

## NOTES ON HAYEK—Miami, 15 February, 1979

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**Abstract** This lecture, given by James Buchanan in February of 1979, examines the meaning of F.A.Hayek's career path in the context of the development of economics in the 20th century, and argues for the importance of financial support of scholars like Hayek, and their academic research into the values of a free society.

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I am sure that each of us shares a sense of appreciation and gratitude to Professor Hayek for his presence among us today. I am also sure that each of us could talk at some length extolling both the man and his works. However, in the few minutes that I have to speak, I shall not do this except by indirection. Instead, I want to use a sketch of Professor Hayek's career to illustrate a theme or principle that I want to put forward and to support.

Let me commence with a simple statement of fact that must be universally acknowledged. Professor Hayek is acclaimed as one of the outstanding political-economic-social philosophers of this century. Hayek's ideas matter; they have consequences. He is a recipient of a Nobel Prize; when he talks or writes, the world listens, reads, and thinks.

But this is 1979, and things were not always so. I want to take you back to an earlier time in Hayek's career, back all the way to the 1930s, and the 1940s, and the 1950s, which I shall refer to as the "lean years" for Professor Hayek. These were the decades

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of the Keynesian revolution, of socialist euphoria, of planners' dreams. Professor Hayek, more than any other scholar whom I have known personally, has ranged the whole spectrum from derision, ridicule, scorn, and rejection on the one hand to acclaim, encomium, and respect on the other. He now commands the latter heights, those about which all scholars dream but which so few achieve. But let us never forget that Professor Hayek also lived and toiled through the depths, and let us recall in our imagination the personal despair that he must have suffered in those lonely years when he was so totally "out of fashion."

Let me be specific. Hayek stood almost alone in opposition to the Keynesian "explanation" of the great depression. Quite apart from the details of analysis, the aggregate-demand explanation, macroeconomics, ruled the day. Hayek alone continued to insist on the microeconomics aspects of inflationary financing, on the discoordination in plans created by the failure of monetary systems to insure stability. His theory of the business cycle fell into disuse, and it remained in the dustbin of economic ideas until the 1970s. But the aggregate-demand simplisms no longer worked at all, no longer explained anything—and, lo and behold, what have we seen? A dusting off and revival of the basic Hayekian notions about discoordination, about inflation as a means through which investment plans get all fouled up. As of now, there is really no alternative theory worthy of much respect, and we can predict that more attention will be paid to the seminal Hayekian ideas during the next decades.

But let me now turn to a much more important and more divisive area where Hayek's contribution look so large. Professor Hayek, as early as the 1930s, saw the basic fallacy in schemes for centralized control of an economy, and his fundamental papers on the use of knowledge in markets will surely rank among the major contributions in the whole history of economic analysis, and of social-political-economic philosophy. With this insight, Hayek saw the pitfalls and the dangers in the sweep towards socialism, toward central planning, that seemed so pervasive in the 1940s. He wrote The Road to Serfdom for the express purpose of warning against the dangers that he saw and predicted.

From our own perspective in 1979, it is difficult to appreciate how The Road to Serfdom was received in leading British and American intellectual-academic circles. Ridicule, scorn, derision, hatred—these are mild words to describe the reception that he was accorded for this little book. The socialist mystique had captured the minds and spirit of the time, this mystique was the zeitgeist itself, and it was "sin" to challenge it. Hayek was guilty of the grossest impropriety—with this little book he proved himself to be an irresponsible scare-monger in a world driven by romantic images of utopia.

Professor Hayek left Britain; he moved to Chicago, which, again from our secure perspective of 1979, would have seemed to be a haven of reasonable men, and a fine location for the pariah of the eastern establishment—British intelligentsia. But what did he find? His treatment at the University of Chicago stands witness to the institution's enduring shame. He was not, as might have been anticipated, welcomed with open arms as a major addition to the economics faculty. That faculty, in its wisdom of fashion, chose not to accept Hayek in its ranks, and an appointment was never forthcoming. Instead, Professor Hayek was shunted off and allowed to organize, with John Nef and a few others, the Committee on Social Thought. This Committee was to remain Hayek's academic home during his years at Chicago. As

it functioned alongside but not within the regular academic departments, Hayek's overreach of possible influence on a whole generation of economists was minimized rather than maximized.

My purpose here is not, however, to criticize in retrospect those who were swayed by intellectual-academic fashion, and who joined in the neglect of Hayek's contribution as a scholar. My purpose here is quite different. I want to focus attention on Hayek's position in those lean years, and I want to note his courage and integrity in sticking to his guns when, quite literally, he must have felt that almost everyone else among his peers was out of step. Hayek's record of intellectual consistency throughout his career is one of the most enduring features of his work.

