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HAYEK THE APRIORIST?

BY
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The paper argues that Terence Hutchison's (1981) argument that the young F. A. Hayek maintained a methodological position markedly similar to that of Ludwig von Mises fails to support the relevant conclusion. The first problem with Hutchison's argument is that it is not clear exactly what conclusion he meant to establish. Mises (in)famously maintained a rather extreme methodological apriorism. However, the concept of a priori knowledge that emerges from Hayek's epistemology as implied in his work on theoretical psychology is the opposite of Mises's treatment of a priori knowledge. Thus, it cannot be maintained—if, indeed, Hutchison meant to establish—that Hayek was a Misesian apriorist during the years in question. What's more, the paper shows that Hutchison's argument does not support a weaker interpretation of the relevant conclusion. There are alternative interpretations of Hutchison's evidence, more charitable and more consistent with Hayek's epistemology, which undermine Hutchison's conclusion.

I. INTRODUCTION

In his 1981 treatise *The Politics and Philosophy of Economics: Marxians, Keynesians, and Austrians* (hereafter *PPE*), Terence Hutchison (1981, p. 210) argued that the methodological position that F. A. Hayek held prior to 1937 bore "marked similarities" with that of Ludwig von Mises. Hutchison went so far as to argue that, with respect to methodology, there were in fact *dual* Hayeks: a "Hayek I," whose methodological views displayed "[a]ffinities with the ideas of Austrian predecessors, notably with those of his 'mentor' Mises"; and a "Hayek II," who, according to Hutchison (1981, pp. 210–219), was an empiricist influenced to some extent or other by Karl Popper. The latter Hayek, on Hutchison's telling, made his initial appearance with the publication of "Economics and Knowledge" in 1937 (Hayek 1937; hereafter *EK*).[1] The present paper is concerned with the first part of Hutchison's dual Hayeks thesis; that is, with

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[1]If Hutchison's dual Hayeks thesis is otherwise sound, then, technically, "Hayek II" first appeared on the scene on November 10, 1936, when Hayek offered the Presidential Address to the London Economic Club that was subsequently published in *Economica* in February 1937 as "Economics and Knowledge."

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the sub-thesis of significant commonalities between Mises and the young Hayek with respect to economic methodology. Hutchison's argument does not support the conclusion that Hayek ever maintained, even if only for a time prior to 1937, a methodological position markedly similar to Mises's.

Hutchison (1981, p. 211) claimed that Hayek's early methodological views displayed "apparent" affinities with Mises's position, but he was not specific about either the purported affinities or how his argument was supposed to make the affinities apparent to his readers. There are two distinct inferences concerning these alleged affinities that might be drawn from the discussion in *PPE*. Hutchison placed the argument for the "Hayek I" thesis directly after his discussion of Mises's methodological apriorism. Thus, one might reasonably take away from *PPE* that Hutchison meant to associate the young Hayek with Mises's apriorism. The main part of the present paper aims to undermine the notion that Hayek was ever a Misesian apriorist on the grounds that the two Austrians maintained opposing conceptions of a priori knowledge: Hayek was a fallibilist and a relativist about a priori knowledge, while Mises was an infallibilist and an absolutist. Moreover, as discussed in later parts of the paper, the evidence that Hutchison offered in *PPE* does not support even a weaker interpretation of the "Hayek I" thesis to the effect that, while Hayek may not have been a Misesian apriorist, his early methodology was markedly similar to Mises's in other respects. In short, the present paper considers and rejects both of the distinct inferences that might be drawn from Hutchison's argument concerning the purported methodological affinities between Mises and the young Hayek.[2]

It should be mentioned that there are aspects of Hutchison's argument that are not disputed in the present paper. In particular, there is no debate that "Economics and Knowledge" marks some sort of shift in Hayek's curricular interests; furthermore, there is no denying that part of Hayek's purpose in *EK* was, in his own words, to "explain gently to Mises why I could not accept his a priorism" (Hayek 1981). The relevant question is whether Hutchison successfully established that the aforementioned shift in Hayek's thought *consisted* of a rejection of Mises's methodological position in favor of some other.

Bruce Caldwell has argued both in his intellectual biography of Hayek (Caldwell 2004) and in a published exchange with Hutchison in the early 1990s (Caldwell 1988, 1992a, 1992b)—which, unlike the present paper, focused primarily on the question of the extent of Hayek's purported later Popperianism—that the shift could not have been the one posited by Hutchison because, in essence, Hayek was never (much of) a

[2]Given Mises's role as Hayek's professional and philosophical 'mentor' during the latter's postgraduate salad years, it would be surprising if Mises had zero influence on the development of Hayek's methodological thought (some of Hayek's reflections on his relationship with Mises appear in Part One of Hayek (1994, esp. pp. 67–73); their relationship is also surveyed in Chapter 5 of Ebenstein (2001, pp. 36–46) and Chapter 6 of Caldwell (2004, esp. pp. 143–149). However, it is the business of the present paper to consider the extent to which Hutchison established his "Hayek I" thesis of "marked similarities" between the two Austrians, not to explicate the exact extent of this positive influence of Mises's methodological ideas upon Hayek's early thought. The present paper does not aim to establish that Hayek's and Mises's respective methodological views were entirely dissimilar, but at the more modest goal of showing that Hutchison did not substantiate the relevant thesis. Thanks to an anonymous reviewer for emphasizing the importance of making this latter point clear to the reader.

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Misesian or (much of) a Popperian. The present paper arrives at the same conclusion with respect to Hayek's alleged methodological alignment with Mises's views (and largely ignores the question of the extent of Hayek's later Popperianism)[3] by a significantly different dialectical route. The main difference between the present paper and Caldwell's work on Hutchison's thesis is that the latter was primarily focused on Hutchison's "Hayek II" sub-thesis concerning the later Hayek's alleged Popperianism, while the present paper is mainly focused on Hutchison's "Hayek I" sub-thesis concerning the young Hayek's alleged Misesianism. (Indeed, the title of the paper—"Hayek the Apriorist?"—is meant to be a cheeky bit of homage to "Hayek the Falsificationist?," the title of Caldwell's opening salvo in his debate with Hutchison.) To the extent that he considered the "Hayek I" thesis, Caldwell (1988, p. 514n) took for granted that Hutchison meant to brand the young Hayek as a methodological apriorist of the Misesian variety. Thus, the delineation of distinct possible interpretations of Hutchison's "Hayek I" thesis is unique to the present paper. So too is the argument that this strong interpretation of Hutchison's thesis is undermined by Mises's and Hayek's opposed conceptions of a priori knowledge. What's more, the later part of the paper offers interpretations of aspects of Hayek's early work on both the trade cycle and socialist calculation relevant to undermining the weaker interpretation of Hutchison's thesis that do not accord with Caldwell's readings. Every effort is made at the appropriate points of the text to explicate the relevant similarities and differences between the arguments of the present paper and Caldwell's arguments against Hutchison.

II. HAYEK ON A PRIORI KNOWLEDGE

Ludwig von Mises maintained a rather extreme methodological apriorism. In linking the young Hayek with Mises's methodological views, Hutchison may have meant to assert the comparatively strong proposition that "Hayek I" was a methodological apriorist. This reading is supported by the fact that Hutchison's discussion of "Hayek I" in *PPE* immediately follows his discussion of Mises's apriorism. Indeed, Hutchison's exposition of Mises's methodological views consists of little more than a discussion of the latter's apriorism. Thus, Hutchison gave his readers little reason to think anything but that he meant to brand the young Hayek a methodological apriorist. On the other hand, a careful reading of the relevant sections of *PPE* reveals two facts that augur against this interpretation; namely, both that Hutchison does not explicitly *identify* Hayek's early methodology with apriorism, and that Hutchison's arguments do not *substantiate* this stronger interpretation.

In any case, if this strong reading is the one intended, then Hutchison ignored (or was innocent of) the fact that the two Austrians' respective conceptions of a priori knowledge were in direct opposition. Hayek treated a priori knowledge as fallible and

[3]See the brief discussion below of Hayek's (1978a) "Primacy of the Abstract" for the one exception to this statement.

