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Working Paper

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Freiburger Diskussionspapiere zur Ordnungsökonomik, No. 12/1

Provided in Cooperation with:
Institute for Economic Research, University of Freiburg

Suggested Citation: Vanberg, Viktor J. (2012) : Hayek in Freiburg, Freiburger Diskussionspapiere zur Ordnungsökonomik, No. 12/1, Albert-Ludwigs-Universität Freiburg, Institut für Allgemeine Wirtschaftsforschung, Abteilung für Wirtschaftspolitik, Freiburg i. Br.

This Version is available at:
https://hdl.handle.net/10419/56062

Walter Eucken **Institut**

ORDO ➔ Constitutio in Libertate

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Freiburger
Diskussionspapiere
zur Ordnungsökonomik

Freiburg
Discussion Papers
on Constitutional Economics

ISSN 1437-1510

Institut für Allgemeine Wirtschaftsforschung
Abteilung für Wirtschaftspolitik
Albert-Ludwigs Universität Freiburg i. Br.

Hayek in Freiburg

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The university of Freiburg is known as home of the ordo-liberal Freiburg School (Vanberg 1998), a research tradition that was founded in the 1930s by a group of economists and jurists[1] who shared the conviction that a properly functioning market order needs to be framed by appropriate rules, that such framework is not self-generating but needs to be cultivated and enforced by government, and that law and economics are called upon to provide the institutional knowledge required for that purpose. To this research tradition and, specifically, to its principal founder, Walter Eucken, Hayek referred when, on June 18 1962, in his inaugural lecture at the university of Freiburg he stated:

> "Special mention is due to the personal contacts with professional colleagues which have for decades provided for me a connection with this university. … By far the most important for me was, however, the friendship of many years' standing, based on the closest agreement on scientific as well as on political questions, with the unforgettable Walter Eucken. During the last four years of his life this friendship had led to close collaboration. … You know better than I what Eucken has achieved in Germany. I need therefore not explain further what it means if I say here today that I shall regard it as one of my chief tasks to resume and continue the tradition which Eucken and his friends have created at Freiburg and in Germany. It is a tradition of the greatest scientific integrity and at the same time of outspoken conviction on the great issues of public life" (Hayek 1967 [1963]: 252f.).

1. Hayek and Eucken

As Hayek (1992 [1983]: 188f.) recalls, he came into contact with Walter Eucken through Wilhelm Röpke, with whom he had become acquainted at a meeting of the *Verein für Socialpolitik* (the professional association of German speaking-economists) in Vienna in 1926, and who introduced him to the 'Ricardian' group, a network of theoretical economists who opposed the dominance of the *German Historical School* in the association and to which German liberals like Röpke, Alexander Rüstow and Walter

[1] The three initial founders were economist Walter Eucken (1891-1950), jurist Franz Böhm (1895-1977) and jurist Hans Großmann-Doerth (1894-1944).

Eucken belonged.[2] About Eucken, whom he met at the 1928 meeting of the Verein für Socialpolitik in Zurich where they both presented papers on monetary and business cycle theory,[3] Hayek (ibid.: 189) notes in retrospect:

> "At that time he was not at all well known, but already had great influence among his closer associates. He was probably the most serious thinker in the realm of social philosophy produced by Germany in the last hundred years. Walter Eucken had published only short studies at that time. Oddly enough, his major work[4] reached me in London during the war. … It made me realize for the first time what a towering figure Eucken was and to how great an extent Eucken and his circle embodied the great German liberal tradition, which had unfortunately become defunct."

Speaking of Eucken as "a valuable friend" (ibid.: 190) he reports that in the late 1930s – until the outbreak of WWII made it impossible – he used his trips between Vienna and London for stopovers in Freiburg to visit Eucken,[5] and on these occasions he apparently gave lectures to the ordo-liberal group that had formed around Eucken.[6] Unable to maintain direct communication during the war it was only indirectly, through Wilhelm Röpke – who had left Nazi-Germany in 1933 for Turkey and since 1937 taught at the Geneva Institute for International Studies in Switzerland – that Hayek and Eucken could stay in contact.[7] It was through Röpke that Hayek received Eucken's *Grundlagen der Nationalökonomie* to which he refers in the above quotation and on which he commented in a letter to Röpke: "It's a very excellent piece of work which has further raised my sincere admiration for our friend. To have retained this independence of thought in this environment!"[8]

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[2] For more details see H. Janssen 2009: 42ff.

[3] In his *Geldtheorie und Konjunkturtheorie* which includes the two lectures he presented at the Zurich meeting Hayek refers in a footnote (1976 [1929]: 36) to the "pertinent arguments by W. Eucken in his interesting presentation at the Zurich meeting" (my translation, V.V.).

[4] Walter Eucken 1941.

[5] Hayek (1992 [1983]: 190): "Walter Eucken was a valuable friend for me. In the late 1930s, before the outbreak of the war, when I first acquired a car and made the trip from London to Austria by automobile, I regularly made a stopover in Freiburg just to visit Eucken and to keep in touch with him." – Also (ibid.: 188): "I generally avoided visiting Germany and crossed only the southwest corner of Germany on my frequent trips between London and Vienna, where I regularly paid visits to Walter Eucken."

[6] Introducing a lecture that Hayed presented in 1979 in Freiburg on occasion of the 25th anniversary of the Walter Eucken Institute Hayek (2004 [1979]: 52) recalled: "It is now about forty years since a socialism that prefixed itself with the decorative word 'national' brought free movement in Europe to an end and thereby terminated the first series of lectures I presented in the Eucken circle" (my translation, V.V.).

[7] W. von Klinckowstroem 2000: 102.

[8] The letter is dated August 17, 1941. Quoted from Henneke (2000: 152fn.). – Upon Hayek's initiative Terence W. Hutchison translated in the late 1940s Eucken's book – the English edition was published in 1950 (Eucken 1950) – as well as a paper that Hayek had invited Eucken to prepare for *Economica* and that was published in 1948 (Eucken 1948). – In a letter to Eucken, dated February 19, 1948, Hayek notes: "I shall try to persuade Mr. Hutchison who I hope will translate your book to undertake also the translation of the article, and I shall of course go through it carefully before it is published. … Mr. T.W. Hutchison … the author of a book on the method of economics which you may know, was at one time a

Soon after the war had ended Eucken resumed his contact with Hayek, writing a letter, dated August 12, 1945, in which he briefly refers to the precarious conditions he had faced under the past "diabolical system" and then continues: "About all these things and much else, chiefly scientific questions we should talk in person. To initiate this is the main purpose of this letter. It is important for those who earnestly refuse to go along the 'Road to Serfdom' to stay not only in contact but in close contact."[9] In a follow-up letter of November 10, 1945, Eucken stresses again how important he considers it for non-socialist economist to cooperate across borders, a concern to which Hayek responds in his letter of November 22: "I have been thinking already for a long time very seriously about the problem of an international organization of all liberals."[10] It was his exchange with Eucken and others on this idea – about which, as he notes (1994: 133), he had "thought and talked a good deal" in the years immediately following the war – that led Hayek to organize what was to become the founding meeting of the Mont Pèlerin Society at Lake Geneva in 1947.[11] On this meeting and, in particular, on the role that Eucken played at it, Hayek (1967 [1963]: 252) has reported in retrospect: "More than fifteen years ago – less than two years after the end of the war – I had undertaken to call an international conference of some economists, lawyers and historians of the Western world who were passionately concerned about the preservation of personal freedom. … Eucken … was the only participant from Germany at the conference on Mont Pèlerin. This made it the more significant that he became the great personal success of the conference and that his moral stature made the most profound impression on all participants. He has thereby contributed much to restore in the West the belief in the existence of liberal thinkers in Germany, and he has further

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Lektor at one of the German universities, I believe Bonn, and is now lecturer in economics on our staff" (Hoover Institution, Hayek Archives [from now on abbreviated as HIHA], 18 – 40).