But I want to draw your attention to something more, to an aspect that allowed Professor Hayek to endure the lonely years, an aspect that may too readily be overlooked. Hayek's position was made more tolerable by a few sources of external financial support, a few scattered persons with access to funds who recognized the value and importance of ideas. Hayek was given such support for his research, for The Constitution of Liberty, and for the beginnings of Law, Legislation and Liberty. He was supported indirectly, but importantly, via support of the Mt. Pelerin Society, the international society of market-oriented scholars and leaders, a society that was created and maintained almost single-handedly by Hayek. He was supported by lecture invitations to such as the old Volker Fund conferences, where he could try out his ideas, and where so many of my own generation first came to know both the man and these ideas. I cannot list all of those who supported Hayek in those lean years; I do not know who they were. I only know that they were an extremely small group of men and foundations, and I also know that the Realm-Earhart Foundations were almost unique in sticking to Hayek through the very worst of times.

I think we should draw some lessons from this experience. We should, I think, appreciate that ideas matter, and that financial support for the generation of ideas matters. Those who supported Professor Hayek in the lonely years were courageous in their expressions of confidence in the man and the ideas he represented. They were not demanding of him some immediate relevance to then-topical issues of policy; they were not demanding of him that he try to communicate his ideas to mass audiences; they were not demanding of him that he produce fancy numbers to test self-evident hypotheses.

As I have noted, and as we all know, Professor Hayek was able to survive the lean years with intellectual integrity and with courage. He survived to see the treatment of his ideas come half circle. The distance between 1949 and 1979 must seem much longer than three decades to Professor Hayek as he reflects with us on his career. To those few supporters, who also must have felt so isolated and alone in the 1940s and the 1950s, their investment in Hayek and in his ideas has paid off, and handsomely. If they should have squandered their meager resources through insistence that the research supported must be on then-relevant policy issues, that the attempt must be made to publicize the results, what would have been accomplished? Surely, nothing remotely comparable to the impact that we now observe Hayek's foundation ideas to have had around the world.

My friend, Professor P.T. Bauer, of LSE, whom several of you know, has often remarked that the great and relative success of the ideological left in the middle years of this century was due largely to its early recognition that ideas matter. By contrast, so Bauer argues, over the whole of that dismal period in intellectual history, the

ideological opposition exhibited little or no respect for the simple truth, expressed so well by Richard Weaver, that ideas do have consequences. Those who supported Professor Hayek during those lean years were exceptions to a general rule.

For several years now there have been encouraging signs that Peter Bauer's generalization no longer holds, and that the latter years of this century will not be described by the one-sidedness of the support that marked the middle years. Those who seek to preserve and maintain the values of a free society, of the free market, and of elementary individual liberty, are beginning to recognize that the important battlegrounds are located in the realm of ideas.

Those of us who think of ourselves as following along after Hayek, in one sense or another, are not nearly so lonely as he must have been. Our ranks have swelled, and are swelling; the message is getting through. Further, we have been able to secure external support for what we are trying to do. Henry Manne has effectively turned around the thinking of a generation of lawyers, and more importantly, of law school professors. He is even having some success with federal judges. In our own way at VPI, "public choice" has been instrumental in demonstrating the governmental solutions must fail, and we have from the start laid stress on the necessity for constitutional controls over governments, something that is now coming into active discussion with the tax-limit initiatives throughout the land.

We are now winning a few battles in the ongoing war of ideas, but we cannot lapse into complacency. The islands of comparative strength in modern American academia (Miami, VPI, UCLA, Chicago, Rochester, NYU, Washington)—these must be strengthened and new islands (Auburn, Colorado) must be created. The diverse approaches of the intersecting "schools" must be the bases for conciliation, not conflict. We must marry the property-rights, law-and-economics, public-choice, Austrian subjectivist approaches. And we must continue to be able to secure sufficient independent and external financial support to ward off threats from the academic enemies within our institutions.

Let us jointly resolve, those of us who labor in the academic vineyard and those of us who provide support, that the "Hayeks" of the late 20th and early 21st century will never again, be forced to endure the lean years that Professor Hayek suffered. We cannot, we must not, make it more costly for young scholars to devote themselves either to escapist nonsense or to romantic absurdity than to the search for and to, the espousal of elementary truth. The "Hayeks" of the world are scarce; but with appropriate incentives there are many who can, and will, make significant contributions to the free society that we all must seek.