

Hodgson on Hayek: a critique

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In his book *Economics and Evolution*, Geoffrey Hodgson offers a detailed critique of F. A. Hayek's writings on cultural evolution. Certain aspects of Hodgson's treatment appear to be inaccurate. This paper criticises Hodgson's critique.

Key words: Hayek, Cultural evolution, Methodological individualism, Darwin, Malthus

JEL classifications: B2, B3

Introduction

Both institutional economics and evolutionary economics have experienced revivals in the past two decades. If one sought a single person whose work occupies the interstices of the two movements, Geoffrey Hodgson would be an obvious choice. The author of numerous journal articles, Hodgson also wrote a book in each area, *Economics and Institutions: A Manifesto for a Modern Institutional Economics* (1988) and *Economics and Evolution: Bringing Life Back into Economics* (1993).

Hodgson's work has typically been well received. Philip Mirowski provides a representative comment: 'Geoffrey Hodgson is one of the foremost interpreters of the use of biology in the history of economic thought; he is also the prime mover behind the revival of institutionalist economics in Europe' (1997, p. 155). Hodgson's recent book *Economics and Evolution* has been heralded by some as a truly significant work. In a *Journal of Economic Literature* survey on evolutionary theorising in economics, Richard Nelson (1995, p. 51) called Hodgson's book 'elegant'. In his review in the journal *Economics and Philosophy*, Mirowski was equally laudatory, picking out for particular praise Hodgson's treatment of F. A. Hayek's writings on cultural evolution.

In the historical sections, my personal favourites are the chapters on Schumpeter and Hayek The two chapters on the curiously belated appearance of evolutionary ideas in Austrian economics will set the standards for Hayek scholarship in years to come. The observation that Hayek retreated from his 1940s crusade against 'scientism' in proportion to his own idiosyncratic interpretation of evolution in order to explicate his belief in spontaneous order is alone worth the price of admission. (Mirowski, 1995, p. 367)

Hayek's contributions on cultural evolution and group selection are among his most con-

Manuscript received 13 July 1998; final version received 30 July 1999.

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troversial. His work has spawned its own by now rather large secondary literature, one which I recently tried to work through. This led me to write two papers, one examining the various complaints and charges of inconsistency that have been raised against Hayek, the other an attempted historical reconstruction of the emergence of Hayek's views (Caldwell, manuscript, 2000). Having finished these tasks, I reread the chapters in Hodgson's *Economics and Evolution* on Hayek on cultural evolution. What I found surprised me.

Given Hayek's libertarian political preferences, as well as the ambiguity of certain of his writings, it is understandable that the secondary literature contains substantial differences of opinion over the merits of his work. As might be expected, certain of Hodgson's criticisms of Hayek echo themes that one might encounter elsewhere. But some other things that Hodgson said about Hayek seemed to me to be clearly and unambiguously wrong. Intriguingly, among them are the very claims that Mirowski judged to be 'worth the price of admission'.

In this paper, I shall challenge five claims that Hodgson makes about Hayek. The specific claims that I wish to challenge are the following:

1. Cultural evolution was a late development in Hayek's thought.
2. It was delayed because the introduction of a biological metaphor would conflict with Hayek's attacks on 'scientism'.
3. Hayek ignored Malthus, apparently for ideological reasons.
4. Hayek underestimated Darwin, chiefly because Darwin's system was a phylogenetic one, whereas Hayek favoured ontogeny.
5. Hayek was a methodological individualist, but this produces a 'fatal conflict' in his work because (a) methodological individualism commits him to ontogeny, and (b) is incompatible with group selection, which Hayek elsewhere endorses.

Of these, only part of the fifth statement, the question of whether group selection and methodological individualism are incompatible, has been extensively debated elsewhere in the secondary literature. Each of the five statements will be reviewed below. My first task will be to show that Hodgson actually made each claim. Then I provide arguments against each statement, and, when appropriate, offer alternative readings of the historical record.

