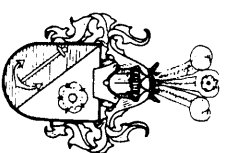


PLAN OF THE COLLECTED WORKS
Edited by W. W. Bartley, III

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Volume II	The Uses and Abuses of Reason: The Counter- Revolution of Science, and Other Essays
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THE COLLECTED WORKS OF
F. A. Hayek
VOLUME I

THE FATAL CONCEIT
The Errors of Socialism

EDITED BY
W. W. BARTLEY III



The University of Chicago Press

INTRODUCTION

WAS SOCIALISM A MISTAKE?

The idea of Socialism is at once grandiose and simple. . . . We may say, in fact, that it is one of the most ambitious creations of the human spirit, . . . so magnificent, so daring, that it has rightly aroused the greatest admiration. If we wish to save the world from barbarism we have to refute Socialism, but we cannot thrust it carelessly aside.

Ludwig von Mises

This book argues that our civilisation depends, not only for its origin but also for its preservation, on what can be precisely described only as the extended order of human cooperation, an order more commonly, if somewhat misleadingly, known as capitalism. To understand our civilisation, one must appreciate that the extended order resulted not from human design or intention but spontaneously: it arose from unintentionally conforming to certain traditional and largely *moral* practices, many of which men tend to dislike, whose significance they usually fail to understand, whose validity they cannot prove, and which have nonetheless fairly rapidly spread by means of an evolutionary selection – the comparative increase of population and wealth – of those groups that happened to follow them. The unwitting, reluctant, even painful adoption of these practices kept these groups together, increased their access to valuable information of all sorts, and enabled them to be ‘fruitful, and multiply, and replenish the earth, and subdue it’ (*Genesis* 1:28). This process is perhaps the least appreciated facet of human evolution.

Socialists take a different view of these matters. They not only differ in their conclusions, they see the facts differently. That socialists are wrong *about the facts* is crucial to my argument, as it will unfold in the pages that follow. I am prepared to admit that if socialist analyses of the operation of the existing economic order, and of possible alternatives, were factually correct, we might be obliged to ensure that the distribution of incomes conform to certain moral principles, and that this distribution might be possible only by giving a central authority the power to direct the use of available resources, and might presuppose the abolition of individual ownership of means of production. If it were for instance true that central direction of the means of production could

WAS SOCIALISM A MISTAKE?

effect a collective product of at least the same magnitude as that which we now produce, it would indeed prove a grave moral problem how this could be done justly. This, however, is not the position in which we find ourselves. For there is no known way, other than by the distribution of products in a competitive market, to inform individuals in what direction their several efforts must aim so as to contribute as much as possible to the total product.

The main point of my argument is, then, that the conflict between, on one hand, advocates of the spontaneous extended human order created by a competitive market, and on the other hand those who demand a deliberate arrangement of human interaction by central authority based on collective command over available resources is due to a factual error by the latter about how knowledge of these resources is and can be generated and utilised. As a question of fact, this conflict must be settled by scientific study. Such study shows that, by following the spontaneously generated moral traditions underlying the competitive market order (traditions which do not satisfy the canons or norms of rationality embraced by most socialists), we generate and garner greater knowledge and wealth than could ever be obtained or utilised in a centrally-directed economy whose adherents claim to proceed strictly in accordance with ‘reason’. Thus socialist aims and programmes are factually impossible to achieve or execute; and they also happen, into the bargain as it were, to be logically impossible.

This is why, contrary to what is often maintained, these matters are not merely ones of differing interests or value judgements. Indeed, the question of how men came to adopt certain values or norms, and what effect these had on the evolution of their civilisation, is itself above all a factual one, one that lies at the heart of the present book, and whose answer is sketched in its first three chapters. The demands of socialism are not moral conclusions derived from the traditions that formed the extended order that made civilisation possible. Rather, they endeavour to overthrow these traditions by a rationally designed moral system whose appeal depends on the instinctual appeal of its promised consequences. They assume that, since people had been able to *generate* some system of rules coordinating their efforts, they must also be able to *design* an even better and more gratifying system. But if humankind owes its very existence to one particular rule-guided form of conduct of proven effectiveness, it simply does not have the option of choosing another merely for the sake of the apparent pleasantness of its immediately visible effects. The dispute between the market order and socialism is no less than a matter of survival. To follow socialist morality would destroy much of present humankind and impoverish much of the rest.

All of this raises an important point about which I wish to be explicit from the outset. Although I attack the *presumption* of reason on the part of socialists, my argument is in no way directed against reason properly used. By 'reason properly used' I mean reason that recognises its own limitations and, itself taught by reason, faces the implications of the astonishing fact, revealed by economics and biology, that order generated without design can far outstrip plans men consciously contrive. How, after all, could I be attacking reason in a book arguing that socialism is factually and even logically untenable? Nor do I dispute that reason may, although with caution and in humility, and in a piecemeal way, be directed to the examination, criticism and rejection of traditional institutions and moral principles. This book, like some of my earlier studies, is directed against the traditional norms of reason that guide socialism: norms that I believe embody a naïve and uncritical theory of rationality, an obsolete and unscientific methodology that I have elsewhere called 'constructivist rationalism' (1973).

Thus I wish neither to deny reason the power to improve norms and institutions nor even to insist that it is incapable of recasting the whole of our moral system in the direction now commonly conceived as 'social justice'. We can do so, however, only by probing every part of a system of morals. If such a morality pretends to be able to do something that it cannot possibly do, e.g., to fulfill a knowledge-generating and organisational function that is impossible under its own rules and norms, then this impossibility itself provides a decisive rational criticism of that moral system. It is important to confront these consequences, for the notion that, in the last resort, the whole debate is a matter of value judgements and not of facts has prevented professional students of the market order from stressing forcibly enough that socialism cannot possibly do what it promises.