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relative,[4] while Mises conceived of a priori knowledge as infallible and absolute. Thus, if Hutchison meant to identify the young Hayek as a methodological apriorist, then the fact that the latter's conception of a priori knowledge was very un-Misesian undermines the claim that the methodological affinities between the two Austrians extended beyond mere appearances. To put the point another way, given their directly opposed conceptions of a priori knowledge, even if Hayek had explicitly admitted a youthful predilection for apriorism (which, in fact, he never did; just the opposite [Hayek 1981]),[5] no methodological harmony with Mises would be thereby established.

Hayek's most extensive comments concerning the nature of a priori knowledge appear in his 1952 work on theoretical psychology, *The Sensory Order*. There is strong evidence that his arguments in the latter work reflect a conception of a priori knowledge that he had held for over three decades by that time, including during the period when, according to Hutchison, Hayek's methodological views were markedly similar to Mises's. Hayek's (1952a, p. v) comments in the preface of *The Sensory Order* indicate that the book is explicitly based on an essay on the nature of consciousness that he originally wrote as a student at the University of Vienna in 1920: "The paper in which as a student more than thirty years ago I first tried to sketch these ideas … contains the whole principle of the theory I am now putting forward."

The goal of the 1920 paper[6] is the development of a general account of consciousness that invokes only the operation of known physiological laws; it is an attempt to explain consciousness without resort to untestable constructs like "sense data." Hayek (1991, p. 3) seeks to model the process—"uptake" (*Auffassung* or *Wertung* in the original German)—by which a sensory impression is integrated into consciousness.[7]

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[4]The relevant issues are complicated by the fact that Hayek used the term "a priori" in multiple senses. In *EK,* he used the term "to mean something like 'analytic' or 'deductive': that is, the conclusion that consumers are always in subjective equilibrium followed analytically, or deductively, from the assumptions contained in the pure logic of choice" (Caldwell 2004, p. 222). In "The Facts of the Social Sciences" (1948), Hayek used "a priori" to mean "something like 'knowledge that is gained by introspection'" (Caldwell 2004, p. 222). The latter use is more in line with the sense that is relevant to Hayek's writings on theoretical psychology; however, Hayek argued in the latter works that much of our a priori knowledge is non-propositional or "tacit," which means that such knowledge may not be entirely accessible to introspection. Hayek's varied (and rather clumsy) use of "a priori"—especially his unfortunate reference in *EK* to the propositions of the pure logic of choice as "a priori facts" (Hayek 1937, p. 35)—has misled writers as astute as Hutchison (1938, pp. 142–143) and Hart (2009, p. 334) into lumping Hayek with Mises as maintaining an "anti-empirical" conception of introspective knowledge. If the argument of the present essay is sound, then such claims are not tenable; given his empiricist epistemology, Hayek's apriorism with respect to the propositions of the pure logic of choice must be understood in a fallibilist and relativistic sense.

[5]Hayek (1981; quoted in Caldwell 2004, p. 421) praised *PPE* in a letter to Hutchison dated November 26, 1981, in which he attempted to explain the significance of "Economics and Knowledge," while stressing that "I was *never* an a priorist."

[6]The paper remains unpublished in English as of this writing, though it has appeared in the German translation of *The Sensory Order* (see Hayek 2006). Many thanks to an anonymous reviewer for pointing out the availability of the paper in German and to Bruce Caldwell, general editor of Hayek's collected works, in which the paper will eventually appear in English, for providing me with a copy of the translation.

[7]The reader is reminded that it is no part of the present argument that Hayek's theory of mind (especially as stated in the early student paper) is either correct or entirely coherent. Our concern is not with the soundness of Hayek's psychological theory, but with the concept of a priori knowledge it implies and how this conception relates to Mises's treatment.

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According to Hayek, the unique character of an object of consciousness is its meaning for the subject's actions. The mere excitation of a ganglion cell does not suffice to produce an object of consciousness; this requires connecting an impression with previously acquired impressions. One becomes conscious of an impression when it is integrated in a network of existing qualities, each defined in terms of its connections with others. The uptake process is one whereby the newly acquired elements of an impression are integrated into a pre-existing "nexus of meanings" (Hayek 1991, p. 4).

Hayek argues that it suffices for the explanation of this process to model the last stages of a well-established physiological phenomenon ("facilitation" or "smoothing"), whereby a permanent connection is established between two ganglion cells that have been excited at the same time, such that the subsequent stimulation of one cell simultaneously excites the other. Given both that an organism is continuously accosted by multiple stimuli and that linkages between the excited cells are created on all such occasions, it follows from Hayek's theoretical psychology that the organism's ganglion cells are both constantly establishing new linkages in virtue of new stimuli and reinforcing old linkages in virtue of the reiteration of past stimuli. Thus, according to Hayek, over time, each of an organism's ganglion cells acquires a large number of connections, such that a nexus is gradually built up, the organization of which depends on the comparative strength of the respective linkages. The excitement of a ganglion cell means the simultaneous excitement of all the cells with which it is linked, the subsequent excitement of the cells with which the latter cells are linked, and so on, all proceeding according to the relative strength of the established connections. Each set of cells possesses a distinct character in virtue of its position in a particular retinue of cells (*Wertungsfeld*), and, relatedly, in virtue of both its place in the order of sensory events and its relation to the processes of motion and emotion, which—given Hayek's view that the character of an object of consciousness is its meaning for the subject's actions—is just to say that each set of ganglion cells occupies a certain place in the nexus of meanings.

In short, according to the young Hayek, the particular character of an object of consciousness is a function of its acquired field of uptake; the unique content of an object of consciousness depends on how the respective impulse resonates with other impulses. Given the continuous impact on consciousness of the addition of new linkages, and the adaptation of related *Wertungsfelder* to these new linkages, it is a consequence of Hayek's account that the properties of consciousness are endlessly malleable, even in the most highly developed of conscious organisms (Hayek 1991, pp. 6–7). The content of an object of consciousness is not invariable; it is in a constant state of flux, depending on an organism's past (including, significantly, the past of the organism's *species* [1991, p. 34], and, as what constitutes an organism's past is constantly changing, so too is the character of any particular object of consciousness. What we treat as *acquiring experience* is, in Hayek's early theory of mind, simply the creation of linkages.

Hayek's theory implies that the content of an object of consciousness depends on the connections that obtain between the respective stimulus and all previous stimuli. A consequence of the uptake principle is that mental phenomena involve multiple and ever-changing physiological processes, upon which the creation of other objects of consciousness fully depends. It follows that there exists neither invariable sensible "atoms" nor some pure and unadulterated core of sensation.

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Importantly for our purposes, Hayek closes the 1920 paper with a defense of the empiricism implied by his theory and a discussion of its significance for a priori knowledge. A priori propositions are revealed in Hayek's 1920 theory of mind to be nothing more than linguistic formulations of the interrelationships that regulate all sensory experience, such that thought, the product of these connections, is in turn regulated by them (1991, pp. 36–37). Given the malleable nature of this system of interrelationships—the extent to which it is variable in virtue of the continuous acquisition of new linkages and the reinforcement of old ones—what constitutes the a priori at any particular time is similarly pliable. A priori propositions are not necessarily true *simpliciter*, but necessarily true only relative to the regulatory position of the linkages they encode in a particular nexus of meanings, which is entirely the result of experience (either the individual's or the species'). The a priori adapts to experience's modification of the nexus of meanings. Experience, in the Hayekian sense of the creation of linkages, is a precondition for all knowledge, even that of the a priori.

Thus, in 1920, Hayek would have rejected the claim that there are propositions that are knowable a priori if this claim is intended to mean that there is knowledge that in no way depends on experience. What counts as a priori in Hayek's early theory of mind is very much dependent upon, and changeable in virtue of, experience. The a priori adapts to experience, not the other way around. As Hayek conceived of it in 1920, a priori knowledge is both fallible and relative.