[9] HIHA 18 – 40 (my translation, V.V.).

[10] HIHA 18-40, my translation, V.V. – In a letter of January 24, 1946, Eucken - as he had done before and did repeatedly in later letters - urged Hayek to come to Freiburg so that they might discuss in person issues of common interest, including "the problem of an international organization of liberals" (Hoover Institution, Hayek Archives 18-40, my translation, V.V.).

[11] Hayek (1994: 132f.): "I found that I derived so much instruction by the discussion with similarly minded men in other places – such as Henry Simons and his Chicago group, Wilhelm Röpke at Geneva, and a German group led by Walter Eucken – that the wish grew in me to bring these men together as an international group for a discussion of the problems which their efforts to revive the liberal tradition raised."

strengthened this impression at a further conference of the Mont Pèlerin Society[12] and on a visit to London in 1950 from which he was not to return."[13]

Hayek's concluding remark refers to the sad fact that he had invited Eucken to give a series of lectures at the LSE but had already moved to Chicago[14] before this came to be realized (Hayek 2004 [1979]: 52) and was no longer present when Eucken arrived on March 3, 1950, in London,[15] where he died on March 20 before he could deliver the last of his prepared lectures.[16] In a paper published on occasion of Ludwig von Mises' seventieth birthday Hayek (1967 [1951]: 199) noted in memory of Walter Eucken: "Today we realize that his sudden death a little over a year ago robbed the liberal revival of one of its really great men. … It was not until after Germany's collapse that it became apparent how fruitful and beneficial his quiet activities had been during the National Socialist period; for only then was the circle of his friends and students in Germany revealed as the most important bulwark of rational economic thinking."

2. Hayek and the Ordo-Liberal Freiburg School

It is difficult to judge to what extent the exchange between them led Hayek and Eucken to mutually adjust their respective views of what a modern revival of the classical liberal tradition, to which they both sought to contribute, requires. The German liberal economists, including Eucken, who belonged to the before-mentioned 'Ricardian' group

[12] Hayek refers here to the second meeting of the Mont Pèlerin Society which took place in 1949 in Seelisberg, Switzerland. At this meeting the differences between Eucken's ordo-liberalism and Mises' free-market liberalism apparently led to a heated dispute between the two (Vanberg 1999: 200).
[13] In another context Hayek (1992 [1983]: 191) notes on the 1947 meeting: "I had proposed two Germans as participants. One of them was Walter Eucken. The second one I had in mind was the historian Franz Schnabel. … Unfortunately I was unable to get Franz Schnabel to come to Switzerland, but Eucken came. … Eucken was greatly acclaimed at this conference. And I believe that Eucken's success in 1947 – as the only German attending a scholarly international conference – contributed a little, if I may use this term, to the rehabilitation of German scholars on the international scene."

[14] In a letter, dated March 8, 1950, that he sent from Chicago to Eucken at his temporary London address Hayek states: "You will probably have heard in London that I have decided to stay here permanently. The reasons for this are problems of a personal nature that date far back and that I hope thereby to bring to an even if painful solution" (HIHA, 18-40; my translation, V.V.). – In an earlier letter, dated January 18, 1949, Hayek had already mentioned to Eucken that his life had lately been "seriously disarranged due to several personal circumstances" (Hoover Institution, Hayek Archives, 18-40; my translation).
[15] In a letter to Hayek, dated March 2, 1950, Eucken notes: "Tomorrow my wife and I will travel to London for the lectures" (HIHA, 18-40; my translation).
[16] Alan Peacock (2000: 541) recalls: "Walter Eucken, to our great sorrow, died just before the last of his lecture series at the LSE in 1950 published posthumously as *Unser Zeitalter der Misserfolge* (*This Unsuccessful Age*). It was decided not to cancel his final lecture but, as a tribute to interest in the series and to the man himself, to have it read to the audience. As a young lecturer at LSE, who had studied some of the great man's work in the original, I was given this awesome privilege."

in the *Verein für Socialpolitik* shared the conviction that "laissez-faire" is not an adequate answer to the question of what providing for and maintaining a free and humane society requires, but that an essential role has to be played by the state as the agency that secures and cultivates the legal-institutional framework within which the free exchange and intercourse among sovereign individuals can evolve to everybody's benefit, a conviction that led them to call themselves "neo-liberals," in order to dissociate their views from an, in their view, too crude "laissez-faire liberalism." As much as they regarded the "Austrian liberals" Mises and Hayek as allies in their common opposition to the German Historical School, they had reservations about the particular emphasis of Mises' free-market liberalism,[17] even if in different degrees and for somewhat different reasons. Alexander Rüstow was the one among the German neo-liberals who harbored, and expressed, the strongest resentments against the "Austrians,"[18] Jochen Röpke took a middle ground while Walter Eucken's ordo-liberal approach came closest to, at least, Hayek's Austrian outlook. Eucken did not share the *interventionist* inclinations that characterize Rüstow's and Röpke's "sociological neoliberalism,"[19] inclinations that were indeed in conflict with what Mises as well as Hayek considered essential to liberalism. Three months before his untimely death in London Eucken summarized the essence of his approach in these terms:

> "The argument today is not … a matter of conflict about whether the state should interfere only a little or somewhat more. The conflict is a different one. One side, to which I belong, is of the opinion that the state must influence, or even directly establish, the forms and institutional framework within which the economy must work. It should, however, avoid the attempt to steer directly the everyday business of the economy. Others believe that the state must not just establish the framework, but must influence the day-to-day operation of the economy on the basis of central planning" [20]

[17] For references see Janssen 2009: 42f.
[18] In a letter to Röpke, dated July 13, 1943, Rüstow refers to Ludwig von Mises as "an old liberal ultra … who belongs behind glass in a museum," and he adds, "Hayek too … has never been quite transparent to me" (quoted from Nicholls 1994: 102). See also Rüstow's letter to Röpke of February 21, 1942 (quoted in Janssen 2009: 43, fn. 59). – Rüstow continued to harbor his resentments, describing in a letter to Wilhelm Krelle of November 10, 1959, Mises and Hayek as "Palaeoliberals" (Henneke 2000: 273) and voicing his distaste for Hayek's appointment to the chair at Freiburg University in a letter to Eucken's widow (see Edith Eucken-Erdsiek' letter of June 15, 1962, to Rüstow; Bundesarchiv N 1169/125).
[19] Both, Röpke and Rüstow, shared a conservative-romantic vision of desirable forms of social life (characterized by family farms, small to medium size cities, etc.) and favored interventions that serve to maintain them,. – On the differences between Eucken's ordo-liberalism and the "sociological neoliberalism" of Röpke and Rüstow see A. Renner (2002: 217 ff.).
[20] In a letter that Eucken wrote to a senior official of the post-war economic administration (*Verwaltung der Wirtschaft*) in the American and British zone (Eucken to Meinhold, 15 Feb. 1950, quoted from Nicholls 1994: 185).

Where in his friendly exchange with Hayek Eucken voiced disagreement this was not due to irreconcilably conflicting views but rather a matter of differences in emphasis on the role of what the Freiburg School calls *Ordnungspolitik*, i.e. the role that government needs to play in providing and securing an adequate institutional framework for a well-working market economy.

