

## Understanding human ignorance: the Hayekian theory of progress

Any attempt to understand the Hayekian theoretical corpus must start with Hayek's philosophy of knowledge and theory of mind. Following the Kantian tradition, Hayek believed that human reason could not know what things are in themselves, because the structure of our own mind defines the way we see the world.<sup>1</sup> Thus Hayek agreed with the idea that the task of philosophy consists in exploring the limits of human reason rather than in discovering the essence of things through some sort of metaphysical method such as the ones proposed by Aristotle or Plato. The relevant question, wrote Hayek in *The Sensory Order*, was not "what a thing is or really is" because such a question "has meaning only within a given order".<sup>2</sup> For Hayek, the question theoretical psychology has to address is why the events perceived by our senses and which can be arranged in a physical order "manifest a different order in their effects on our senses".<sup>3</sup> In other words, the task consists in explaining why reality and our intellectual interpretation of reality can be even in conflict with each other. As Douglass North correctly noted, for Hayek, beliefs are a construction of the mind, which means that we do not reproduce reality but we create systems of classifications in order to interpret the external environment.<sup>4</sup> This process of interpreting the external world can lead to many mistakes. But more importantly, in Hayek's view the brain itself is a product of the environment and has developed in an evolutionary process.<sup>5</sup> Thus our "learning apparatus" is itself the result of

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<sup>1</sup> On Hayek's Kantian heritage see: John Gray, *Hayek on Liberty*, Basil Blackwell, Oxford, 1984.

<sup>2</sup> Friedrich Hayek, *The Sensory Order*, University of Chicago Press, Chicago, 1972, p.4.

<sup>3</sup> *Ibid.*, p5.

<sup>4</sup> Douglass North, *Understanding the Process of Economic Change*, Princeton University Press, Princeton, 2005, p.33.

<sup>5</sup> Hayek, *The Sensory Order*, p.165.

experience, which means that there is no reason outside the world. Based on these ideas, Hayek developed an anti rationalist theory of progress that included economic, political and social theory.

### *The rationalist delusion*

The founder of the rationalist approach that Hayek rejected was the French philosopher and mathematician René Descartes, who conceived Reason (with a capital R) as being the ultimate source of truth and knowledge. In Descartes' words: "whether awake or asleep, we ought never to allow ourselves to be persuaded of the truth of anything unless on the evidence of our Reason".<sup>6</sup> The direct implication of this idea is that progress is rather the product of human rational design than undirected evolutionary forces. For if the ideas in our mind are infallible, as Descartes believed, and our mind is already given as a perfect entity, then the possibilities to construct the world are limitless as long as we apply our rationality. As Hayek also noted, the same Descartes argued that progress and civilization were best achieved in those communities that had "followed the appointments of some wise legislator".<sup>7</sup>

The idea that progress in all spheres can be best achieved by the application of rational methods led to what Hayek called "scientism". Scientism, said Hayek, is an attitude, which is "unscientific" in the true sense of the word because it involves a "mechanical and uncritical application of habits of thought to fields different from which they have been formed".<sup>8</sup> The typical scientist error consists in extrapolating the method of natural sciences to social sciences. In his Nobel laureate lecture entitled "The Pretense of Knowledge" Hayek observed that this scientist attitude had led to many policy mistakes in the field of economics:

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<sup>6</sup> René Descartes, *The Method, Meditations and Philosophy of Descartes*, M. Walter Dunne, Washington, 1901, p. 132.

<sup>7</sup> *Ibid.*, p. 119.

<sup>8</sup> Friedrich Hayek, *The Counter-Revolution of Science*, The Free Press, New York, 1955, p.16.