When Hayek returned to the problems of theoretical psychology in 1952's *The Sensory Order* (Hayek 1952a; hereafter *TSO*), it was, as he emphasized in the book's preface (p. v), with a better understanding of the relevant problem, but with the same solution he had developed in his youth. The problem that Hayek came to state more clearly in 1952 turned out to be a (perhaps *the*) traditional epistemological problem, which is usually characterized as the problem of the relation between "mind" and "body," or of the relation between events of a "mental" sort and events of a "physical" sort. However, neither of these statements of the problem gets at the exact distinction that is Hayek's expressed concern in *TSO*. The source of the latter is the fact that scientific progress has led to the gradual elimination of sensory qualities from the scientific picture of the physical world. The fact that the world appears to the human organism in particular respects that have been all but purged from the scientific *weltbild* constitutes an important—indeed, Hayek argues, the *central*—problem of theoretical psychology (1952a, pp. 6–7).[8]

Hayek (1952a, p. 16) offers a clear statement of the specific problem that he "clumsily"—and without recognizing its exact character—attempted to solve in 1920 and which the extended analysis of *TSO* is intended to explain:

> *What we call 'mind' is thus a particular order of a set of events taking place in some organism and in some manner related to but not identical with, the physical order of events in the environment*. The problem which the existence of mental phenomena

[8]The problems of the physical sciences are the converse of the problems of theoretical psychology: "The task of the physical sciences is to replace that classification of events which our senses perform but which prove inadequate to describe regularities in these events, by a classification which will put us in a better position to do so. The task of theoretical psychology is … explaining why these events, which on the basis of their relations to each other can be arranged in a certain (physical) order, manifest a different order in their effect on our senses" (Hayek 1952a, p. 5).

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> raises is therefore how in a part of the physical order (namely an organism) a subsystem can be formed which in some sense … may be said to reflect some features of the physical order as a whole, and which thereby enables the organism which contains such a partial reproduction of the environmental order to behave appropriately toward its surroundings. (italics in the original)

The operations of the sensory order are difficult to describe "because we are not explicitly aware of the relations between the different qualities but merely manifest these relations in the discriminations which we perform" (1952a, p. 19); that is, much of our knowledge is of the variety that Michael Polanyi (1966) would later describe as "tacit." A description of the sensory order is further complicated by the fact that "the number and complexity of these relations is probably greater than anything which we could ever explicitly state or exhaustively describe" (Hayek 1952a, p. 19). That is, in words that Hayek would later use to describe the social order, sensory phenomena are *complex* phenomena, and our capacity for knowledge of such phenomena—as opposed to the comparatively *simple* phenomena of, in particular, Newtonian mechanics—is highly constrained.[9] The best we can hope for with respect to the sensory order is what Hayek describes in other places as an "explanation of the principle" by which sensory phenomena manifest. Finally, and most importantly for our purposes, the elucidation of the sensory order is complicated by the fact that "it is not a stable but a variable order" (1952a, p. 19). Experience can and does *reorder* the order itself: there is no aspect of our knowledge, including those aspects that, in Hayek's system, play the role of the a priori—i.e., the principles that regulate the classificatory apparatus that is an organism's "mind"—which is either isolated or immune from the effects of an organism's (and its species') interactions with the physical order.

Hayek's theory is an extension of the commonly held view that the unique contents of sensory experience are partly the result of interpretation on the basis of past experience. In particular, according to Hayek's theory, it is the *entirety* of the contents of sensory experience that is the result of interpretation on the basis of past experience of either the individual organism or the species. The notion that there is a pure and unadulterated core of sensation, which then serves as the object of interpretation on the basis of past experience, is, as Hayek attempted to establish in 1920, a superfluous fiction: "the same processes which are known to modify and alter the qualitative attributes of sensations can also account for the initial differentiation" (1952a, p. 42). All that we know are theories—classifications[10]—and experience merely modifies these theories.

According to Hayek's 1952 theory of mind, as in the 1920 paper, experience arranges physiological events into an order that thereby forms the foundation of their mental significance upon their subsequent reoccurrence. In the course of the organism's development (and, before this, the relevant species' development), a nexus of connections is formed, the order of which is determined by the relative frequency with which different groups of stimuli (both internal and external) occur together. Upon its occurrence, every non-empty set of impulses evokes other impulses that correspond to

[9]See esp. Hayek (1955, 1967, and 1978b).

[10]Hayek (1978a, pp. 36–37) would later express this, in the title of his final published work on theoretical psychology, as the "Primacy of the Abstract."

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stimuli that have typically accompanied the occurrence of the original set of impulses. A set of secondary impulses is stimulated in virtue of acquired linkages with the original impulse; i.e., each primary impulse stimulates its "following" (*née* "field of uptake" or *Wertungsfeld*). The different forms of classification, and thus the particular characteristics of unique mental qualities, are determined by the extent of the identity of this following.

For our purposes, the important implications of *The Sensory Order* follow from the thesis that mind is entirely the product of experience, and, in particular, from the unique function that Hayek attributes to experiences of a *pre-sensory* sort; i.e., to the creation of the "linkages" that determine the character of unique sensory qualities. The contents of sensory qualities consist "entirely in the 'differentiating' responses of the organism by which the qualitative classification or order of these events is created" (1952a, p. 166), and the latter classification is the result of prior linkages established in the organism's nervous system: "The process of experience thus does not begin with sensations or perceptions, but necessarily precedes them: it operates on physiological events and arranges them into a structure or order which becomes the basis of their 'mental' significance.… We may express this also by stating that experience is not a function of mind or consciousness, but that mind and consciousness are rather products of experience" (1952a, p. 166).

The fundamental problem of epistemology, the nature of the relationship between experience and knowledge, appears in a new light, given Hayek's theory of mind. Locke's famous axiom of empiricism—"There is nothing in the intellect which was not previously in the senses"—is false, if interpreted to refer only to conscious sensory experience (what Hayek calls "experience in the narrow sense" [1952a, p. 167]). Hayek's theoretical psychology implies that, at any moment in time, a part of what an organism knows—i.e., the a priori element—is not based on experience in the narrow sense, but, rather, is implied by the method via which the organism acquires such experience.[11] Moreover, much of this knowledge is merely tacit: our a priori knowledge is rarely encoded in propositions that we can explicitly enunciate, but, rather, is exhibited "in the discriminations which we perform" (1952a, p. 19).

It does not follow from the fact that experience in the narrow sense is regulated by experience in the broad sense and the consequence that the latter cannot be contradicted by the former that an organism's *a priori* knowledge "must also be true of the physical world, that is, of the order of the stimuli which causes our sensations" (Hayek 1952a, p. 168). Indeed, far from this being the case, it is a consequence of Hayek's view that "knowledge based entirely on experience may yet be entirely false. If the significance which a certain group of stimuli has acquired for us is based entirely on the fact that in the past they have regularly occurred in combination with certain other stimuli, this may or may not be an adequate basis for a classification which will enable us to make true predictions" (p. 168). It is, of course, the failure of such predictions that dictates the reorganization of the order of mental events.

[11]Thus, it would be better to say, partially echoing Locke, that "there can be nothing in our mind which is not the result of past linkages (even though, perhaps, acquired not by the individual but by the species)" (Hayek 1952a, p. 168).

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It is interesting to note that, although such a discussion is absent from *TSO*, Hayek's 1969 article "The Primacy of the Abstract" explicitly connects his theory of mind with Popperian falsificationism:

> What I have been arguing is in some way related to certain developments in the modern theory of knowledge, especially Karl Popper's argument against 'inductivism'—i.e., the argument that we cannot logically derive generalizations from particular experiences, but that the capacity to generalize comes first and the hypotheses are then tested or confirmed or refuted according to their effectiveness as guides to actions. As the organism plays with a great many action patterns of which some are confirmed and retained as conducive to the preservation of the species, corresponding structures of the nervous system producing appropriate dispositions will first appear experimentally and then either be retained or abandoned. (Hayek 1978a, p. 43)

The reclassification of the mental order is prompted by the falsification of hypotheses based upon it. What is especially interesting is that Hayek's 1920 paper, which also emphasizes the variability of the order of mental events, can be straightforwardly interpreted as bearing the same Popperian implication. If this is right, then it flies in the face of Hutchison's dual Hayeks thesis: Hayek was something of a "Popperian" even before that particular locution acquired its standard meaning with the publication of Popper's *Logik der Forschung* in 1934 (see Hayek 1994, pp. 48–51).[12]

Hayek (1952a, p. 169) concludes his discussion of the implications of his theory of mind for a priori knowledge with the argument that the theory is rooted in a more thoroughgoing and internally consistent empiricism than traditional empiricist epistemologies. If Hayek's account is sound, then he succeeds in showing how the mind can be (with the exception of those linkages established phylogenetically) a "blank slate" at birth without relying on some untestable posit of a "pure core of sensation." In Hayek's picture of mental phenomena, there is no aspect of an organism's knowledge that is not a consequence of some confrontation with the external environment.