Taken one at a time, the points I make are small ones, so it will seem at times that I am merely picking nits. By the end, however, I hope that it will be evident that the many small errors that Hodgson makes when taken together combine to create a portrait of Hayek that is not just unflattering, but also quite at odds with reality. Correcting that picture is the larger goal of this paper.

Hodgson's five claims

1. *Cultural evolution was a late development in Hayek's thought*

At the beginning of his first full chapter on Hayek, Hodgson writes:

[Hayek's] conception of socioeconomic and cultural evolution is the centerpiece of his mature theory, and it relates to such topics as his theory of law, the structure of political institutions, the nature of markets, and the critique of socialism and 'constructivism'. In view of its centrality, the relatively late development of the evolutionary idea is, therefore, somewhat surprising. (1993, p. 153)

Now what does Hodgson mean by 'relatively late'? Later on in the chapter he writes, 'It is not until his work of the late 1980s that he describes cultural evolution as being specifi-

cally Lamarckian rather than Darwinian' (p. 158). From this one might infer that 'relatively late' translates as 'the late 1980s'. The sentence just cited carries a footnote, however, stating that, although Hayek didn't use the term Lamarckian, 'the idea of acquired character inheritance is somewhat tardily recognized by Hayek' in the third volume of *Law, Legislation and Liberty*, which was published in 1979 (p. 291). Since 'acquired character inheritance' refers to a distinctly Lamarckian position, Hodgson's footnote (as opposed to the text) suggests that Hayek was introducing (at least Lamarckian) evolutionary ideas in the late 1970s.

Further on, Hodgson states that 'suggestions of a more prominent evolutionary approach in Hayek's work are found in a few passages of a collection of essays published in the 1960s' and that additional references pop up again in the 1970s. Hodgson immediately qualifies these remarks, however. He states that the references are 'slight' in the article he cites from the 1960s. As for the 1970s contributions, he says that (with the exception of parts of volume three of *Law, Legislation and Liberty*), 'Once again, however, the references to the biological literature and biological conceptions are patchy' (p. 158). Hodgson concludes with these words: 'Strangely, we have to wait until the late 1980s to receive the fullest explicit statement of Hayek's evolutionary conception, in a few pages of *The Fatal Conceit*' (pp. 158–9).

Hodgson's statements are carefully hedged, indeed, one might say expertly hedged. He acknowledges the fact that Hayek discussed evolution as early as the 1960s, but he then quickly downplays the fact. It should be noted, too, that most of the time Hodgson's claim is that Hayek makes very few references to biological evolution. Of course, to the extent that Hayek was talking about cultural evolution, references to biological evolution might well be irrelevant. In any case, those unfamiliar with Hayek's work who had only read Hodgson's text and footnotes would probably conclude that, except for some early hints, Hayek's work on cultural evolution did not really emerge until it appeared, 'rather tardily', in 1979 in the third volume of *Law, Legislation and Liberty*.

If this is in fact Hodgson's claim, it is demonstrably wrong. The first place that 'the evolutionary conception' explicitly appears in Hayek's work is with the publication in 1960 of his *The Constitution of Liberty*. Unfortunately, Hodgson does not mention the book, nor does it appear in his extensive bibliography.

In the third chapter of *The Constitution of Liberty*, Hayek observes that 'man's biological equipment' has not kept pace with the rapid progress of civilisation, so that 'many of his instincts and emotions are still more adapted to the life of a hunter than to life in civilization' (1960, p. 40). The sort of progress Hayek describes is not the reaching towards a known goal, but 'a process of formation and modification of the human intellect, a process of adaptation and learning in which not only the possibilities known to us but also our values and desires continually change' (p. 40). Though new knowledge is an outcome of the process, it must 'pass through a long course of adaptation, selection, combination, and improvement before full use can be made of it' (p. 42).

