayek Archives, box 92, folder 1.
- (1937) 2014. "Economics and Knowledge." In *The Collected Works of F.A. Hayek, Volume XV, The Market and Other Orders*, ed. B.J. Caldwell, 57–77. Chicago: University of Chicago Press.
- (1945) 2014. "The Use of Knowledge in Society." In *The Collected Works of F.A. Hayek, Volume XV, The Market and Other Orders*, ed. B.J. Caldwell, 93–104. Chicago: University of Chicago Press.
- (1946) 2014. "The Meaning of Competition." In *The Collected Works of F.A. Hayek, Volume XV, The Market and Other Orders*, ed. B.J. Caldwell, 105–116. Chicago: University of Chicago Press.

- (1952) 2010. "Scientism and the Study of Society." in *The Collected Works of F.A. Hayek, Volume XIII, Studies on the Abuse and Decline of Reason: Text and Documents*, ed. B.J. Caldwell, 75–166. Chicago: The University of Chicago Press.
- 1952. *The Sensory Order: An Inquiry into the Foundations of Theoretical Psychology*. Chicago: University of Chicago Press.
- (1955) 2014. "Degrees of Explanation." In *The Collected Works of F.A. Hayek, Volume XV, The Market and Other Orders*, ed. B.J. Caldwell, 195–212. Chicago: University of Chicago Press.
- (1962) 2014. "Rules, Perception and Intelligibility." In *The Collected Works of F.A. Hayek, Volume XV, The Market and Other Orders*, ed. B.J. Caldwell, 232–253. Chicago: University of Chicago Press.
- (1964a) 2014. "Kinds of Rationalism." In *The Collected Works of F.A. Hayek, Volume XV, The Market and Other Orders*, ed. B.J. Caldwell, 39–53. Chicago: University of Chicago Press.
- (1964b) 2014. "The Theory of Complex Phenomena." In *The Collected Works of F.A. Hayek, Volume XV, The Market and Other Orders*, ed. B.J. Caldwell, 257–277. Chicago: University of Chicago Press.
- (1967) 2014. "Notes on the Evolution of Systems of Rules of Conduct: The Interplay between Rules of Individual Conduct and the Social Order of Actions." In *The Collected Works of F.A. Hayek, Volume XV, The Market and Other Orders*, ed. B.J. Caldwell, 278–292. Chicago: University of Chicago Press.

- . (1968) 2014. “Competition as a Discovery Procedure.” In *The Collected Works of F.A. Hayek, Volume XV, The Market and Other Orders*, ed. B.J. Caldwell, 304–313. Chicago: University of Chicago Press.
- . (1969) 2014. “The Primacy of the Abstract.” In *The Collected Works of F.A. Hayek, Volume XV, The Market and Other Orders*, ed. B.J. Caldwell, 314–327. Chicago: University of Chicago Press.
- . (1970) 2014. “The Errors of Constructivism.” In *The Collected Works of F.A. Hayek, Volume XV, The Market and Other Orders*, ed. B.J. Caldwell, 338–356. Chicago: University of Chicago Press.
- . (1975) 2014. “The Pretence of Knowledge.” In *The Collected Works of F.A. Hayek, Volume XV, The Market and Other Orders*, ed. B.J. Caldwell, 362–372. Chicago: University of Chicago Press.
- . 1991. *The Fatal Conceit: The Errors of Socialism*. In *The Collected Works of F.A. Hayek, Volume I*, ed. W.W. Bartley. Chicago: University of Chicago Press.
- . 2006. *Die Sensorische Ordnung: Eine Untersuchung der Grundlagen der Theoretischen Psychologie*. Translated by Manfred Streit. Tübingen: Mohr Siebeck.
- Hamouda, Omar F., Rowley, Robin. 1994. “Rational Processes: Markets, Knowledge and Uncertainty.” In *Capitalism, Socialism and Knowledge. The Economics of F. A. Hayek, Volume 2*, eds. Colonna, M., Hagemann, H., and Hamouda, O. F., 178-194. Aldershot, UK: Edward Elgar.
- Hoover, Kevin. 1988. *The New Classical Macroeconomics: A Sceptical Inquiry*. Oxford: Basil Blackwell.

- , 1994. "The New Classical Economics." In *The Elgar Companion to Austrian Economics*, ed. P. Boettke, 576-581. Aldershot, UK and Brookfield, VT USA: Edward Elgar.
- Lucas, Robert E., Jr. 1981. *Studies in Business Cycle Theory*. Cambridge: MIT Press.
- , 1994. Interview in *A Modern Guide to Macroeconomics. An introduction to competing Schools of Thought.*, eds. Snowdon B., Vane H.R., and Wynarczyk P., Cheltenham, UK: Edward Elgar.
- Polanyi, Michael. 1966. *The Tacit Dimension*. Garden City, NY: Doubleday & Company, Inc.
- Rühl, Christof. 1994. "The Transformation of Business-Cycle Theory: Hayek, Lucas and a Change in the Notion of Equilibrium." In *Money and Business Cycles. The Economics of F.A. Hayek, Volume 1*, eds. M. Colonna and H. Hagemann, 168-202. Aldershot, UK: Edward Elgar.
- Ryle, Gilbert. 1946. "Knowing How and Knowing That." *Proceedings of the Aristotelian Society* 46: 1-16.
- Scheide, Joachim. 1986. "New Classical and Austrian Business Cycle Theory: Is There a Difference?" *Weltwirtschaftliches Archiv* 122: 575-98.
- White, Lawrence H. 2015. "Hayek and Contemporary Macroeconomics" (January 20, 2015). GMU Working Paper in Economics No. 15-05. Available at SSRN: <http://ssrn.com/abstract=2553031> or <http://dx.doi.org/10.2139/ssrn.2553031>