It seems to me that this failure of the economists to guide policy more successfully is closely connected with their propensity to imitate as closely as possible the procedures of the brilliantly successful physical sciences - an attempt which in our field may lead to outright error.<sup>9</sup>

Since Descartes, rationalist thinkers had believed that just as the achievement of the physical sciences depended on the use of a clear rational method, the progress in the spheres of morality and social institutions depended on experts planning according to sound theories. Descartes' follower Nicolas de Condorcet best expressed the scientist attitude when he wrote:

In manner as the mathematical and physical sciences tend to improve the arts that are employed for our most simple wants, so is it not equally in the necessary order of nature that the moral and political sciences should exercise a similar influence upon the motives that direct our sentiments and our actions?<sup>10</sup>

Moreover, according to Condorcet,

Does not the well-being, the prosperity, resulting from the progress that will be made by the useful arts, in consequence of their being founded upon a sound theory, resulting, also, from an improved legislation, built upon the truths of the political sciences, naturally dispose men to humanity, to benevolence, and to justice?<sup>11</sup>

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<sup>9</sup> Friedrich Hayek, *The Pretense of Knowledge*, Lecture to the memory of Alfred Nobel, December 11, 1974. Available in: [http://www.nobelprize.org/nobel\\_prizes/economic-sciences/laureates/1974/hayek-lecture.html](http://www.nobelprize.org/nobel_prizes/economic-sciences/laureates/1974/hayek-lecture.html)

<sup>10</sup> Marie-Jean-Antoine-Nicolas Caritat, Marquis de Condorcet, *Outlines of an historical view of the progress of the human mind*, Philadelphia, 1796, p.86.

<sup>11</sup> *Ibid.*, p. 113.

Hayek`s attack on this rationalist mindset aimed at the heart of Descartes epistemology:

The errors of constructivist rationalism are closely connected with Cartesian dualism, that is, with the conception of an independently existing mind substance which stands outside the cosmos of nature and which enabled man, endowed with such a mind from the beginning, to design the institutions of society and culture among which he lives ... The conception of an already fully developed mind designing the institutions which made life possible is contrary to all we know about the evolution of man.<sup>12</sup>

In other words, since there is no such thing as a mind that exists with independence of the world and since the mind itself is a product of experience, progress cannot be planned. Progress, argues Hayek, is not an a priori theoretical discovery of our mind but “the discovery of the not yet known”<sup>13</sup> and therefore, by its very nature is beyond any rational planning. The idea of progress as a result of the spontaneous forces that evolve in society was one of the central features of the classical liberal tradition that Hayek sought to revive. Adam Smith had made the case for the system of “natural liberty” as the source of spontaneous progress when he described the market as an undirected order in which individuals by pursuing their own ends achieved a general progress that was not part of their intentions. Unlike Descartes, who believed that progress derived from laws made by wise men, Smith condemned the attempts to direct private people in their economic behavior:

The statesman, who should attempt to direct private people in what manner they ought to employ their capitals, would not only load himself with a most unnecessary attention, but assume an authority which could safely be trusted, not only to no single person, but to no council or senate whatever,

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<sup>12</sup> Friedrich Hayek, *Law, Legislation and Liberty*, Routledge & Kegan Paul, London, p.17.

<sup>13</sup> Friedrich Hayek, *The Constitution of Liberty*, Routledge, Abingdon, 2006, p.37.

and which would nowhere be so dangerous as in the hands of a man who had folly and presumption enough to fancy himself fit to exercise it.<sup>14</sup>

One of the strongest attacks to the rationalist attitude denounced by Smith came from one of Hayek's favorite thinkers: Edmund Burke. Criticizing the constructivist spirit of French revolutionaries, who attempted to make a *tabula rasa* with the aim of creating a completely new social order, Burke made the case for the evolutionary nature of progress and the superiority of the British approach arguing that the British had "made no discoveries" and that there were "no discoveries" to be made, "in morality; nor many in the great principles of government, nor in the ideas of liberty", which had been long understood.<sup>15</sup>

Without any doubt, Scottish enlightenment philosophers like Smith and thinkers such as Burke anticipated Hayek's idea that modern civilization had not been the result of rational design but of a gradual evolution whose final outcome could not possibly be foreseen. Perhaps no one expressed this idea as clearly as Adam Ferguson, who argued that Mankind, "in striving to remove inconveniencies, or to gain apparent and contiguous advantages, arrives at ends which even their imagination could not anticipate" and that all steps in this process of progress were made "with equal blindness to the future".<sup>16</sup> Thus, "nations stumble upon establishments, which are indeed the result of human action, but not the execution of any human design".<sup>17</sup> Hayek echoed Ferguson when he argued that social progress "is not achieved by human reason striving by known means towards a fixed aim".<sup>18</sup>

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<sup>14</sup> Adam Smith, *An Inquiry Into the Nature and Causes of the Wealth of Nations*, Vol. I ed. R. H. Campbell and A. S. Skinner, Liberty Fund, Indianapolis, 1981, p. 356.