Nor should my argument suggest that I do not share some values widely held by socialists; but I do not believe, as I shall argue later, that the widely held conception of 'social justice' either describes a possible state of affairs or is even meaningful. Neither do I believe, as some proponents of hedonistic ethics recommend, that we can make moral decisions simply by considering the greatest foreseeable gratification.

The starting point for my endeavour might well be David Hume's insight that 'the rules of morality . . . are not conclusions of our reason' (*Treatise*, 1739/1886:II:235). This insight will play a central role in this volume since it frames the basic question it tries to answer – which is *how does our morality emerge, and what implications may its mode of coming into being have for our economic and political life?*

The contention that we are constrained to preserve capitalism because of its superior capacity to utilise dispersed knowledge raises the

question of how we came to acquire such an irreplaceable economic order – especially in view of my claim that powerful instinctual and rationalistic impulses rebel against the morals and institutions that capitalism requires.

The answer to this question, sketched in the first three chapters, is built upon the old insight, well known to economists, that our values and institutions are determined not simply by preceding causes but as part of a process of unconscious self-organisation of a structure or pattern. This is true not only of economics, but in a wide area, and is well known today in the biological sciences. This insight was only the first of a growing family of theories that account for the formation of complex structures in terms of processes transcending our capacity to observe all the several circumstances operating in the determination of their particular manifestations. When I began my work I felt that I was nearly alone in working on the evolutionary formation of such highly complex self-maintaining orders. Meanwhile, researches on this kind of problem – under various names, such as autopoiesis, cybernetics, homeostasis, spontaneous order, self-organisation, synergetics, systems theory, and so on – have become so numerous that I have been able to study closely no more than a few of them. This book thus becomes a tributary of a growing stream apparently leading to the gradual development of an evolutionary (but certainly not simply Neo-Darwinian) ethics parallel and supplementary to, yet quite distinct from, the already well-advanced development of evolutionary epistemology.

Though the book raises in this way some difficult scientific and philosophical questions, its chief task remains to demonstrate that one of the most influential political movements of our time, socialism, is based on demonstrably false premises, and despite being inspired by good intentions and led by some of the most intelligent representatives of our time, endangers the standard of living and the life itself of a large proportion of our existing population. This is argued in the fourth through sixth chapters, wherein I examine and refute the socialist challenge to the account of the development and maintenance of our civilisation that I offer in the first three chapters. In the seventh chapter, I turn to our language, to show how it has been debased under socialist influence and how careful we must be to keep ourselves from being seduced by it into socialist ways of thinking. In the eighth chapter, I consider an objection that might be raised not only by socialists, but by others as well: namely, that the population explosion undercuts my argument. Finally, in the ninth chapter, I present briefly a few remarks about the role of religion in the development of our moral traditions.

BETWEEN INSTINCT AND REASON

Since evolutionary theory plays so essential a part in this volume, I should note that one of the promising developments of recent years, leading to a better understanding of the growth and function of knowledge (Popper, 1934/1959), and of complex and spontaneous orders (Hayek, 1964, 1973, 1976, 1979) of various kinds, has been the development of an evolutionary epistemology (Campbell, 1977, 1987; Radnitzky & Bartley, 1987), a theory of knowledge that understands reason and its products as evolutionary developments. In this volume I turn to a set of related problems that, although of great importance, remain largely neglected.

That is, I suggest that we need not only an evolutionary epistemology but also an evolutionary account of moral traditions, and one of a character rather different than hitherto available. Of course the traditional rules of human intercourse, after language, law, markets and money, were the fields in which evolutionary thinking originated. Ethics is the last fortress in which human pride must now bow in recognition of its origins. Such an evolutionary theory of morality is indeed emerging, and its essential insight is that our morals are neither instinctual nor a creation of reason, but constitute a separate tradition – ‘*betwixt* instinct and reason’, as the title of the first chapter indicates – a tradition of staggering importance in enabling us to adapt to problems and circumstances far exceeding our rational capacities. Our moral traditions, like many other aspects of our culture, developed concurrently with our reason, not as its product. Surprising and paradoxical as it may seem to some to say this, these moral traditions outstrip the capacities of reason.

Consuetudo est quasi altera natura.

Cicero

Les lois de la conscience que nous disons nature de la nature, naissant de la costume.

M. E. de Montaigne

Zwei Seelen wohnen, ach, in meiner Brust,

Die eine will sich von der anderen trennen.

J. W. von Goethe

Biological and Cultural Evolution

To early thinkers the existence of an order of human activities transcending the vision of an ordering mind seemed impossible. Even Aristotle, who comes fairly late, still believed that order among men could extend only so far as the voice of a herald could reach (*Ethics*, IX, x), and that a state numbering a hundred thousand people was thus impossible. Yet what Aristotle thought impossible had already happened by the time he wrote these words. Despite his achievements as a scientist, Aristotle spoke from his instincts, and not from observation or reflection, when he confined human order to the reach of the herald's cry.

Such beliefs are understandable, for man's instincts, which were fully developed long before Aristotle's time, were not made for the kinds of surroundings, and for the numbers, in which he now lives. They were adapted to life in the small roving bands or troops in which the human race and its immediate ancestors evolved during the few million years while the biological constitution of *homo sapiens* was being formed. These genetically inherited instincts served to steer the cooperation of the members of the troop, a cooperation that was, necessarily, a narrowly circumscribed interaction of fellows known to and trusted by one another. These primitive people were guided by concrete, commonly perceived aims, and by a similar perception of the dangers and opportunities – chiefly sources of food and shelter – of their