In a letter to Hayek of March 12, 1946, in which he comments on his reading of *The Road to Serfdom*,[21] Eucken expresses his essential agreement with Hayek's arguments but also points out that he would like Hayek to adopt a more ordo-liberal perspective. Referring to the distinction that Hayek (1972 [1944]: 36) draws between "laissez faire" and "making the best possible use of the forces of competition as a means of co-ordinating human efforts" Eucken calls on Hayek to more explicitly elaborate this distinction and to emphasize more strongly how important it is to provide for an appropriate legal-institutional framework – including corporate law, patent law, trade law, taxation law, etc. – in order to secure competition and to prevent a concentration of economic power. That he took Eucken's ordo-liberal plea seriously Hayek indicates with his letter of November 3, 1946, in which explains that his extensive travelling prevented him from responding earlier and notes: "By the way, it will be of interest to you that the main purpose of my trip to America has been an attempt to set up in Chicago a major research project on the changes in the legal framework that are necessary for a functioning competitive economy. Unfortunately, the man on whom my plans mostly relied, Henry Simons, suddenly died in the last moment, and I do not yet know if the project can nevertheless be carried on."[22]

It was surely not Eucken's influence alone that led Hayek to pay more attention to government's role in maintaining a legal-institutional framework for markets to operate beneficially. It is noteworthy, though, that this ordo-liberal theme plays a much

[21] Eucken had read the German translation prepared by Wilhelm Röpke's wife Eva (Hayek 1945). On this German edition Hayek (1992 [1983]: 190) Hayek reports: "My *Road to Serfdom* was translated into German by Mrs. Röpke shortly after its publication. The German edition was prohibited in Switzerland, but, as I did not realize immediately, for three years the import of the book into Germany was published, so that it was obtainable only in typescript. An agreement was in effect which obliged the occupying powers to exclude books that took a hostile stand against any one of them. Although this book, which was written at the time that the Russians were our allies, was directed less against communism than against fascism, the Russians instinctively felt that the book was directed against them. They therefore insisted that the occupation authorities ban the import of the book into Germany."

[22] HIHA, 18-40 (my translation , V.V.). – In his posthumously published *Grundsätze der Wirtschaftspolitik* Eucken (1952: 255) refers to Henry Simons' *Economic Policy for a Free Society* (1948) as a work that is in the same spirit as his own work and that of his ordo-liberal colleagues. On the affinities between the ordo-liberal research program and Henry Simons' work see E. Köhler and S. Kolev (2011). See also M. Wegmann (2002: 182ff.).

bigger role in Hayek's work from the late 1930s to 1950, i.e. during the time he was in contact with Eucken than before or after. In his 1939 pamphlet *Freedom and the Economic System*, in *The Road to Serfdom* (1972 [1944]), and in a number of articles, in particular his address at the founding meeting of the Mont Pèlerin Society on "'Free' Enterprise and Competitive Order" (1948b), Hayek emphasized time and again that "the task of creating a rational framework of law" (1939: 11) should be paid more attention to among liberals, that there is "all the difference between deliberately creating a system within which competition will work as beneficially as possible and passively accepting institutions as they are" (1972 [1944]: 17) and that "the fundamental principle of liberalism" calls for "a policy which deliberately adopts competition, the market, and prices as its ordering principle and uses the legal framework enforced by the state in order to make competition as effective and beneficial as possible" (1948b: 10). In a paper that he presented in 1947 at the European Forum Alpbach,[23] and in which he stressed the same theme, Hayek expressly noted:

> "Specifically on this subject a number of very important studies have been published already before the war in Germany, notably inspired by Professor Walter Eucken in Freiburg i.B. and by Professor Franz Böhm, now in Frankfurt, that I want especially to point out to you. The problem of the 'economic order' in the sense in which these researchers posed it and sought to sketch out its solution, is one of the most important challenges that the human mind can confront today und the solution of which is of immense importance."[24]

When Eucken, together with his colleague Franz Böhm, founded the yearbook *ORDO*[25] which was to be become the principal outlet of the ordo-liberal circle he invited Hayek to join the board of editors and to contribute an article to the inaugural volume.[26] Hayek accepted both invitations, contributing a German translation of his essay "Individualism: True and False" (1948a)[27] to the first volume of *ORDO*[28] and he served as member of the editorial board continuously from 1948 to 1991, contributing over the years numerous

[23] The European Forum is an annual event that takes place since 1945 in the Tyrolean village Alpbach. In a letter to Eucken, dated October 15, 1947, Hayek notes: "I found that summer school in Alpbach in the Tyrol particularly pleasant and attractive, and intend to go again next year. I hope they will act on my suggestion to invite you, and if so I wish you would very seriously consider accepting" (HIHA, 18-40).
[24] Hayek (2004 [1948]: 170), my translation, V.V.
[25] The yearbook's full title is *ORDO – Jahrbuch für die Ordnung von Wirtschaft und Gesellschaft*.
[26] Eucken's letters to Hayek of January 11 and February 5, 1947, HIHA, 18-40.
[27] The essay was originally delivered in 1945 as the Twelfth Finlay Lecture, University College, Dublin, and published as *Individualism: True and False*, Dublin and Oxford 1946.
[28] "Wahrer und falscher Individualismus," *ORDO – Jahrbuch für die Ordnung von Wirtschaft und Gesellschaft*, Vol. 1, 1948, 19-55.

articles to the yearbook.[29] He also maintained close relations with the Walter Eucken Institute that was founded in 1954, with the support of Ludwig Erhard, by friends and students of Walter Eucken, serving, upon invitation of Eucken's widow, from the beginning on its board of trustees.[30]

Although discussing it in more detail would go beyond the scope of this paper in concluding this section, it is worth noting that his affinities to ordo-liberal thought have made Hayek the target of harsh criticism from libertarian authors, such as Walter Block (1996: 339), who censures that, measured against the teaching of true advocates of "free enterprise" and the "ideal of laissez-faire capitalism,"[31] Hayek must be categorized as "lukewarm, at best, in his support of this system," and that by "making all sorts of compromises" (ibid.: 340) he has been "actively supporting its very opposite" (ibid.: 357). It is telling that Hayek (1967 [1949]: 191) found it necessary in 1949 to defend Henry Simons against similar criticisms, noting:

> "The most glaring recent example of such condemnation of a somewhat unorthodox liberal work as "socialist" has been provided by some comments on the late Henry Simons' *Economic Policy for a Free Society* (1948). One need not agree with the whole of this work and one may even regard some of the suggestions made in it as incompatible with a free society, and yet recognize it as one of the most important contributions made in recent times to our problem and as just the kind of work which is required to get discussion started on the fundamental issues. Even those who violently disagree with some of its suggestions should welcome it as a contribution which clearly and courageously raises the central problems of our time."

And it is hardly surprising that advocates of libertarianism always have been and continue to be suspicious of the ordo-version of classical liberalism. As W. Röpke (1961:10f.) reports, at the 1949 meeting of the Mont Pèlerin Society in Seelisberg, Switzerland, a somewhat heated dispute erupted between Ludwig von Mises and Walter Eucken who challenged Mises's claim "to represent the only authoritative liberalism." On Röpke's report, which does not provide any more details, I have commented elsewhere (Vanberg 2001: 18f.):

> "It is apparent … from his report that Röpke considered the exchange between Eucken and von Mises to be symbolic of a conflict of opinion that, as he notes, repeatedly surfaced within the Mont Pèlerin Society, and it seems obvious to me

[29] Hayek (1967 [1951]: 200): "The annual *ORDO* which he (Walter Eucken, V.V.) founded continues to be the most important publication of the entire movement." – See also Hayek (1992 [1983]: 189f.).
[30] Hayek (2004 [1979]: 52). – Letter of Edith Eucken to Hayek, dated December 14, 1954: "We would be most pleased if you would be willing to join the board of trustees of our institute, which is to include, among others, a fair number of members of the Mont Pèlerin Society such as Böhm, Einaudi, Lutz, Röpke, Rüstow, Erhard and others" (HIHA, 18-41 ; my translation, V.V.).
[31] Block (1996: 339) refers to M.N. Rothbard and H.-H. Hoppe.