<sup>15</sup> Edmund Burke, "Reflections on the Revolution in France", in *Select Works of Edmund Burke*, Vol. II, Liberty Fund, Indianapolis, 1999, pp. 113-114.

<sup>16</sup> Adam Ferguson, *An Essay on the History of Civil Society*, T. Cadell, 5th ed. London, 1782, pp. 89-90.

<sup>17</sup> *Idem*.

<sup>18</sup> Hayek, *The Constitution of Liberty*, p. 37.

### *Liberalism and the growth of civilization*

As can be seen, the whole point in Hayek's theory of social evolution is that the knowledge necessary to achieve progress is not given to our minds nor is it possible to acquire it in the sense rationalist thinkers pretended. Moreover, our mind itself is the result of this progress. Human ignorance is thus the base of the entire Hayekian theoretical edifice. This certainly also applies to Hayek's economic views, particularly to his devastating critique of centrally planned economies. In which is perhaps Hayek's most influential article, *The Use of Knowledge in Society*, he famously argued that knowledge in society was fragmentary and disperse and therefore was not accessible to any single mind. In Hayek's words, "the economic problem of society is a problem of the utilization of knowledge which is not given to anyone in its totality".<sup>19</sup> More importantly, the knowledge required to advancing progress in the market is of a practical and not a theoretical nature. Again, here reason cannot be the source of progress. Moreover, for Hayek "the idea that the ability to acquire skills stems from reason" is a "fatal conceit".<sup>20</sup> In his last major work entitled *The Fatal Conceit*, Hayek would insist on the thesis already formulated in *The Sensory Order* that reason was a result of an evolutionary selection process. This means that the intelligence of man is not the product of the capacity of reason to understand and interpret facts but rather the result of "habits of responding".<sup>21</sup> It is this lack of knowledge provided by reason that makes the rational design of the social order and centrally steered progress an impossible task. This is also the reason why freedom is so important. For only the freedom of individuals to pursue their aims by using the particles of knowledge they possess enables the process of learning. The growth of civilization and the enlargement of individual freedom are thus inseparable.

The realization that the advance of civilization depends largely on the free acts of ordinary people, with all their virtues and shortcomings, is what led Hayek to develop

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<sup>19</sup> Friedrich Hayek, "The Use of Knowledge in Society", in: F.A. Hayek, *Individualism and Economic Order*, The University of Chicago Press, Chicago, 1980, p. 78.

<sup>20</sup> Friedrich Hayek, *The Fatal Conceit*, Edited by W.W Bartley III, The University of Chicago Press, Chicago, 1989, p.21.

<sup>21</sup> *Ibid.*, p.22.

an economic theory that promotes the free market and a political philosophy that confines the state to the protection of individual liberty. Moreover, in Hayek's view, liberalism is essentially a theory that seeks to understand the spontaneous nature of the social process.<sup>22</sup> In turn, a liberal order can be described as follows:

It is a social system which does not depend for its functioning on our finding good men for running it, or on all men becoming better than they now are, but which makes use of men in all their given variety and complexity, sometimes good and sometimes bad, sometimes intelligent and more often stupid. Their aim was a system under which it should be possible to grant freedom to all, instead of restricting it, as their French contemporaries wished, to "the good and the wise."<sup>23</sup>

Hayek called his philosophy and that of thinkers like Adam Smith, Edmund Burke, Alexis de Tocqueville and others "true individualism" as opposed to the "false individualism" of the French rationalist tradition. The former leads to a social order of free people while the latter paves the way to collectivism and dictatorship. Perhaps no one explained the distinction between both traditions and their institutional implications in more detail than German-American philosopher Francis Lieber. According to Lieber, British or "Anglican liberty", was a negative idea, while the French idea of liberty, which he called "Gallican liberty", was a positive one that led to the arbitrary use of power.<sup>24</sup> In Lieber's words, "Anglican liberty distinguishes itself above all by a decided tendency to fortify individual independence, and by a feeling of self-reliance".<sup>25</sup> In other words, Anglican liberty consists essentially, "in a proper restriction of government, on the one hand, and a proper amount of power on the other, sufficient to prevent mutual

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<sup>22</sup> Chandran Kukathas, "Hayek and Liberalism", in: *The Cambridge Companion to Hayek*, Cambridge University Press, New York, p.185.