In summary, Hayek's treatment of a priori knowledge, as explicated in both 1920 and 1952, implies that the linkages the possession of which constitute mostly nonpropositional a priori knowledge are *entirely* due to experience, either that of the species or of the individual organism. Further, Hayek argues that experience can and does rearrange the order of linkages in virtue of falsifications of hypotheses based upon the existing order. As exposited in both 1920 and 1952, Hayek's conception of a priori knowledge is fallibilist and relativistic.

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[12]Perhaps because it supports his claim that Hayek's later methodology was Popperian against Caldwell's arguments to the opposite effect, Hutchison (1992, p. 19) seems to accept Hayek's claim (see Weimar and Palermo 1982, p. 323) to have been a "Popperian" in the 1920s even before the appearance of Popper's *Logik der Forschung*. However, other than to say that "very intriguing problems certainly arise as to the precise interpretation of these Hayekian recollections regarding his views in the 1920s" (1992, p. 19), Hutchison does not acknowledge that, if Hayek's reminiscence is accurate, it undermines both his attempt to identify Hayek's early methodological views with those of Mises and his particular taxonomy of Hayek. In any case, Hutchison's (p. 20) assertion a page later that "there is not the faintest jot or trace, *in Hayek's writings before 1937*, of any methodological ideas, remotely approximating to those of Popper's *Logik der Forschung*" is at least complicated (if not undermined) by Hayek's theoretical psychology and, especially, the chronology of its development.

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Mises's treatment of a priori knowledge is discussed in the next section and it will be shown that the substantive differences between their respective accounts of the a priori belie the strong interpretation of Hutchison's "Hayek I" thesis, according to which Hayek's early methodological views closely align with Mises's in virtue of a shared affinity for methodological apriorism.

III. HUTCHISON ON MISES AND "HAYEK I"

Whatever the particular deficiencies of Hutchison's dual Hayeks thesis, it must be said that the two chapters concerning the history of Austrian methodology in *PPE* ought to be required reading for anyone interested in the Austrian school, and especially for anyone under the misimpression that Austrian methodology is to be identified with the extreme apriorism of Ludwig von Mises. The value of these chapters—and there *is* tremendous value in these chapters —lies in Hutchison's (1981, p. 223) explication of a troubling tension between the apriorism dogmatically maintained by some Austrians and the principles of political liberty defended by practically all Austrians:

> What needs to be emphasized is the desirability of discarding the remaining residues of the a priorist 'Pretence of Knowledge',[13] which came down from Wieser, Mises and Hayek I. For claims to establish *a priori* judgments of 'apodictic certainty' or 'beyond the possibility of dispute', together with comprehensive denunciations as 'Positivist' and 'Empiricist' of the criteria of testability and falsifiability, may serve to support infallibilist, authoritarian and anti-libertarian attitudes and to play into the hands of the enemies of freedom.[14]

Hutchison (1981, p. 224) argues that resolving this tension should be imperative upon anyone who admires the Austrians' political perspective:

> [T]he more highly one esteems what may be regarded as the essential Austrian message of individualism and subjectivism, the more desirable it should seem that its philosophical and epistemological foundations should be soundly and consistently formulated. The Austrians, with their concern for individualism, subjectivism and liberty possess a general message ultimately more valid and valuable than the Keynesians and the Marxians. But it is important that their methodology, or epistemology, should be clearly, logically and explicitly compatible with their political principles. As well as its ethics, politics, and economics, freedom has its epistemology, which must surely be one of its most fundamental aspects and requirements.

Hutchison long held Mises's radical version of apriorism up for contempt.[15] It is perhaps best to interpret these chapters of *PPE* as an argument to the effect that methodological apriorism is neither necessary nor sufficient to establish—and, indeed, is ultimately counter to—the political principles dear to most Austrians. Claims to a

[13]Here Hutchison refers to the title of Hayek's (that is, "Hayek II's") 1974 Nobel Prize acceptance speech (reprinted in Hayek [1978b]).
[14]For a related argument, see Hutchison (1938, pp. 181–182).
[15]See, e.g., Hutchison (1938) and, more recently, Hutchison (1998).

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priori knowledge of the sort asserted by some Austrians are undermined by the fact that they are utterly unconvincing to those who either do not judge themselves in possession of an intuitive access to the invisible "facts" of the world, or, who, alternatively, *do* deem themselves so equipped, but who happen to intuit different "facts" about some world purportedly inaccessible to observation.[16] By insisting that some inner voice provides them with immediate access to these facts, apriorists provide their opponents with an easy excuse to reject out of hand any theoretical structure erected on such a doubtable epistemological basis. Moreover, the apriorist's denial of empirical testing removes the one means of conceivably settling such disputes beyond persuasion, either via rhetoric or, much worse, by some combination of fist, boot, and gun.[17] Those who claim to possess a priori access to social facts need not share—and so often in the history of mankind have in fact not shared—with adherents of the Austrian school of economics the ethical values of liberty, tolerance, internationalism, and pacifism.

Chapter six of *PPE* encompasses an analysis of the methodological views of Carl Menger, the founder of the Austrian school. With respect to methodology, Hutchison (1981, p. 198) characterizes Menger as "essentially a critical, anti-extremist, anti-exclusivist moderate." However, on Hutchison's (1981, p. 204) telling, with the second-generation Austrian economist Friedrich von Wieser,[18] the methodological approach of the school began to develop in direct opposition to the then-burgeoning Austrian empiricist tradition that came to be represented by the works of "Mach, Wittgenstein, Schlick and Popper."

Hutchison (1981, p. 205) describes Wieser's methodology as "Cartesian, or perhaps (as Lakatos called it) Euclidean." In particular, Wieser held that economics is founded upon a few obvious and indisputable axioms from which substantive conclusions may be derived via deduction. What's more, according to Hutchison (p. 205), "Wieser ascribes a kind of inner necessity to these propositions. But he insists that these assumptions are, and must be 'empirical', and he rejects any suggestion of a priorism." In his critical review of Joseph Schumpeter's early positivistic treatise on economic methodology *Das Wesen und Hauptinhalt der theoretischen Nationalökonmie*, Wieser (1921, p. 17) argued that laws are revealed to the economist on the basis of introspection and that, in this, the economist is in a more enviable epistemic position than his natural science counterpart: "For all actions which are accompanied by a consciousness of necessity, economic theory need never strive to establish a law in a long series of inductions. In these cases we, each of us, hear the law pronounced by an unmistakable inner voice."

Hutchison's (1981, p. 206) assessment of Wieser's methodological pronouncements is withering: "one may object to Wieser's claims both in principle, as fostering an overconfident 'pretence of knowledge', dogmatically protected against testing; and in practice, on the grounds that these important propositions, proceeding from an 'inner voice', have never been specified with sufficient lucidity and precision to render them susceptible to critical appraisal, or to demonstrate that significant conclusions can,

[16]Regarding this point, see Hutchison (1938, p. 135).

[17]See Hutchison (1981, p. 148).

[18]Although not with Wieser's brother-in-law and fellow second-generation Austrian, Eugen Böhm-Bawerk, who, according to Hutchison (1981, pp. 203–204), followed in Carl Menger's more moderate methodological footsteps.

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in fact, logically be derived from them." Moreover, according to Hutchison (p. 207), Wieser, in his methodological writings, failed to acknowledge the "significance, and ubiquity, of ignorance and uncertainty."

Hutchison (1981, p. 208) argues in *PPE* that what Ludwig von Mises added to Wieser's methodological position was the specific claim that the laws of economics, knowable via introspection, are true a priori.[19] More specifically, the nature of human action provides "praxeology"—Mises's science of human action—and economics, the best-developed branch of praxeology, with a synthetic a priori foundation:[20] "The starting point of praxeology is a self-evident truth, the cognition of action, that is, the cognition of the fact that there is such a thing as consciously aiming at ends" (Mises 1962, pp. 5–6). From this knowledge of human action as goal-directed, praxeology deduces further theorems that share the necessity of the starting point: "Every theorem of praxeology is deduced by logical reasoning from the category of action. It partakes of the apodictic certainty provided by logical reasoning that starts from an *a priori* category" (p. 44). Moreover, these deduced theorems are no mere tautologies, but, according to Mises (p. 39), provide apodictically certain knowledge about the world of experience: "The theorems attained by correct praxeological reasoning are not only perfectly certain and incontestable, like the correct mathematical theorems. They refer, moreover, with the full rigidity of their apodictic certainty and incontestability to the reality of action as it appears in life and history. Praxeology conveys exact and precise knowledge of real things."