> that it must have been linked to the fact that the two persons, Eucken and von Mises, represented, with their works, distinctly different perspectives on the nature of the liberal market order, perspectives that revolve around different organizing concepts. In the case of von Mises, this is the notion of the unhampered market; in the case of Eucken, it is the notion of the market as a constitutional order."

3. Hayek in Freiburg 1962 – 1969

About his move from Chicago – where he had been a member of the *Committee on Social Thought* since 1950 – to Freiburg Hayek (1994: 131) has noted:

> "Much as I enjoyed the intellectual environment that the University of Chicago offered, I never came to feel as much at home in the United States as I had done in England. I also was much concerned about the inadequate provisions for my and my wife's old age which that position offered me: a lump sum at a comparatively early retirement age (65). When I received in the winter of 1961-62 an unexpected offer of a professorship at the University of Freiburg im Breisgau, which not only was to run three years longer but also secured at least for me a moderate pension for life. I could have no hesitation in accepting the offer and have never regretted the move. The eight years we spent there where in many ways very satisfactory. I had, once again, to become an economist, but was able to concentrate in my teaching on the problems of economic policy, on which I felt I still had something of importance to say.[32] We were very fortunate in finding an attractive apartment and particularly enjoyed the beautiful environment of the Black Forest."

Even if the reasons that motivated him to accept the Freiburg offer were, as Hayek indicates, not least quite earthly ones, considering what I have described in the previous two sections there must have been weighty professional reasons as well that made an appointment as professor of economics at the university at which Walter Eucken had taught and from which the ordo-liberal Freiburg School originated an attractive option for Hayek. These reasons Hayek has clearly stated in his inaugural lecture in Freiburg from which the quotation at the beginning of this paper is taken and in which he also stated:

> "I do not know to what good star I owe it that for the third time in the course of one life that faculty has honoured me with the offer of a chair which I would have chosen if an absolutely free choice in such things were possible. Not only is the move to this place in the heart of Europe, exactly half-way between Vienna and London, the two places which have shaped me intellectually, and in addition

[32] In reference to Walter Eucken's research program Hayek (1967 [1963]: 263) remarked in his inaugural lecture: "The chief task of economic policy would thus appear to be the creation of a framework within which the individual not only can freely decide for himself what he wants to do, but in which also this decision based on his particular knowledge will contribute as much as possible to the aggregate output."

> in *Vorder-Österreich*,[33] … for me something like coming home. … I also value particularly the opportunity to teach again in a faculty of law,[34] in the atmosphere to which I owe my own schooling. After one has endeavoured for thirty years to teach economics to students possessing no knowledge of law and the history of legal institutions, one is sometimes tempted to ask whether the separation of legal and economic studies was not perhaps, after all, a mistake" (Hayek 1967 [1963]: 251f.).

As natural as the alliance between Hayek and Eucken's former faculty may appear in retrospect,[35] for Hayek to be offered, at the age of 62, the Freiburg chair[36] was quite an extraordinary event made possible only by the concurrence of special circumstances. A necessary but by no means sufficient condition was that the acting dean of the Freiburg faculty, Hans Besters, was very much in favor of gaining Hayek as a colleague.[37] The most important problem that had to be overcome, though, was Hayek's age. Born in 1899 he was far beyond the age-limit up to which someone could normally be appointed as professor within the German academic system in which universities are under the authority of the respective state within the federal union and in which professorial appointments are made by the state's government based on proposals submitted by the universities. For the University of Freiburg to propose a candidate of Hayek's age to the government of Baden-Württemberg would have been a hopeless undertaking if it had not been for the fact that the then minister of the interior and later prime minister of that state, Hans Filbinger, happened to take a particular interest in the case. Filbinger, a graduate of the Freiburg *Rechts- und Staatswissenschaftliche Fakultät* who had done his doctoral thesis in law with Hans Großmann-Doerth[38] and had been a student of Walter Eucken, considered the advancement of the Freiburg School tradition of great importance for the intellectual-political development in Germany and expected

[33] To the English version of his inaugural lecture Hayek (1967 [1963]: 251) had added the footnote: "The Breisgau in which Freiburg is situated and some connected territories used to be called *Vorder-Österreich* during the centuries when they were part of the domain of the Habsburgs."
[34] As was common in German universities at the time, and as had been the tradition in Austrian universities as well, law and economics were both taught in one faculty, the so-called *Rechst- und Staatswissenschaftliche Fakultät*.
[35] A. Shenfield (1977: 173): "From 1962 to 1969 he held a Chair at Freiburg i.B., the academic home of the late Professor Eucken and his neo-liberal followers, than which no other place in Germany could have been more congenial to him."
[36] Contrary to what is often asserted in the literature (e.g. Leube 1984: xxiv; Hennecke 2000: 283), Hayek was not offered Walter Eucken's former chair but the chair that had been held by Adolf Lampe who, though not counted among the founders of the Freiburg School, was a close associate of Eucken and, like Eucken, a member of the so-called "Freiburger Kreise," three different, but overlapping groups of academics, in particular Freiburg economists, who opposed the Nazi regime and, expecting Germany's defeat, secretly worked out plans for a post-war economic and socio-political order. See N. Goldschmidt, ed., 2005.
[37] In her letter to Alexander Rüstow of June 15, 1962, Eucken's widow, Edith Eucken, remarks: "You ask how Hayek came to Freiburg. … Certainly the acting dean, Prof. Besters, a determined liberal and very active man, has been a driving force" (Bundesarchiv NL Rüstow/ N 1169/125; my translation, V.V.).
[38] See fn. 1 above.

Hayek's presence in Freiburg to have in this regard a significant and beneficial impact. Filbinger, who had actually met with Hayek in Chicago in 1961 to explore the possibility of attracting him to Freiburg,[39] exerted his utmost influence with the ministers of cultural affairs and of finance, who both had to agree, to have a special arrangement be worked out that circumnavigated the standard provisions and made Hayek's appointment possible.[40] After an extensive correspondence between Hayek – who, in the meantime, also received an offer from the University of Vienna –,[41] the Freiburg faculty and the ministries in Stuttgart about the terms of the appointment,[42] Hayek finally declared in his letter of April 23, 1962, to Professor Hans Besters, dean of the Freiburg faculty, that he was going to sign the contract offered him and was preparing to arrive in Freiburg around the 15th of June.[43]

Leaving New York on the 1st of June on the Italian ocean liner Vulcania Hayek arrived in Naples on the 13th,[44] travelling on to Freiburg where he held his inaugural lecture "The Economy, Science, and Politics" (Hayek 1967 [1963]) on the 18th. The way in which, as mentioned before, he emphasized in this lecture his affinity to the Freiburg tradition and his intention "to resume and continue the tradition which Eucken and his friends have created at Freiburg and in Germany" was a welcome assurance for those among the German ordo-liberals who had looked with some suspicion at Hayek's "Austrian" version of liberalism.[45] In due course, in February of 1963, Hayek was elected