<sup>23</sup> Friedrich Hayek, "Individualism: True and False", in: *Individualism and Economic Order*, University of Chicago Press, Chicago, 1958, p. 12.

<sup>24</sup> Francis Lieber, *On Civil Liberty and Self-Government*, 3rd Revised Edition, ed. Theodore D. Woolsey J.B. Lippincott & Co., Philadelphia, 1883, p.12.

<sup>25</sup> Idem.

interference with the personal independence among the people themselves”.<sup>26</sup> Accordingly, Government “is not considered the educator, leader, or organizer of society”. Quite the contrary, according to Lieber, when the many constitutions the English people has produced are examined, “we almost fancy to read over all of them the motto, ‘Hands off.’<sup>27</sup>

The contrast with Gallican or French liberty could not be greater:

*Gallican* liberty, then, is sought in the government, and, according to an Anglican point of view, it is looked for in a wrong place, where it cannot be found. Necessary consequences of the *Gallican* view are that the French look for the highest degree of political civilization in organization, that is, in the highest degree of interference by public power. The question whether this interference be despotism or liberty is decided solely by the fact of who interferes, and for the benefit of which class the interference takes place, while according to Anglican views this interference would always be either absolutism or aristocracy, and the present dictatorship of the ouvriers would appear to us an uncompromising aristocracy of the ouvriers.<sup>28</sup>

Lieber warned that “the universal acknowledgment of organization makes the Frenchmen look for every improvement at once to government.”<sup>29</sup> This was exactly the idea so strongly opposed by Hayek who saw in the belief of a rationally managed progress a “fatal conceit” that would lead to collectivism. In order to better understand Hayek’s political philosophy and its connection to his theory of progress, it is important to note that a central feature of collectivism is that it tries to understand society in a holistic manner, that is to say, as an entity that exists with independence of the individuals that integrate it. A classical example mentioned by Hayek when analyzing false or collectivist individualism is Rousseau. Rousseau believed that the “general will”

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<sup>26</sup> Idem.

<sup>27</sup> Francis Lieber, “Anglican and Gallican Liberty” in: *New Individualist Review*, Liberty Fund, Indianapolis, 1981, p.781.

<sup>28</sup> Ibid., p.783.

<sup>29</sup> Idem.



was endowed by a higher reason than individuals and that it was infallible. Accordingly, the decisions made by a government derived from the “social contract” can never be wrong and are always in the best interest of the individuals. In Rousseau’s words: “it follows from what has gone before that the general will is always right and tends to the public advantage”.<sup>30</sup> Hayek argued that Rousseau’s theory and similar doctrines posit a grave danger to freedom and civilization because they justified collectivist forms of government in which individuals did no longer enjoy the liberty to pursue their aims with the knowledge at their disposal. In Hayek’s view, the belief in the “unlimited power” of a supreme authority that manifests itself in the form of a representative assembly in which the decisions made by the majority were always right, was a harmful consequence of Cartesian constructivism.<sup>31</sup>

### *Hayek’s idea of freedom*

Once established that ignorance is the starting point for the whole Hayekian theoretical edifice and that freedom is the main driver of progress, while a false pretense of knowledge grounded in rationalist attitudes undermines civilization, it is necessary to explain somewhat more extensively Hayek’s idea of freedom. Hayek understands freedom in a negative sense, that is to say, as the absence of arbitrary coercion or the threat of coercion. The use of arbitrary coercion has the effect of damaging the welfare of the community because it prevents each person from increasing the social well-being by pursuing his own ends: “coercion thus is bad because it prevents a person from using his mental capacity to the full and consequentially of making the greatest contribution he is capable of to the community”.<sup>32</sup> In order for liberty to be possible, Hayek argues that the “rule of law” is indispensable. The rule of law means that “government in all its actions is bound by rules fixed and announced beforehand, which makes possible to foresee with fair certainty how the authority will use its coercive powers in given

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<sup>30</sup> Jean-Jacques Rousseau, *The Social Contract and Discourses by Jean-Jacques Rousseau*, J.M. Dent and Sons, London and Toronto, 1923, p.53.