As he similarly protested against Wieser, Hutchison (1981, p. 209) complains that Mises "fails to spell out just how it is possible, from his *a priori* axioms regarding such speculative actions, that non-trivial conclusions of 'apodictic certainty' can be obtained, which relate to real-world conditions of uncertainty and ignorance." Moreover, Mises attributes the differences between the natural and the social sciences to the availability of introspection to practitioners of the latter disciplines; of course, to Hutchison's consternation, Mises (1962, p. 71) adds the twist that the results of introspection are a priori truths: "What we know about our own actions and about those of other people is conditioned by our familiarity with the category of action that we owe to a process of self-examination and introspection as well as of understanding of other people's conduct. To question this insight is no less impossible than to question the fact that we are alive."

There is some reason to think that, over time, Mises came to conceive of the a priori in a way more in tune with Hayek's conception, which, as we have seen, emphasizes the role of evolution in the acquisition of a priori knowledge.[21] However, none of this is present in those early methodological writings of Mises that would have influenced

[19]It should be noted that Hutchison (1938, pp. 137–143) accepted the legitimacy of the use of introspection in economics, but always opposed any suggestion that inward-looking knowledge is somehow better secured or more certain than outward-looking knowledge (see, e.g., Hutchison 1998, p. 74n).

[20]The epistemological foundation of praxeology has its roots in Kant's philosophy, especially in his discussion of the synthetic a priori (Hands 2001, p. 41). However, Mises "did not agree with Kant's idealistic assumption that reality is a mere construction of the intellect. Mises, the realist and logician, could not accept the idealistic outlook—later adopted by constructivism—that thinking and reality are two separate worlds … [According to Mises,] self-evident axioms, true, synthetic *a priori* judgments … conform to reality" (Schulak and Unterköfler 2011, p. 139).

[21]This is not to argue that Hayek influenced Mises to make such a revision. To see Mises attribute a role to evolution in the acquisition of the *a priori*, albeit in his own idiosyncratic way, review Mises (1966, pp. 35 and 85–86) and (1962, pp. 15–16).

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Hayek's purported youthful apriorism. In his first work on methodology, 1933's *Grundprobleme der Nationalökonomie: Untersuchungen über Verfahen, Aufgaben und Inhalt der Wirtschafts- und Gesellschaftslehre* (later published in English as 1960's *Epistemological Problems of Economics*)—which, given its date of original publication, is the work most likely to exemplify the methodology that would have influenced Hayek during the latter's alleged Misesian interlude prior to 1937—Mises (1981, p. 13) writes with respect to the epistemological basis of the "Universally Valid Science of Human Action," "In all of its branches this science is a priori, not empirical. Like logic and mathematics, it is not derived from experience; it is prior to experience. It is, as it were, the logic of action and deed." Moreover, according to Mises (p. 15), "What we know about the fundamental categories of action … is not derived from experience. We conceive all this from within, just as we conceive logical and mathematical truths a priori, without reference to any experience. Nor could experience ever lead anyone to the knowledge of these things if he did not comprehend them from within himself." Thus, as Mises conceived of it in 1933, experience plays no role with respect to a priori knowledge; the former is neither a guide with respect to, nor a potential source of falsifications of, the latter.

It is clear that Mises's infallibilist and absolutist treatment of the a priori in 1933 (however it may have been adjusted later in a way that better accords with evolutionary concepts) is inconsistent with the fallibilist and relativistic concept that Hayek defended in both 1920 and 1952. This means that Hutchison's dual Hayeks thesis, understood to mean that the marked similarities between Mises's and the young Hayek's methodological views consisted of a shared affinity for apriorism cannot be maintained: even if Mises and Hayek were both apriorists (which, again, is a dubious proposition with respect to Hayek), their methodological views were in fact far from markedly similar, given their directly opposed conceptions of a priori knowledge.

The question remains, however, whether a weaker interpretation of Hutchison's thesis is justified by the argument in *PPE*. Hutchison's (1981, p. 210) discussion of "Hayek I" begins with praise for the relative consistency of Hayek's intellectual career "[t]hrough the multifarious experiences and upheavals of the middle decades of the twentieth century." Nonetheless, Hutchison perceives considerable changes in certain of Hayek's positions, particularly with respect to methodology.[22] If we take Hutchison's argument at face value—i.e., if we resist the temptation to read into Hutchison's juxtaposition of his discussion of Mises's apriorism with his claim that Hayek's early methodological views were markedly similar to Mises's—then we are left with a list of four methodological positions, three of which, Hutchison alleges, display "marked similarities" with Mises's positions. In particular, Hutchison argues:

1. In his first book, *Monetary Theory and the Trade Cycle* (hereafter *MTTC*; Hayek 2008),[23] "Hayek I" made "strong claims for prediction and forecasting" (Hutchison 1981, p. 211).

[22]It is worth pausing to remind the reader that the question of whether certain of Hayek's views changed over time is not in dispute. We are concerned here only with the question of the extent to which Hutchison successfully substantiated the claim of marked similarities between the methodological positions of Mises and the young Hayek.

[23]*Monetary Theory and the Trade Cycle* was originally published in German in 1929.

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2. In the same book, "Hayek I" was "especially concerned to insist on the indispensability of the equilibrium, self-adjusting model in trade cycle research as in all economic theorizing" (p. 212).
3. Given both the purported insistence on equilibrium theory and the fact that the latter depends on an assumption of full and complete knowledge on the part of market participants, Hutchison (1981, p. 213) argues that "Hayek I" held that "assumptions of ignorance *must* be ruled out" in any legitimate explanation of the trade cycle.
4. In his participation in the English-language socialist calculation debate of the mid-1930s,[24] "Hayek I" both distinguished the social sciences from the natural on the basis of the availability to the social scientist (but not to her natural science counterpart) of introspective knowledge, and claimed that the results of introspection are known "beyond the possibility of dispute" (Hayek 1935a, p. 11; quoted in Hutchison 1981, p. 214).

The goal of the remainder of the paper is to show that Hutchison's defense of each of these claims fails to establish that the young Hayek held the position attributed to him, or fails to establish affinity with Mises's position, or fails to distinguish Hayek's pre-*EK* methodology from his post-*EK* position.

Hayek's *Monetary Theory and the Trade Cycle* is concerned with the methodology of business cycle theory. Hutchison argues that, *in contrast to both Wieser and Mises*, the Hayek of *MTTC* places considerable emphasis on the importance of prediction and forecasting. In support of this claim, Hutchison (1981, p. 211) quotes from a footnote in which Hayek discusses the relevance of statistics to trade cycle theory. Hayek (1933, p. 36n) indicates that the latter "ideally … should result in a collective forecast showing the total development from a given situation under given conditions." However, because such forecasts are often "over-simplified" and "too unconditional," some authors are led to belittle all forecasting efforts. Against this, Hayek (p. 36n) emphasizes "very strongly that statistical research in this field is meaningless except in so far as it leads to a forecast."

It is difficult to find a charitable interpretation of Hutchison's argument that supports both a) the claim that Hayek's early methodological views were closely aligned with Mises's, and b) the claim that the quoted footnote (understood in its original context) indicates Hayek's belief in the profound importance of prediction and forecasting to economic theory. Quite contrary to b), the full context of the discussion in which the relevant footnote appears makes it clear that Hayek's attitude toward prediction and forecasting was, even at this early stage of his career, not particularly sanguine. As has been pointed out (and, to my mind, well defended) by Bruce Caldwell (1992, p. 3), it is just plain odd that Hutchison interprets the quote as representing a "strong claim" for prediction and forecasting, *given that it appears in a footnote at the end of a long discussion that can only be read as an argument to the effect that empirical research is of little relevance to economic theory*.[25]

[24]See Hayek (1935a, 1935b, 1948).
[25]See Hayek (2008, pp. 9–14).