[39] In a letter to Hayek, dated June 1975, Filbinger refers to this visit, noting: "I recall on this occasion my visit with you in 1961 in the Quadrangle Club in Chicago where the idea of your coming to Germany was explored" (HIHA, 19-13; my translation, V.V.).
[40] In a letter to Professor Hans Besters, dean of the Freiburg faculty, of October 23, 1961, Minister Filbinger states: "The minister of cultural affairs has informed me that his administration is willing to overcome the obstacles and agree to the appointment of Prof. von Hayek, provided that the Ministry of Finance gives its agreement" (Hayek dossier, Economics, Freiburg University [HDEFU]; my translation, V.V.). In his letter of February 19, 1962, minister Filbinger informs dean Besters: "I am glad to be able to inform you that my interventions with the minister of finance have been successful" (HDEFU; my translation, V.V.).
[41] In a letter of January 20, 1962, to dean Hans Besters, which he sent in copy to minister Filbinger as well, Hayek states: "To this is added that a few days ago I received an official inquiry from Vienna under what terms I would be willing to take there a regular (i.e. pensionable) professorship" (HDEFU; my translation, V.V.). – In an accompanying "personal and confidential" letter to dean Besters, also dated January 20, 1962, Hayek notes: "I would honestly regret if the possibility in Freiburg should definitely come to nothing. The position has been very attractive for me, even more, which may perhaps surprise you, than the (financially not at all bad) position in Vienna. I would in principle be prepared to accept some sacrifices in order to 'buy' Freiburg" (HDEFU; my translation, V.V.).
[42] The correspondence is documented in HDEFU.
[43] HDEFU.
[44] Hayek writes about his forthcoming voyage in a letter of April 23, 1962, to Edith Eucken (HIHA, 18-41).
[45] Hayek's favorable comment on the Freiburg tradition seem to have softened, in particular, Alexander Rüstow's resentments (see fn.18 above) . In a letter to Eucken's widow of April 23, 1963, Rüstow notes: "By far most essential and pleasant is, however, the fact that with his Freiburg inaugural lecture Hayek has unambiguously placed himself within the camp of neoliberalism, while before he equally unambiguously - including in extensive conversation with me – had argued the position of palaeo-

to the board of the Walter Eucken Institute as its third member alongside with Friedrich A. Lutz, professor at the University of Zurich, and Fritz W. Meyer, professor at the University of Bonn.

By the time Hayek presented his inaugural lecture the first half of the summer semester had already passed and only the second half remained for him to teach his first two classes in Freiburg, a lecture course on "Current Issues in Economic Policy" and a pro-seminar on "Economic Policy." In the following years, throughout his Freiburg tenure, Hayek continued to offer regularly courses on economic policy and he taught, in addition, on such subjects as the history of economic thought, methodological foundations of the social sciences and (jointly with Erich Streißler, his "Austrian" colleague in Freiburg) on capital and business cycles. Particularly noteworthy is a seminar he held in the summer of 1967 on "Organisierbare und nicht-organisierbare Interessen" which he used to prepare with his students a German translation of Mancur Olson's *The Logic of Collective Action.*[46] The end-period of his teaching was overshadowed by the student unrests of the time and by the university reforms that they set in motion. In a letter to then Prime Minister Hans Filbinger of February 16, 1968, Hayek stated:

> "After having hesitated for a long time I have come to the conclusion that I cannot evade the responsibility to express to you in person my deepest concerns about the University law currently under consideration. My concerns about the consequences that must be expected are so grave that, if I were not already emeritus, I would immediately seek to return to an English or American university. The concessions to the students that the draft law makes must lead to a politicization of the universities that must cause their rapid ruin."[47]

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liberalism" (Bundesarchiv NL Rüstow/N 1169/125; my translation, V.V.). – In her earlier letter of March 22, 1963, to Rüstow Edith Eucken had observed: "I am truly glad that you too were able to convince yourself in the meantime how big an effort Mr. von Hayek makes to carry on the old Freiburg tradition. We all hope for many good things to come out of this in the future" (Bundesarchiv/NL Rüstow/N1169/125; my translation, V.V.). – In a letter to Alfred Müller-Armack of July 11, 1962, Hayek cautioned expectations in the support he was going to lend to the liberal cause in German politics: "As a newcomer and non-citizen I will be restrained in my comments on all disputes on party politics, but I hope to provide nevertheless by my influence on the young some support to you and Mr. Erhard" (quoted from Hennecke 2000: 284; my translation, V.V.).

[46] In his preface to the German edition of Olson's book (Olson 1968: x) Hayek notes: "The book appeared to me so important that I made it the subject of an unusual experiment of which the present translation is the result. It is the outcome of a joint effort in a seminar that I held at the University of Freiburg in the summer term of 1967. Its purpose was to discuss the substantive issues the book raises as well as a practice in English and German scientific language" (my translation, V.V.). As Hayek adds the draft-translations provided by the student participants needed of course editing to which Dr. Monika Streissler contributed who came to translate later a number of Hayek's English publications into German. – In the preface of the 1971 edition of *The Logic of Collective Action* (Olson 1971 [1965]: viii) Olson refers to Hayek's translation project: "I am also grateful that Professor F.A. von Hayek took the initiative of arranging for the translation of this book into German and in contributing a foreword to the German translation."

[47] HIHA, 19-13; my translation, V.V..

In retrospect Hayek (1994: 131) said about the seven years he spent in Freiburg until 1969:

> "I also was fortunate to preserve almost to the end of the period at Freiburg my full energy and health and working capacity. And though after my seventieth birthday my powers began noticeably to decline … they were on the whole very fruitful years."[48]

Having just recently published *The Constitution of Liberty* (1960), the most important and crowning fruit of his Chicago years, Hayek embarked, as he reports (ibid.), soon after settling down at Freiburg, on his next major project that he intended as "a kind of supplement" to his previous work, namely what was to become the trilogy *Law, Legislation and Liberty*. Even though the three volumes were published only with considerable delay in 1973, 1976 and 1979, Hayek had completed, according to his own account, the bulk of the manuscript when he left Freiburg in 1969.[49] On occasion of his 70th birthday, May 8, 1989 the *Walter Eucken Institute* published a volume *Freiburger Studien* (Hayek 1969) that collected the papers that Hayek had authored between June of 1962 and July of 1968, the period he taught at Freiburg University.[50] Many of the articles in this volume are closely related to the themes that Hayek was to cover in his *Law, Legislation and Liberty* project.

4. The Salzburg Interlude 1970-1977 and Return to Freiburg

In a letter of December 19, 1969, Hayek notified the dean of the Freiburg faculty of his decision to accept as of the following semester a visiting professorship offered to him by the University of Salzburg, adding: "I hope you and the colleagues in the faculty will forgive me for leaving you so soon after my retirement. Until a few months ago I had no other plans than to spend my old age in Freiburg in continued personal contact to the

[48] Hayek (1994: 131) also mentions that he and his wife "travelled during these years more than ever before: four visits to Japan (with side trips to Taiwan and Indonesia), and finally, as a return trip from a five-month stay at the University of California at Los Angeles, a flight through the South Pacific (Tahiti, Fiji, New Caledonia, Sydney, and Ceylon)."

[49] Hayek (1994: 132): "Most of what I published during the Freiburg period are offshoots of that work, and when we left Freiburg after eight years, I had completed (except for a concluding chapter) an excessively long manuscript, which I still believe contains some important ideas but which, in its present form, seems to me unsuitable for publication." – From the Editorial Forword to Hayek 1994 one can conclude that the passage from which this quotation is taken stems from Hayek's autobiographical notes. Unfortunately neither in this nor in other cases do the editors specify the time at which the autobiographical notes that they included in their edition had been written.