<sup>31</sup> Friedrich Hayek, *Los errores del constructivismo*, Revista Estudios Públicos, No. 29, Santiago, 1988, p.89.

<sup>32</sup> Hayek, *The Constitution of Liberty*, p. 118.

circumstances and to plan one's affairs on the basis of this knowledge".<sup>33</sup> John Locke, providing a philosophical justification to the Glorious Revolution of 1688 so much admired by Hayek, had formulated the same idea in the following terms:

Whoever has the legislative or supreme power of any commonwealth, is bound to govern by established standing laws, promulgated and known to the people, and not by extemporary decrees; by indifferent and upright judges, who are to decide controversies by those laws; and to employ the force of the community at home, only in the execution of such laws.<sup>34</sup>

Under such a system every individual is free to pursue his aims in peace using his knowledge in the way he or she sees fit. This implies that in a society under the rule of law the only kind of equality that is just is equality before the law. This is an essential point in Hayek's defence of liberty and a central feature of "true individualism". Like many classical liberals before him, Hayek realized that since all individuals are different by nature, equality before the law inevitably leads to inequality of results. In other words, freedom demands equal treatment according to laws based on general principles. This strongly opposes the socialist project of making people more equal through the law. In Hayek's words "equality before the law and material equality are not only different but in conflict with each other".<sup>35</sup> From the former it follows that any pattern of income distribution imposed by government would be contrary to the abstract and impersonal rules that characterized the rule of law and would constrain individual liberty resulting in the loss of economic and social well being: "the principle of distributive justice once introduced would... produce a society which in all essential respects would be the opposite of a free society – a society in which authority decided what the individual was to do and how he was to do it".<sup>36</sup> A social order based on

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<sup>33</sup> Friedrich Hayek, *The Road to Serfdom*, Routledge, London, 2001, pp.75-76.

<sup>34</sup> John Locke, *Second Treatise of Government*, Hackett Publishing Company, Indianapolis, 1980, p.47.

<sup>35</sup> Hayek, *The Constitution of Liberty*, p. 77.

<sup>36</sup> *Ibid.*, p.88.

claims of redistributive justice, argued Hayek, is opposed to a form of social order based on classical liberalism. In the latter, society is governed by rules of just individual conduct while the former places in the authorities the duty of commanding people what to do.<sup>37</sup> For this reason, the idea of “social justice” promoted by socialist and collectivist theorists is a major threat to individual freedom and the civilized order. It is important to note in this context that to a large extent, the quest for social justice is grounded in a false idea of how the market works. Champions of social justice do not understand the spontaneous nature of the market process. Market outcomes cannot by definition be unjust, for justice is an attribute of human conduct. If it was a central authority that determined the distribution of income in the market, it could certainly be argued in terms of justice. But since the opposite is the case, the demand for “social justice” has no meaning in a market order. It is a demand based on the mistaken premises of a collectivist approach to society. Taken to its ultimate consequences, warned Hayek, the quest for social justice would lead to a totalitarian system and the collapse of civilization. Because social justice presupposes that an authority can know and should decide what every member of society deserves, it is incompatible with the rule of law, which demands equal treatment to all members of society despite their differences. In other words social justice has the potential of annihilating individual freedom thereby bringing progress to a complete halt. Again here the link between freedom, progress and human ignorance becomes clear in the Hayekian theory of progress. A theory that would lose much of its ground if rationalist thinkers proved to be right in their belief that enlightened experts can advance the cause of civilization if they had the necessary power to impose their plans upon society. History however, has demonstrated beyond any doubt that Hayek’s liberal theory of progress, grounded on epistemological skepticism is a much more truthful interpretation of social evolution than the rationalist alternative, which found its ultimate manifestation in the socialist regimes that prevailed for much of the 20<sup>th</sup> century under the leadership of the Soviet Union.

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<sup>37</sup> Hayek, *Law, Legislation and Liberty*, pp.65-66.