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However, the truly peculiar aspect of Hutchison's claim that *MTTC* reveals a Hayek concerned to establish the importance of prediction and forecasting is that it appears in the context of an attempt to link Hayek's early methodological views with Mises's. Stated simply, if a) is true (and it is the claim that Hutchison is most concerned to establish in this part of Chapter Seven of *PPE*), then it strains the limits of plausibility to think that b) is true as well: it is difficult to imagine a claim less affinal with Mises's methodological views than an insistence on the importance of prediction and forecasting to economic theory.[26] Indeed, if Hutchison had only interpreted Hayek in a way that better accords with the skeptical argument that Hayek in fact appears to offer in the relevant section of *MTTC*, Hutchison would have been in a better position to defend his broader argument concerning the purported alignment of Hayek's and Mises's methodological views. The argument Hayek offers is more Misesian than the argument that Hutchison misinterprets Hayek as offering. It seems that Hutchison misinterprets Hayek only to establish a premise that undermines his broader conclusion.[27]

There's no need to suss out Hutchison's true intention in linking the young, allegedly Misesian, Hayek with a concern for prediction and forecasting. It suffices to establish that there is nothing in the relevant footnote (or anywhere else in *MTTC*) that contradicts Hayek's later skepticism concerning the value of economic forecasting. It is a tenet of Hayek's later methodology that economists cannot predict particular events, but only *patterns* in the relevant phenomena, and, moreover, that economists have to learn to be satisfied with this more constrained variety of prediction (Hayek 1978b). That Hayek maintained a similar view in 1929 explains his (2008, p. 14n) comment in the same footnote (immediately following the point where Hutchison cuts off the quote) that certain economists inclined to categorically deny the possibility of forecasting—he names his friend and fellow traveler in the Austrian school Oskar Morgenstern—"demand from forecasting more than is justifiable." At its very best, economic science can make limited predictions of patterns in social phenomena and never predictions of particular human actions or social events. Hayek sees Morgenstern and others as making erroneous categorical denials of economics' predictive capabilities because they place unrealistic demands on the discipline and are disappointed when these demands are not met. That Hayek made such a lukewarm effort to defend the value of forecasting against Morgenstern's unqualified dismissal is more consistent with his later arguments regarding economics' predictive limitations than it is with

[26]See, e.g., Mises (1962, p. 862): "What assigns economics its peculiar and unique position in the orbit of pure knowledge and of the practical utilization of knowledge is the fact that its particular theorems are not open to any verification or falsification on the ground of experience."

[27]Lest I be accused of making an error converse of Hutchison's, let it be stated outright that there is no inconsistency in the methodological position that I interpret Hayek as holding at the time of *MTTC* (and beyond), which combines a rejection of apriorism with skepticism concerning the value of prediction and forecasting to economic theory. There is nothing inconsistent in holding both that whatever knowledge we possess with respect to economic phenomena comes to us via experience and that experience doesn't furnish a great deal of knowledge with respect to economic phenomena. (This is a very rough sketch of the methodological position that I interpret Hayek as defending in one form or another over the course of his academic career.) However, there is manifest inconsistency in the idea of someone who purportedly shares a methodological position markedly similar to Mises's simultaneously espousing the importance of prediction and forecasting to economic theory.

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Hutchison's claim that the young Hayek made "strong claims for prediction and forecasting."[28]

What's more, though in *MTTC* Hayek (2008, p. 14) does assign to statistical research the positive task of filling in the parameters of economists' theoretical constructions with accurate data, nowhere does he indicate a belief that such researches will ever be successful at making their methods adequate to the derivation of precise forecasts. It is consistent both to hold that the properly understood role of statistical investigation in economics is to populate theoretical constructions with real-world data and to hold that statistical methods are not and may never be accurate enough to be of much use in this regard. This is essentially Hayek's position in his 1974 Nobel Prize lecture—the aforementioned "The Pretence of Knowledge"—and there's nothing in *MTTC* that obviates a similar interpretation of Hayek's comments therein. It is true that Hayek (2008, p. 14) says that "[t]he subject-matter of trade cycle theory being what it is, it follows that *ideally* it should result in a collective forecast showing the total development from a given situation under given conditions" (italics added), but it may have long been Hayek's view that this "ideal" cannot be realized;[29] there is nothing in *MTTC* that indicates a firm belief otherwise and there is much in his later work that supports this skeptical interpretation. In short, there is nothing in the relevant section of *MTTC* that reveals an attitude toward prediction and forecasting that distinguishes Hayek's early methodological views from his later beliefs; and though Hutchison (1981, p. 216) acknowledges the latter fact, he gets the substance of both Hayek's early and later beliefs with respect to prediction exactly wrong.[30]

Hutchison (1981, p. 212) seems to argue that in *MTTC,* Hayek offers an *unconditional* endorsement of the standard equilibrium framework as the *necessary* basis of trade cycle theory: "Hayek is especially concerned to insist on the indispensability of the equilibrium, self-adjusting model in trade cycle research as in all economic theorizing." Given that equilibrium theory is built on the assumption that economic agents possess complete knowledge of all relevant economic circumstances ("or what Menger

[28]Hutchison's confusion concerning Hayek's position on prediction is manifest in the following quote, which appears in his discussion of "Hayek II": "there is *some* significant continuity between Hayek I and Hayek II with regard to prediction. Unless one assumes some measure of predictability, and the power to predict, equilibrium theorizing, or indeed any economic theorizing, will be frustrated.... This conclusion certainly conflicts with some subsequent Austrian doctrines regarding the impossibility of predicting human actions" (Hutchison 1981, p. 216; italics in the original). But Hutchison is here neglecting the fact that it was the later Hayek who formulated some of these same Austrian doctrines against the possibility of predicting human actions. Indeed, if Hayek's later methodological works have one overarching theme in common, it is the view that social scientists are limited to predicting patterns in social phenomena. Hayek was far from *ever* being the optimist about the possibility of predicting economic events that Hutchison takes him to have *always* been, and his views with respect to economic predictions were continuous only in their pessimism.

[29]It would seem that Hayek's experience (1927 to 1931) as the first director of the Austrian Institute for Business Cycle Research must have disabused him of much of his youthful optimism (see Hayek 1994, p. 67) concerning the possibilities for successful predictions in economics. *Monetary Theory and the Trade Cycle* was the first monograph published by the Institute (in 1929). Hayek's *Prices and Production*, which displays even less optimism concerning predictive possibilities, was published by the institute in 1931. Moreover, it was during his time as Hayek's co-director at the institute that Oskar Morgenstern (who, after Hayek moved to England in 1931, became the institute's lead director) published the "categorical denial of the possibility of forecasting" mentioned in the text (Leonard 2010, pp. 100–104, 146–150; Hayek 2008, p. 14n; see Morgenstern 1928).

[30]See footnote 28 above.

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called the essential assumption of '*Allwissenheit*'" [p. 212]), Hutchison (p. 213) draws the further conclusion concerning Hayek's early attitude toward the role of ignorance and uncertainty in investigations of the trade cycle that "assumptions of ignorance *must* be ruled out."

Whether Hutchison's claim that Hayek urged the "indispensability" of the equilibrium framework to trade cycle theory is true or not depends on whether the alleged indispensability is to be understood in a historically contingent sense. Hayek argued in *MTTC* that, *given the development of the discipline up to that time*, equilibrium theory is necessary to the further development of trade cycle theory; i.e., Hayek accepted the historically contingent indispensability of the equilibrium framework to trade cycle theory.[31] However, as it is the only reading that makes sense of his further claim that Hayek sought to "rule out" explanations that attribute the cycle to ignorance and uncertainty, it seems that Hutchison interpreted Hayek as making the stronger claim that, *in every possible world*, trade cycle theory must be built upon the equilibrium framework.

The fact that, in *MTTC*, Hayek accepts the indispensability of equilibrium theory only in the historically contingent sense[32] follows from the fact that the explicit objective of the book is *theoretical unification,* not *objective theoretical perfection*.[33] Hayek's (2008, p. 18) expressed concern is with "bridging the gulf which divides monetary from non-monetary theories" of the cycle; i.e., Hayek's aim is to unify trade cycle theory with the corpus of economic theory—namely, equilibrium theory—as it existed and was accepted at the time. The latter is essential, Hayek argues, only because trade cycle phenomena are price phenomena, which means that an explanation of the former must incorporate an explanation of the latter. Given that, in 1929, equilibrium theory offered the only then-accepted explanation of price formation, it was—as a purely historically contingent matter—"indispensable" to an account of the cycle. But there's nothing in *MTTC* or in any of Hayek's other early works[34] that indicates an

[31]"Hayek's early work reflects a subtle tension between the perceived necessity of stating his case in a theoretically acceptable fashion, i.e., equilibrium theory, and a sense of that theory's limitations" (Butos 1991, p. 113).