[50] Eight of the seventeen articles included were originally published in English, nine were originally published in German, four of them in the yearbook *ORDO*.

faculty."[51] Not unlike his relocation from Chicago to Freiburg in 1962, Hayek's decision to move in 1970 from Freiburg to Salzburg was motivated not least by financial considerations. As he explained in retrospect,[52] it was because of concerns for his wife's financial security that he felt compelled to accept an unexpected offer from the University of Salzburg to be appointed as guest professor at a full salary until the age of 75, including the offer to purchase his academic library[53] with the provision that it would be kept together and readily accessible for his continued use.[54]

Counter to the hopes that Hayek may have harbored in returning to his native Austria, the years he spent in Salzburg were to become, for several reasons, a rather disappointing experience, even if it was in this time, in 1974, that he was awarded the most visible recognition of his academic achievements, the Nobel Prize in Economic Sciences. Most importantly, from 1969 to 1974 he suffered from health problems – a misdiagnosed heart disturbance and a depression (Hayek 1984: 130; Ebenstein 2001: 251ff.) – that severely limited his working capacity.[55] Finding himself unable to complete the manuscript for *Law, Legislation and Liberty* that he had nearly finished when he left Freiburg he decided to divide what was originally intended to form a single volume into three parts and to publish the first volume separately in 1973,[56] hoping to be able to

[51] Letter, dated Dec. 19, 1969, to dean J.G. Wolf (HDEFU, Hayek files; my translation).
[52] In a letter to Prime Minister Filbinger (see fn. 62 below).
[53] In his above (fn. 51) cited letter to dean Wolf Hayek noted that the University of Salzburg had offered to buy his library at a price that allowed him to purchase a "suitable home" in Salzburg.
[54] Correspondence between the President of Freiburg University, B. Boesch, the Faculty and Hayek indicates that the then Prime Minister of Baden-Württemberg, Hans Filbinger – who, as mentioned above, was as then Minister of the Interior instrumental in making Hayek's move to Freiburg in 1962 possible – upon receiving information about Hayek's intention to sell his library had encouraged the University of Freiburg to explore the possibility of making a counter-offer. This initiative was, however, to no avail. (President Boesch's letter to Hayek, dated July 28, 1969; Hayek's letter to President Boesch, dated August 4, 1969; President Boesch's letter to the head office of the University Library, dated August 12, 1969; Hayek's letter to President Boesch, dated December 19, 1969; HDEFU).
[55] In a letter to Fritz Machlup of May 10, 1972, Hayek complained: "All attempts to resume the work at my book have failed" (quoted from Hennecke [2000: 304]; my translation, V.V.).
[56] In retrospect, in the preface to Vol. 3, Hayek (1979: xi) explained: "Again unforeseen circumstances have delayed somewhat longer than I had expected the publication of this last volume of a work … (which, V.V.) was in fairly finished form as long ago as the end of 1969 when indifferent health forced me to suspend the efforts to complete it. It was then, indeed, doubt whether I would ever succeed in doing so which made me decide to publish separately as volume 1 the first third of what had been intended to form a single volume, because it was in completely finished form."

bring out the remaining parts "in the near future."[57] It was, though, only in 1976 that the second[58], and in 1979 that the third volume should finally come out.

A specific local cause for Hayek's disappointment was – as Kurt Leube (1984: xxvii), his research assistant at Salzburg university, reports – "the fact that at this university economics was taught as a subsidiary to law, and therefore the faculty's and the student's level did not meet his academic expectations." In an interview in 1975 Hayek responded to a question about whether his work was met with interest at Salzburg: "It wasn't when I arrived. And even now there is not a great deal of interest outside of the few who have come to my classes."[59] In the preface to the second volume of *Law, Legislation and Liberty* he complained about having "no longer that easy access to adequate library facilities which I had when I prepared the first draft of this volume" (Hayek 1976: xii). Obviously, as Ebenstein (2001: 254) puts it, Hayek was in Salzburg quite generally "intellectually isolated." A further reason that contributed to Hayek's dissatisfaction with the Salzburg environment had to do with the political climate that prevailed quite generally in Austria during the era of the socialist chancellor Kreisky and, in particular, as it affected university life.

Hayek's growing dissatisfaction with his life in Salzburg did not go unnoticed in Freiburg. Realizing that there may be a prospect for attracting Hayek back to Freiburg and to the Walter Eucken Institute, Dr. Reinhold Veit and Dr. Alfred Bosch, the institute's research associates, and Professor Erich Hoppmann, Hayek's successor on the Freiburg chair and on the institute's board, turned for support in this matter to Hans Filbinger.[60] And Filbinger did, indeed, again take an interest in getting Hayek to return to Freiburg exerting his influence to make it happen. Among the obstacles that had to be overcome was Hayek's desire to return to the same apartment that he and his wife had lived in during their prior residence in Freiburg.

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[57] In the preface to volume 1 Hayek (1973: xi) noted: "Since drafts of these further volumes are in existence I hope to be able to bring them out in the near future. The reader who is curious to know where the argument leads will in the meantime find some indications in a number of preliminary studies published during the long years when this work was in preparation and collected … in my *Freiburger Studien* (Tübingen 1969)."

[58] In the preface to the second volume Hayek (1976: xi, xiii) comments: "Several circumstances have contributed to delay the publication of the second volume of this work beyond the short time I thought I would need to get a completed draft ready for the printer. … Although an almost complete draft of volume 3 of this work is in existence, I hardly dare again to express the hope that it will appear fairly soon. … But I shall do my best to bring the volume concluding this series out as soon as the advance of old age permits."

[59] *Reason*, February 1975: 12. Quoted from Ebenstein (2001: 254).

[60] Hoppmann letter of June 26, 1975, to Prime Minister Filbinger, HIHA, 19-13.

In a letter of June 16, 1975, Filbinger wrote to Hayek:

> "The other days I had a talk with Drs. Veit and Bosch of the Walter Eucken Institute, the survival of which is at risk for financial reasons. I want to get the state of Baden-Württemberg to provide the institute with the support needed for it to continue to operate. Especially in our times it seems to me an absolute necessity, to make the broader public aware again of the works of the so-called Freiburg School. I am very concerned, that the trend towards a 'democratic socialism' will become more and more predominant if the ideas of a liberal economic order are not revived. … In this context it would be of enormous help if you, venerated Professor, were willing to get involved, the ways in which this may happen remaining to be discussed. … I was told by Drs. Veit and Bosch that you are considering a return to Freiburg. I would exceedingly welcome if this would be realized. If I can be in any way of help, I would of course be most happy to do so. I recall on this occasion my visit with you in 1961 in the Quadrangle Club in Chicago where the idea of your coming to Germany was explored."[61]

Responding to Filbinger's letter Hayek wrote in reference to the "possibility of returning to Freiburg:"

> "I want to confess first that in a sense I always had a bad conscience since I left Freiburg in 1970 after I had been treated so generously by the Ministry. But I had no choice, because I had not the provisions for my wife that the sale of my library to the university here and a five years appointment as guest professor offered. But now that this appointment has come to an end, the news that our former apartment in Freiburg will *probably* be available again is such a great temptation that we would hardly be able to resist if it were to come true."[62]

The efforts made in Freiburg for his return and bureaucratic annoyances he faced in Salzburg, culminating in a quarrel with the socialist minister of science and research, Hertha Frinberg, about funding for an assistant (Hennecke 2000: 308f.), confirmed Hayek's growing resolution to revise what he in retrospect saw as a wrong decision and to leave Austria, a decision that attracted considerable public attention.[63] In a letter to the editor of the newspaper *Die Presse* he stated: "People frequently ask why I am leaving Austria. I must confess that I began to have doubts after only a few months. My doubts were reinforced by a circular reminding me of an old ministerial decree, 'University professors must notify the Federal Minister of any foreign travel they undertake.' Over and above this, however, I must mention that the University of

[61] HIHA, 19-13; my translation, V.V.
[62] Undated copy of Hayek's letter, HIHA, 19-13; my translation, V.V.
[63] Leube (1984: xxviii): "Somewhat disappointed with Salzburg … Hayek decided to leave his native Austria for Freiburg in early 1977, reluctantly leaving behind his unique library of some 7,000 volumes, which he had sold for financial reasons to the University of Salzburg when he assumed the visiting professorship."

