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Book Review

Book Review: Hayek Revisited

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**Boudewijn Bouckaert and Annette Godart-van der Kroon (eds.):
Hayek Revisited**

The Locke Institute Series, Edward Elgar, Cheltenham (UK), 157 pages, \$80

From 1993 to 1996, the European branch of the Ludwig von Mises Institute in Ghent, Belgium, held four conferences dedicated to the critical review of the voluminous work of 1976 economics Nobel laureate Friedrich von Hayek. The reviewed volume contains a selection of contributions to these four conferences. The included essays are as diverse as Hayek's work itself and reach from an attempt to find the roots of Hayek's interest in spontaneous order in his early biography to a game-theoretic reconstruction of his theory of the evolution of rules, and from a clarifying re-statement of his legal philosophy to applications of Hayekian concepts to the problem of European integration.

The first part of the volume takes as its point of departure one of Hayek's central concepts, the notion of spontaneous order, and aims at discussing its relevance for positive economics and positive social sciences in general, as well as its ties to legal philosophy and classical liberal ethics. KURT LEUBE manages to concisely survey Hayek's early intellectual biography, showing how somebody who was a moderate socialist as a student and then became attracted to Ludwig von Mises' aprioristic theory of economic decision-making eventually found interest in economics as a science with empirical relevance: With the 1937 essay on 'Economics and Knowledge', he retired from pursuing economics as the pure logic of choice and instead turned towards the question of how dispersed knowledge about particular data is used in the economy. This eventually led to his understanding of the market economy as a spontaneous order emerging from individual decision-making under general rules, in contrast to planned orders emerging from specific rules (i.e. commands). Intertwined with this is a particular understanding of ethics and morality: true ethical or moral behaviour can, according to Leube's reading of Hayek, only emerge in a free society and, on the other hand, morality of individuals is a necessary prerequisite for the functioning of a spontaneous order. The field of ethics and morality in Hayek's work is further discussed by PHILIPPE NEMO, who seeks to reveal the roots of his moral philosophy and also offers interesting insights regarding Hayek's perspective on Christian ethics.

PAUL B. CLITEUR attempts to locate Hayek's work on the nature of the rules governing spontaneous orders between two antagonistic traditions of legal philosophy, natural law and legal positivism. He does so by scrutinising Hayek's three major works on the subject: 'The Road to Serfdom', 'The Constitution of Liberty' and 'Law, Legislation and Liberty'. He shows that, while Hayek never clearly adhered to one of the two traditions, elements of natural law, such as limits of legislative power, have gained importance in his later work. The focus on legal philosophy is shared by LEONARD P. LIGGIO, who analyses Hayek's work within a broad framework of historical and contemporary legal philosophy.

DIETER SCHMIDTCHEN discusses Hayek's assertion that spontaneous orders are usually governed by rules which are the result of evolutionary processes and not of conscious design by using a game-theoretic approach towards the evolution of rules. He shows that the evolutionary attainment of a conventional rule, which is at the same time an evolutionary stable strategy in a game with multiple stable equilibria, will lead to efficiency gains. ULRICH WITT is (unfortunately) the only contributor to this volume who discusses the early Hayek, namely his theory of the business cycle, and he does so by confronting

the early business cycle theory with the later notion of spontaneous order. He shows that a coherent explanation of the business cycle is possible if the knowledge problem that individuals have to cope with is recognised, but that this explanation is incompatible with the general equilibrium, monetary over-investment approach, which was pursued by the early Hayek.

The second part of the volume focuses on the welfare state. FRANK VAN DUN offers a treatise on the demand held by classical liberal political philosophy, that the state ought to maintain a neutral position towards individual preferences and moralities. This position is contrasted with several statist political philosophies, which assume exactly the opposite and see individually differing moralities as a problem to be solved by the state. Van Dun comes to the conclusion that neutrality is in fact unachievable, but that the other extreme, the statist philosophies, can be judged as failures. HARTMUT KLIEMT argues that it is impossible to have a state that is not to some degree engaged in redistributive and regulatory activities. Furthermore, Kliemt argues that a very strict interpretation of the principle that law ought to consist of general rules treating each citizen equally is incompatible with having a welfare state, but that the protection of individual's basic rights necessarily rests on some sort of a welfare state. If the latter is given priority, which, according to Kliemt, is the position of Hayek, then a violation of the generality principle has to be accepted. Kliemt does, however, call for constitutional competition, hoping that a 'constitution of liberty' with only a moderate welfare state prevails. GERD HABERMANN provides the reader with a case study on the rise of the welfare state in Germany. He reinforces the classical argument that the welfare state is not so much the result of good intentions towards the needy, but rather of politicians' attempts to buy into office and of the rent-seeking activities of organised interest groups.

Finally, the third part offers two perspectives on European integration from a bit more distantly Hayekian points of view. FRANK VILBERT makes the case for European constitutionalism. According to his arguments, a constitution for the European Union may serve as a device to control the further deepening of European integration, i.e. to protect the citizens from an unwanted centralisation of competence at the EU level, but also to foster the citizens' support for the EU by providing a higher degree of transparency regarding the Union's values and modes of operation. Finally, BRUNO S. FREY and REINER EICHENBERGER propose an application of their concept of FOCJ (Federal Overlapping Competing Jurisdictions) to European integration. This concept implies that each jurisdiction is concerned with a certain function (e.g. providing education); that their geographical extension is defined by the function and the area where citizens gain utility from it, so that the different jurisdictions will be territorially overlapping; that citizens may choose to which jurisdiction they want to belong, so that different jurisdictions providing the same public good compete with each other and finally that these jurisdictions are indeed agencies with the power to levy taxes. Frey and Eichenberger argue that this is a radical alternative to the current strategy of integration, but that it is definitely worth to be considered as a mechanism which offers comparatively more flexibility and, maybe most importantly, which is endowed with a lot more legitimacy than the integration 'from above' we are experiencing today.

Summing up, 'Hayek Revisited' can certainly be recommended for a diverse readership: Readers who are yet to become familiar with Hayek's work can read some of the contributions as an introduction to core concepts of his research programme, while readers who are already familiar with his work find critical re-examinations of and new perspec-

tives on Hayek's work. Other contributions, especially those in the third part, show that Hayekian perspectives on competition, federalism and constitutionalism can be fruitfully thought further and applied to current policy problems. As a reader, one would only wish that the project of re-visiting Hayek will, at some time, be expanded beyond the concept of spontaneous order, on which this volume clearly is concentrated very much. Hayek's earlier work on business cycles and capital, on the sensory order and his impact on the methodology of economics would be worth a similarly critical and constructive review.

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