These remarks are a prelude to Chapter Four, where Hayek discusses two 'traditions of freedom', the 'speculative and rationalistic' French tradition, and the 'empirical and unsystematic' Scottish tradition (pp. 54–5). While adherents of the former view think that the institutions of liberty must be deliberately created, the latter 'find the origins of institutions, not in contrivance or design, but in the survival of the successful' (p. 57). The header to the page where this discussion takes place reads 'The Evolutionary Conception'. Later in the chapter Hayek says:

From these conceptions gradually grew a body of social theory that showed how, in the relations among men, complex and orderly and, in a very definite sense, purposive institutions might grow up which owed little to design, which were not invented but arose from the separate actions of many men who did not know what they were doing. This demonstration that something greater than man's individual mind may grow from men's fumbling efforts represented in some ways an even greater challenge to all design theories than even the later theory of biological evolution. For the first time it was shown that an evident order which was not the product of a designing human intelligence need not therefore be ascribed to the design of a higher supernatural intelligence, but that there was a third possibility—the emergence of order as the result of adaptive evolution. (pp. 58–9)

In his discussion, Hayek notes that theories of social evolution (this is the term he uses in *The Constitution of Liberty*, rather than cultural evolution) pre-date Darwin's theories (p. 59); that 'civilization was the accumulated hard-earned result of trial and error . . . embodied in tools and institutions which had proved themselves superior—institutions whose significance we might discover by analysis but which will also serve men's ends without men's understanding them' (p. 60); and that our institutions embody the wisdom 'of many generations' (p. 62). All of this is the standard fare of Hayek's later pronouncements on cultural evolution.

These quotations establish that the evolutionary conception, far from being a late development, was already fairly well formulated in Hayek's writings by 1960. The real question about Hayek and cultural evolution is not why his views developed so late, but how it was that they emerged so well developed in 1960?

I offer a conjecture about this in my paper on the origins of Hayek's writings on cultural evolution, a conjecture based on texts as well as on materials drawn from the UCLA Oral History Project and from the Hayek archives (Caldwell, 2000). One key document is Hayek's Finlay lecture, 'Individualism: True and False' ([1945] 1948). There Hayek first distinguishes between the Scottish and French traditions, but he labels them, as the title of his article suggests, as different forms of individualism. In 1960, he retained the view of two traditions, but he changed how he labelled them, calling one the rationalist tradition (which still later became 'rationalist constructivism'), the other the evolutionary conception. So Hayek changed from using individualism to talk about the two traditions to using an evolutionary metaphor in describing them, and the change occurred sometime between 1945 and 1960.

I speculate that one important motivating factor for switching metaphors was his work in psychology, work that was revived in the summer of 1945 and which culminated in the publication of *The Sensory Order* (1952).¹ Another important influence was the interaction Hayek began to have with natural scientists at the University of Chicago in the 1950s, among them the geneticist Sewall Wright, an early proponent of group selection (Hayek, 1983, p. 262). Finally, a Darwin Centennial celebration was held at the University of Chicago in 1959, and it was preceded by a year of paper presentations and panel discussions. Given his work on *The Sensory Order*, it comes as no surprise that Hayek participated on a panel called 'The Evolution of Mind'. But another panel titled 'Social and Cultural Evolution' doubtless also piqued his interest.

Given this information, it is plausible that Hayek's intrigue with evolutionary themes,

¹ Hayek's interest in psychology dates to the early 1920s, when as a student he wrote a paper that would later form the basis for his book *The Sensory Order*. The book had implications that went far beyond its immediate subject, as Hayek later stated: 'the work on it has helped me greatly to clear my mind on much that is very relevant to social theory. My conception of evolution, of a spontaneous order and of the methods and limits of our endeavors to explain complex phenomena have been formed largely in the course of work on that book' (Hayek, 1979, note 26, p. 199).

rather than being a late development, certainly dates at least to sometime in the 1950s, and possibly back into the 1940s.¹

2. *Cultural evolution was delayed because the introduction of a biological metaphor would conflict with Hayek's attacks on 'scientism'*

In trying to figure out why Hayek delayed the introduction of evolutionary ideas into his work, Hodgson speculates that:

The delay in the emergence of the biological metaphor in Hayek's writings may stem in part from his earlier critique of 'scientism' in social theory (Hayek 1979). There he denounces social theory for a 'slavish imitation of the method and language of science'. (Hodgson, 1993, p. 158)

Hodgson then suggests that Hayek softened his opposition to scientism in his later work, citing Hayek's admission that Popper had shown him that what the social scientists were copying was not the actual procedures of the natural sciences, but their own caricatures of it. This provided an opening for his use of biological metaphors.