Salzburg is not authorized to bestow doctorates. Thus, there are no serious students of economics here. I made a mistake in moving to Salzburg."[64]

5. Freiburg 1977-1992

It took considerable efforts on part of his supporters in Freiburg to meet Hayek's expectations concerning housing and working conditions at the university, but, finally, in early 1977 their previous apartment at Urachstr. 27 was ready for Hayek and his wife to move in and Erich Hoppmann, then dean of the faculty of economics, could write to the university administration on March 30, 1977: "Herewith I can inform you that Professor Dr. F.A. von Hayek has resumed again his affiliation with our faculty on March 1, 1977. He will carry out his research activities and projects within the Institute for General Economic Research and present his research results in publications as well as in seminars."[65]

If there is one aspect of Hayek's second Freiburg tenure that stands out most visibly it is unquestionably his increasing preoccupation with a project the laboriously produced outcome of which was to be his last book, *The Fatal Conceit*. A first indication of Hayek's engagement with this project Hayek was a lecture titled "Drei Quellen der menschlichen Werte" that he held in January 1978 at the Walter Eucken Institute, a kind of trial run for the Hobbouse Lecture on "The Three Sources of Human Values" which he held a few months later, on May 17, at the London School of Economics, a lecture which he included as "Epilogue" in the third volume of *Law, Legislation and Liberty* (Hayek 1979: 153-176). In the preface to this volume Hayek (ibid.: xi) commented on his decision to add the epilogue:

> "Of the last third of the original draft only what was intended to be the last chapter … had not been completed at the time when I discontinued work. But while I believe I have now more or less carried out the original intention, over the long period which has elapsed my ideas have developed further and I was reluctant to send out what inevitably must be my last systematic work without at least indicating in what direction my ideas have been moving. This has had the effect … that I found it necessary to add an Epilogue which expresses more directly the general view of moral and political evolution which has guided me in the whole enterprise."

[64] Die Presse, January 22/23, 1977; quoted from Ebenstein 2001: 254.
[65] Letter, dated March 30, 1977, by E. Hoppmann to the rector's office, HDEFU (my translation, V.V.).

And the epilogue itself Hayek ended on the somewhat pessimistic note: "In concluding this epilogue I am becoming increasingly aware that it ought not to be that but rather a new beginning. But I hardly dare hope that for me it can be so" (ibid.: 176). Yet, he embarked on this project[66] and in his lecture on "The Flow of Goods and Services" that he held in January of 1981 at the LSE on the occasion of the fiftieth anniversary of his *Prices and Production* lectures he remarked:

> "What I am going to read to you today is essentially a chapter of a book on a much wider subject which I am preparing. For the argument of that book the contention is of critical importance that the coordination of economic activities, to which we owe our ability to maintain the present population of the world, is due to our relying for guidance on prices formed on competitive markets which generate the indispensable signals which tell us what to do. This chapter will be preceded in the book by a more general statement of the process of extension of the economic order into the unknown" (Hayek 2012 [1981]: 3).[67]

One year later, in the preface to the 1982 single-volume edition of *Law, Legislation and Liberty*, Hayek sounded even more confident when in reference to his earlier pessimistic conclusion of the epilogue he stated: "I am glad to be able to say now that it has turned out to be such and that that Epilogue has become the outline of a new book of which I have now completed a first draft" (Hayek 1982: xxi).[68] Yet, a long and painful process was still to be endured before the book was actually published in 1988.

The "first draft" to which Hayek referred became the subject of a Liberty Fund conference, organized by Svetozar Pejovich that convened at Obergurgl, a small village in the Tyrolian Alps where Hayek and his wife used to spend their summer vacations. The declared purpose of the conference was to provide Hayek with an opportunity to get feed-back for his book-project from the other fifteen invited participants, including such eminent colleagues of his as Peter Bauer, Karl Brunner, James Buchanan, Ronald Coase and Georg Stigler.[69] Nobody present at the conference could fail to sense how deeply concerned Hayek was about completing a book that, in his mind, was to communicate a message that he had not stated yet quite as explicitly in his previous work. Yet, as Buchanan (1992: 133) recalls, there was a generally shared skepticism

[66] As C.C. Cubitt, Hayek's secretary during his second Freiburg tenure, reports, Hayek began actually in 1979 "writing the first draft of what was to become *The Fatal Conceit*" (Cubitt 2006: 31).
[67] I am quoting here from the typescript of the article. Prior to its inclusion in Hayek (2012) "The Flow of Goods and Services" had been published only in a German translation (Hayek 1983).
[68] In a letter to Fritz Machlup of May 29, 1981, Hayek mentioned: "My book is growing, even if it is not coming much closer to its completion, but it interests me ever more. The other one on the denationalization of money I must therefore postpone" (HIHA, 44-2; quoted from Hennecke 2000: 367; my translation, V.V.).
[69] I had the privilege to be – along with Gernot Gutmann, Erich Hoppmann, Alfred Schüller, Roland Vaubel and Hans Willgerodt – among the participants who had been invited from Germany.

about the prospects for the existing draft chapters to be developed into a book that would live up to the quality standards one associates with the author's name.

The significance Hayek attributed to his work on *The Fatal Conceit* can be concluded from a short description that he wrote down in May 1985: "This is to be the final outcome of what I planned about 1938 as *The Abuse and Decline of Reason* and of the conclusions which I published in 1944, the sketch on *The Road to Serfdom*. It is a work for which one has to be an economist but this is not enough."[70] *The Fatal Conceit* was to be his definitive refutation of the *pretense of knowledge*, paradigmatically exemplified by socialism that he viewed as a fundamental threat to our evolved civilization and about which he had said at the end of the *Epilogue*: "If the Enlightenment has discovered that the role assigned to human reason in intelligent construction had been too small in the past, we are discovering that the task which our age is assigning to the rational construction of new institutions is far too big. … *Man is not and never will be the master of his fate: his very reason always progresses by leading him into the unknown and unforeseen where he learns new things*" (Hayek 1979: 176).

It was, so one must assume, not least in response to the reception his first draft found at the Obergurgl conference that Hayek worked on a thoroughly revised and expanded manuscript over the next few years, hoping to bring the first of the planned three volumes of *The Fatal Conceit* to completion in 1985. Yet, as his secretary C.E. Cubitt (2006: 73f., 83ff., 134f.) reports in her biographical account of Hayek's Freiburg years 1977-1992, his diminishing work capacity disappointed his hopes and in the summer of 1985 his declining state of health made him realize that he would not be able to complete the project on his own account and, after some hesitation, he accepted the offer of William Bartley, his designated biographer and general editor of the *Collected Works of F.A. Hayek*, to assist in getting the existing manuscript ready for publication

[70] Quoted from Caldwell (2004: 319). – At the end of the last chapter, before the Epilogue, of the third volume of *Law, Legislation and Liberty* Hayek – after warning that we can "avoid destroying our civilization" only by shedding "the illusion that we can deliberately 'create the future of mankind'" – stated in similar terms: "This is the final conclusion of the forty years which I have devoted to the study of these problems since I became aware of the Abuse and Decline of Reason which has continued throughout that period" (Hayek 1979: 152). – On *The Abuse and Decline of Reason* he commented: "This was the title I had intended to give to a work I had planned in 1939, in which a part on the 'Hubris of Reason' was to be followed by one on 'The Nemesis of the Planned Society'. Only a fragment of this plan has been carried out and the parts written published first in *Economica* 1941-5 … *The Road to Serfdom* (London and Chicago, 1944) was an advance sketch of what I had intended to make the second part. But it took me forty years to think through the original idea" (ibid.: 196).