[32]We might also add that, in the absence of explicit evidence that Hayek intended the stronger reading, it is more charitable to interpret Hayek's argument concerning the necessity of the equilibrium framework in the weaker sense, both because it is weaker and because the historically contingent indispensability (but not the unqualified indispensability) of equilibrium theory seems to have been true in 1929 as a matter of historical fact: standard equilibrium theory was indispensable to economic theorizing in 1929, given the development of the discipline up to that time, but it has never been true that it is unconditionally necessary to economic theorizing.

[33]"Hayek assumes here that standard equilibrium theory is widely accepted in the profession, that the theory provides the axiomatic foundation for economics" (Caldwell 2004, p. 159). Hayek's "major point" in *MTTC* is that "any adequate trade cycle theory must cohere with existing economic theory" (p. 159).

[34]Hayek's early research program in technical economics exhibits two interrelated concerns: trade cycle theory and the clarification of the foundations of equilibrium theory (so that it might better support an explanation of the cycle). We might as well add a further reason to think that Hayek accepted the indispensability of equilibrium theory to trade cycle theory only in the weaker, historically contingent sense; namely, his willingness, as indicated in his early work on the equilibrium concept, to countenance unique treatments of equilibrium (see Caldwell 1988b, p. 525). If Hayek held that equilibrium theory was indispensable in the stronger, unqualified sense, then it would have been odd for him to be a pluralist about equilibrium concepts. Indeed, if Hayek both maintained pluralism about equilibrium concepts and unconditionally identified economic theory with equilibrium theory, then, by the inferential rules for biconditionals, he would have been a pluralist about economic theory as well. Thus, given his willingness to consider different equilibrium concepts, the unqualified interpretation of the indispensability of equilibrium theory is ultimately self-defeating.

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unmitigated, unqualified endorsement of the indispensability of equilibrium theory to business cycle theory.

The historical contingency of the indispensability of static equilibrium to trade cycle theory undermines Hutchison's claim that Hayek debars ignorance and uncertainty as causal factors in explanations of the cycle. In *MTTC*, Hayek repeatedly laments the tendency of non-monetary theorists to attempt to explain the cycle from within the confines of the equilibrium framework while attributing the cycle to the manifest ignorance and/or uncertainty of market participants, a postulate that is directly contradicted by the *Allwissenheit* assumption at the heart of static equilibrium theory. But Hayek never denies ignorance and uncertainty a role in cyclical phenomena; neither does he contend that ignorance and uncertainty are illegitimate posits in some possible explanatory scheme that does not rely on the *Allwissenheit* assumption. Rather, the relevant point is a seemingly sound methodological one: it is inconsistent to both rule out ignorance by (the *Allwissenheit*) assumption and attribute the cycle to ignorance.

Consider the following passage, which appears on the same pages on which Hayek (2008, pp. 18–19) states the objective of *MTTC* (and which Hutchison interprets as supporting his own argument):[35]

> No tendency toward the special expansion of certain branches of production, however plausibly adduced, no shift in demand, in distribution or in production, could adequately explain, within the framework of this theoretical system, why a general 'disproportionality' between supply and demand should arise. For the essential means of explanation in static theory—which is, at the same time, the indispensible assumption for the explanation of particular price variations—is the assumption that prices supply an automatic mechanism for equilibrating supply and demand…. [T]he problem before us cannot be solved by examining the effect of a certain cause within the framework, and by the methods, of equilibrium theory. Any theory that limits itself to the explanation of empirically observed interconnections by the methods of elementary theory necessarily contains a self-contradiction.

Hayek's point here is not that prices equilibrate supply and demand with a necessity approaching the metaphysical, and that, because this requires a condition of *Allwissenheit*, ignorance and uncertainty can play no role in the business cycle. He is arguing that *if* one is going to rely on the equilibrium construct, as non-monetary cycle theorists (his explicit targets in the quoted passage) typically do, then one must adhere to its logic, and this means that certain results—namely, disequilibria—cannot be explained within its narrow confines. Hayek's position is not that ignorance and uncertainty are irrelevant to an explanation of the trade cycle; he merely asserts the methodological illegitimacy of having one's cake and eating it too: it is inconsistent to assume that all agents possess full knowledge of the relevant economic facts (the *Allwissenheit* assumption

[35]"Interprets" is a rather charitable choice of words here. Hutchison extracts the phrase "the assumption that prices supply an automatic mechanism for equilibrating supply and demand" (Hayek 2008, p. 19) from the passage, marries it to another phrase ("the basis of all theoretical economics" (p. 48) that appears in *MTTC* some thirty pages later, and renders it as "Thus he [Hayek] apparently maintains that 'the basis of all theoretical economics' is 'the assumption that prices supply an automatic mechanism for equilibrating supply and demand'" (Hutchison 1981, p. 212).

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that is at the heart of the equilibrium construct) while asserting that they do not possess such knowledge. This is a long way from saying that there is no conceivable non-equilibrium-based account of the cycle in which ignorance and uncertainty might play a key explanatory role.

Indeed, far from denying that ignorance and uncertainty play a role in the trade cycle, Hayek (2008, p. 18) seeks a "bridging" theory that specifically accounts for error, ignorance, uncertainty, and all of the other "empirically ascertained disturbance[s] of the equilibrium of the various branches of production" as secondary phenomena.[36] Given what Hayek says about the consequences of the *Allwissenheit* assumption that comes along with the equilibrium framework, the trick of a "bridging" theory is to show how static equilibrium theory can be extended in such a way that all the phenomena of the trade cycle, including ignorance and uncertainty, appear as deductive consequences of the augmented set of assumptions. Hayek (2008, p. 20) argues that the introduction of money into the static barter framework of equilibrium theory introduces a unique kind of good—a good the demand for which can never be fully satisfied—that makes it possible to demonstrate the appearance of the relevant cyclical phenomena as deductive consequences of the expanded set of assumptions. The monetary starting point makes the elements (error, ignorance, uncertainty, and all the other "empirically ascertained disturbance[s] of the equilibrium of the various branches of production") that figure prominently as explanans in non-monetary theories deductive implications of the relevant assumptions (2008, p. 24).

Hayek does not argue (in *MTTC* or elsewhere) that the initiating cause of the cycle must originate in the activities of banks. It is the failure of the economic system to return to equilibrium, given such an initiating shift, that Hayek attributes to the lending activities of the banking sector, but the shift itself might originate anywhere in the economic system, including in non-banking-related misjudgments of market participants (2008, pp. 98–99).

The foregoing considerations suffice to obviate the strong interpretation of the "indispensability" claim, which, as it is the one interpretation that makes sense of Hutchison's further assertion that Hayek sought to prohibit ignorance and uncertainty from explanations of the cycle,[37] is the interpretation that should be attributed to Hutchison. In short, theoretical unification, not unmitigated praise for static

[36]It would seem that one of the more compelling aspects of Hayek's trade cycle theory is that it avoids the ad hocness of explanations that attribute the cycle to psychological considerations like random shifts in "animal spirits" or the rationality of market participants. Hayek's business cycle theory seems to show how it might come about that individuals make errors all of the same kind and at more or less the same time (i.e., if the activities of banks distort relevant price signals) even in a world in which "prices supply an automatic mechanism for equilibrating supply and demand" (Hayek 2008, p. 19). Whatever its other merits and demerits, Hayek's account seems to successfully "bridge" the monetary and non-monetary cycle theories of the day.

[37]This same claim is repeated in Hutchison (1998, p. 61); however, its plausibility is undermined when, on the very next page, Hutchison (p. 62) asserts that Wicksell's concept of the "natural rate of interest" allows for the "vital element of uncertainty and possible ignorance." Of course, Hayek's explanation of the trade cycle is built upon the natural rate concept that he appropriated *sine modificatio* from Wicksell. If the natural rate concept opens the door to ignorance and uncertainty, then, *contra* Hutchison (p. 61), Hayek's approach to the cycle does not seek to "outlaw" ignorance and uncertainty "as beyond the pale of any disciplined study of monetary and economic phenomena."