(ibid.: 157ff.).[71] While Bartley's assistance was originally meant to be limited to getting the first of the three planned volumes to completion, one chapter of which existed only in fragments – in a letter to Drs. Veit and Bosch at the Walter Eucken Institute of July 25, 1986, he actually stated "*The Fatal Conceit* is in effect complete"[72] – his involvement in the project grew considerably and he extensively reworked Hayek's draft version, condensing it finally to a single monograph that was published as volume one of the *Collected Works* in 1988. The issue of the extent to which the published version of *The Fatal Conceit* can, in spite of Bartley's editing, be counted among Hayek's authentic works, has been repeatedly commented upon (Ebenstein 2003: 214f., 219ff.; Caldwell 2004: 316ff.; Vanberg 1994a: 461, fn. 52; Vanberg 2011a). And indeed, as Cubitt (2006: 238, 244f.) reports, due to his feeble health Hayek was not able to carefully scrutinize Bartley's revisions and, because of the extensive changes that had been made, hesitated for some time before giving his permission for publication (ibid.: 247f., 269). Nevertheless, even if in matters of style and form *The Fatal Conceit* clearly shows Bartley's hand, the substance of the argument it develops is without doubt authentically Hayekian.

After the summer of 1985 Hayek's health condition deteriorated significantly. In greetings he sent in September of 1987 to a meeting of the Mont Pèlerin Society he wrote:

> "After forty years of the existence of the Mont Pèlerin Society it is bitter to resign oneself to the fact that it will have to continue without me. But though I am no longer actually ill, two years sickness have made me an old man. This summer vacation in the Tyrolean mountains is the first time that I have again been able to leave home, and at eighty-eight years of age I can hardly hope that I shall again be able to travel for longer distances. So I must confine myself to send all the participants of the meeting my best wishes for its success and for an effective continuation of the efforts of the Society."[73]

Hayek died on March 23, 1992, in Freiburg. He is buried in Neustift am Wald, Vienna.

6. Conclusion

The Freiburg connection is not only an important part of Hayek's biography, it is also of paradigmatic significance because of the characteristic mixture of commonalities and

[71] Designated to be Hayek's as well as K.R. Popper's official biographer Bartley died in 1990, two years before Hayek and four years before Popper deceased.
[72] Eucken Institute Archive.
[73] Quoted from Ebenstein (2001: 315).

differences between the ordo-liberal research program of the Freiburg School and the theoretical core of Hayek's own approach (Vanberg 2003). As I have noted above, in his 1962 inaugural lecture in Freiburg Hayek explicitly stated that he intended to regard it as one of his "chief tasks to resume and continue the tradition which Eucken and his friends have created at Freiburg and in Germany," but I also pointed out that questions were raised about the extent to which the main thrust of his work was actually compatible with, let alone supportive of, the ordo-liberal program. While I sought to show that Hayek did agree with ordo-liberals on the need of "deliberately creating a system within which competition will work as beneficially as possible" (1976 [1944]: 17), I have also noted that this theme is most prominent in his writings between the late 1930s and 1950, but finds much less attention elsewhere. Indeed, even if it is not entirely absent in his later work,[74] Hayek's focus increasingly shifts – most notably so during his second Freiburg period and culminating in *The Fatal Conceit* – towards an evolutionary perspective that puts its emphasis on the role of evolutionary forces in the selection of "appropriate" rules and a warning against the "constructivist rationalism" of deliberate institutional design.

Not a few commentators have noted that the evolutionary thrust in Hayek's later work appears to be in conflict with his earlier arguments for a liberal policy of institutional framing and, a fortiori, with the ordo-liberalism of the Freiburg school with its emphasis on the need for a liberal order to be cultivated by deliberate *Ordnungspolitik*. And there is surely a puzzling tension between those parts of Hayek's work that, in line with the Freiburg *Ordnungspolitik* concept, emphasize liberalism's "positive task of improving our institutions" (1960: 5), guided by a "general conception of the social order desired" (ibid.: 114), and some of his later arguments, in particular in *The Fatal Conceit*, that seem to border at what I have described elsewhere as "evolutionary agnosticism" (Vanberg 1994a), such as, for example, his assertion that there "is in fact no reason to expect that the selection by evolution of habitual practices should produce happiness" (1988: 64), and that the evolutionary process to which we owe our civilization "cannot be guided by and often will not produce what men demand" (ibid.: 74).

[74] In his 1981 LSE lecture on "The Flow of Goods and Services" Hayek (2012 [1981]: 18) expressed a cautious view on the role of *Ordnungspolitik*: "I have no doubt that the functioning of the market can still be improved by improving the framework of those rules of law within which it operates. … It appears to me that at the present time priority must be given to removing the obstacles which, because of lack of understanding of the function of the market, governments have erected or are allowing private agencies to erect. We owe it to the folly of our predecessors that this negative task has become more urgent than positive ones have. Once we have again cleared the road for the more powerful spontaneous forces, we shall be able to return to the slower and more delicate efforts of improving the framework within which the market will function more effectively and beneficially."

Whether and, if so, how the apparent tension between the ordo-liberal perspective and Hayek's evolutionary approach can be reconciled is an issue that deserves a more careful discussion than is possible in this concluding section. Here a brief summary must suffice of what I have argued on this issue in other contexts (Vanberg 1994a, 1994b, 2011b). As I have sought to show there, the ordo-liberals' emphasis on the role of *Ordnungspolitik* and Hayek's emphasis on evolutionary exploration can – and should – be understood as perspectives that supplement rather than contradict each other. Hayek's focus is on the notion that only by allowing for evolutionary exploration and competition as discovery procedure can we find out what the "best" solutions to our problems are, in the production of ordinary goods and services no less than in institutional matters. Reversely, the ordo-liberal focus is on the notion that evolutionary exploration and competitive discovery cannot be expected to work per se, in whatever form and shape they are carried out, to the benefit of the persons involved but only if they are framed or conditioned by suitable rules of the game. While agreeing with the ordo-liberal tenet that an appropriate institutional framework is required in order "to make the market mechanism operate satisfactorily" (1978: 146), Hayek insists that only by allowing for competition among alternative rules can we find out what "appropriate" or well working rules of the game are. Yet, he takes less care than in his comments on market competition to add the qualification that competition at the institutional level must also be framed by "appropriate" rules if it is operate to the mutual advantage of the persons involved.[75] Reversely, while entirely agreeing with Hayek's general arguments on competition as a discovery procedure, focusing on the role of *Ordnungspolitik* in framing market competition the ordo-liberals have been less concerned with the issue of how we come to know what an "appropriate" legal framework is.

Combined with each other Hayek's evolutionary liberalism and the ordo-liberalism of the Freiburg School constitute a coherent liberal view of "the kind of world in which people want to live" (1960: 114).

[75] To be sure, as statements like the following indicate, Hayek does not entirely ignore the need for institutional competition to be itself governed by rules: "Government is of necessity the product of intellectual design. If we can give it a shape in which it provides a beneficial framework for the free growth of society, without giving to any one power to control this growth in particular, we may well hope to see the growth of civilization continue" (1979: 152).

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