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equilibrium theory, is the point of the relevant passages of *MTTC*, and, far from denying ignorance and uncertainty a role in explanations of the business cycle, *MTTC* seeks (and finds) a "bridging" theory that accounts for their role in a way that is consistent with the only accepted price theory of the time; i.e., static equilibrium theory.[38]

Hutchison's final point in support of the claim that Hayek's early methodological views align with Mises's concerns Hayek's endorsement of Wieser's and Mises's criteria of demarcating the social sciences from the natural sciences on the basis of the exclusive availability of introspective knowledge to practitioners of the former disciplines. Hutchison (1981, pp. 213–214) quotes from Hayek's (1935a, p. 126) editorial introduction to the *Collectivist Economic Planning* anthology:

> the essential basic facts which we need for the explanation of social phenomena are part of common experience, part of the stuff of our thinking. In the social sciences it is the elements of the complex phenomena *which are known beyond the possibility of dispute*. In the natural sciences they can only be at best surmised. The existence of these elements is so much more certain than any regularities in the complex phenomena to which they give rise, that it is they which constitute the truly empirical factor in the social sciences. (italics added by Hutchison)

At first glance, it might seem that Hutchison is on more solid ground with respect to this part of his argument: there is no dispute that the young Hayek held that the availability of introspection distinguishes the method of the social sciences from that of the natural. However, there is an alternate reading of the foregoing quote that both makes better sense of the broader context in which it appears and does justice to Hayek's fallibilist epistemology.

The passage is part of Hayek's argument against the various attempts of historicist economists to apply the methods of the natural sciences to economic-historical material. In particular, the comments appear as Hayek is in the process of comparing the bases upon which theorizing proceeds in the respective sciences. The pertinent question for our purposes is whether Hayek attributes greater certainty to the social scientist's introspections than he does to the physical scientist's observations of the complex phenomena of nature. If Mises, but not Hayek, conceived of introspective knowledge as infallible, then their respective demarcation criteria were in fact less than "markedly similar."

Consider the comments that Hayek (1935a, pp. 126–127) offers immediately following the quoted passage upon which Hutchison places so much weight:

> There can be little doubt that it is this different position of the *empirical* factor in the process of reasoning in the two groups of disciplines which is at the root of much of the confusion with regard to their logical character. There can be no doubt, the social as well as natural sciences have to employ deductive reasoning. The essential difference is that in the natural sciences the process of deduction has to start from some

[38]It is also important to note, given Hutchison's insistence that 1937's "Economics and Knowledge" marks the naissance of the empiricist Hayek ("II"), that the concept of equilibrium as applied to the interactions of individuals in society "has usefulness only if on empirical grounds a tendency toward equilibrium exists. These points, spelled out in 'Economics and Knowledge,' *are also present in his 'Price Expectations' paper of 1933*" (Butos 1991, p. 111; see Hayek 1939, pp. 135–141; emphasis added).

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> hypothesis which is the result of inductive generalizations, while in the social sciences it starts directly from known *empirical* elements and uses them to find the regularities in the complex phenomena which direct observations cannot establish. They are, so to speak, empirically deductive sciences, proceeding from the known elements to the regularities in the complex phenomena which cannot be directly established. (italics added)

Rightly or wrongly, Hayek seems to be suggesting that the economist's introspections be accorded roughly the same epistemological respect that is assigned to the physical scientist's observations of the complex phenomena of nature. Hayek argues that natural science starts from observations of complex natural phenomena and "surmises" the elements of which the latter are composed; that is, the physical scientist observes some complex phenomena in nature and works backward to premises that deductively imply the observed phenomena. Social science, on the other hand, starts from premises known via introspection and deduces from these (and other empirical subsidiary assumptions) the theretofore unknown complex phenomena of society. There is no reason to think that Hayek takes the social scientist's introspections to be more secure than the natural scientist's observations: for Hayek, the results of introspection seem to be approximately as epistemically secure as the natural scientist's observations of the complex phenomena of nature. The social scientist's introspections are "known beyond the possibility of dispute," but, for all practical purposes, *so too* are the physical scientist's observations of the complex phenomena of nature; i.e., no one disputes that physicists observe falling objects and that astronomers observe stars and planets. It is the elements that give rise to these complex phenomena that can "at best be surmised." There doesn't seem to be any indication in the last quoted passage that Hayek believes the social scientist to start from a basis more epistemically secure than the one that forms the foundation of the natural scientist's inferences. In any case, it is a long way from the sentiments expressed in the foregoing passages to "apodictic certainty."

Moreover, this interpretation of introspection as both fallible and ultimately *empirical*—positions that contradict Mises's treatment of introspection—is consistent with Hayek's cognitive psychology. The claim that Hayek and Mises held identical demarcation criteria ignores the different epistemic foundations that each attributes to inward-looking knowledge: for Hayek, the ultimate source of all knowledge is the subject's (and his species') confrontations with some seemingly external world; introspection provides (partially non-propositional) knowledge about the subject's past (possibly pre-sensory) experience. However, for Mises (at least in his earliest methodological writings), introspective knowledge has some other non-fallible, non-empirical source.

A second fact about Hayek's position on the differences between the sciences obviates Hutchison's dual Hayeks thesis: Hayek's defense of introspection in no way distinguishes his pre-*EK* methodology from his post-*EK* position. As late as the publication of the *Counter-Revolution of Science* in 1952, which anthologizes a series of papers published in *Economica* between 1942 and 1944 under the title "Scientism and the Study of Society," Hayek was still arguing for (his fallibilist version of) the Mises/Wieser demarcation criteria.[39] Hutchison (1992, p. 25), in his later exchange with

[39]See, e.g., Hayek (1952b, pp. 65–66, 93).

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Caldwell (who made a similar point concerning Hayek's retention well into the 1950s of the early demarcation criteria), acknowledged the point that Hayek maintained the criteria long past the publication of *EK*, but argued that what Hayek dropped in the mid-1930s was the position that introspection provides more secure knowledge than is provided by the physical scientist's observations of the complex phenomena of nature. However, as we've just seen, it is not obvious, and certainly not established by Hutchison's arguments in *PPE*, that Hayek ever held the (what we might call) "pretence of *introspective* knowledge" position that Hutchison attributes to him.

IV. CONCLUDING REMARKS

The present investigation reveals few grounds for Hutchison's claim—in whatever way it was originally intended—that the methodological views of the young Hayek were markedly similar to those of Ludwig von Mises. Hutchison ignored (or was innocent of) the inconsistencies between Hayek's and Mises's respective conceptions of a priori knowledge, which confound any attempt to link the two Austrians together in virtue of a shared predilection for methodological apriorism. Moreover, the weaker "face value" interpretation of Hutchison's argument is supported primarily by a selection of quotes that abstract from the broader contexts in which they originally appeared.

That said, we should resist the temptation to conclude on the basis of the foregoing arguments that Hayek was never a Misesian with respect to methodology. The latter claim requires not only a far more comprehensive comparison of all of the methodological works of the two central figures of twentieth-century Austrian economics than has been attempted here, but also a thorough vetting of their respective *theoretical* works for hints of the extent to which each actually practiced the methodological advice that they respectively preached. In the end, the current paper establishes a more limited claim; namely, that Hutchison's attempt to link the methodology of the young Hayek with Mises's (in whatever precise sense the attempt was originally intended) fails.[40]

[40]In an autobiographical note written shortly before his death in 2007, Hutchison (2009, p. 307) claims that "[b]efore 1937, Hayek's methodological views had followed those of his teacher, Friedrich Wieser, and his one-time mentor, Mises, who both insisted, dogmatically, on the certainty of the conclusions of economic theory (though there were probably slight differences in their views on the source of that certainty)." If the argument of the present essay is sound, then the differences between Hayek and Mises with respect to the source of justification of belief in the conclusions of economic theory were far from "slight"—they were directly opposed. Moreover, it turns out that, given their opposing epistemologies, there are few grounds for believing that Hayek held these conclusions to be anything like certain in the sense that Mises held them to be. Regarding this biographical note, it is interesting that, *PPE* and the latter comments notwithstanding, Hutchison (2008, p. 312n) acknowledges (albeit in a footnote) that "[j]ust how far and, how precisely, Hayek's views on methodology and *a priorism* had ever been the same as those of Mises is difficult to establish."

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