We have just seen that the notion that cultural evolution emerged late in Hayek's work is an error. But even had the historical record been less clear on that, there are additional reasons to think that Hayek's wartime essay, 'Scientism and the Study of Society' ([1942–44] 1979), did not play the role suggested by Hodgson, that of delaying Hayek's introduction of the evolutionary metaphor.

Hayek was very clear that what he meant by 'scientism' was the unthinking application of the purported methods of the natural sciences to subject matters *where they did not fit*. Thus, for example, the banishment of anthropomorphism makes sense in the explanation of natural phenomena: don't try to explain the revolution of the planets according to their desires to move in ellipses. But to transfer the prohibition against anthropomorphism into the social sciences would be a signal example of scientism, with behaviourism (and its prohibition against looking for intentional 'explanations' of human action) being the most glaring contemporary exemplar of the sort of scientific practice that Hayek opposed.

Hayek did not discuss biology in the 'Scientism' essay, but had he done so, I suspect that what he would have rejected would be attempts to apply the Darwinian paradigm to questions of social evolution mechanically. These would have constituted 'scientism', because they do not take into account the differences between cultural and biotic evolution, something that Hayek always stressed in his own accounts. It might further be noted that Hayek's objections to 'historicism' in the essay fit in well with the notion that evolutionary processes are non-teleological; neither biological evolution nor the course of human history can be predicted in advance.²

If my reconstruction (Caldwell, 2000) of the development of Hayek's thought is correct, there is also an irony here. One of my theses is that Hayek started to think more seriously about the evolution of complex orders as he worked on *The Sensory Order* after the war. Furthermore, there is substantial textual and archival evidence to suggest that some puzzles he encountered in formulating the arguments in the 'Scientism' essay are what motivated Hayek to pull out the old student essay, and that this ultimately led him to

¹ As one referee noted, if one includes Hayek's writings on spontaneously ordered social institutions as reflecting an interest in evolutionary themes, his interest began even earlier. These themes are clearly evident in his Inaugural lecture at the LSE (Hayek, [1933], 1991).

² I thank one of the referees for making this point.

write his book on the foundations of psychology.¹ If this is correct, then the 'Scientism' essay, far from being an *impediment* to the development of Hayek's evolutionary thinking (*pace* Hodgson), was in fact an important initial *stimulus*.

3. Hayek ignored Malthus, apparently for ideological reasons

In Chapter 4 of his book, Hodgson examines the thorny question of the origins of Darwin's ideas. A large literature on this topic has grown up since the resurfacing in the 1960s of a set of Darwin's notebooks containing daily records, including what he was reading, from the crucial period in the late 1830s when he hit upon the theory of natural selection (Darwin, 1987, pp. 1–5). Scholars differ on what weights to attribute to the various influences (see, e.g., Mayr, 1991, Chapter 6). Hayek typically emphasised the influence of members of the Scottish school, especially as it may have come down to Darwin through his grandfather Erasmus.

Hodgson acknowledges the importance of these influences, but then criticises Hayek for concentrating on the Scottish school, calling his account 'one sided to the extreme':

Hayek repeats his account of the supposed influence of Bernard Mandeville, David Hume and Adam Smith on Darwin many times, to the unfortunate extent that Thomas Robert Malthus, and several others of significance, lose all mention and credit. (p. 57)

Hodgson offers further documentation and clarification in a footnote, which reads in part:

It is only in a relatively obscure article, appearing originally in 1931 in German and in 1936 in French, and for the first time in 1985 in English, that Hayek ([1931] 1991, p. 262) briefly and without further discussion, and without either endorsement or denial, quotes another author's view that 'Darwin was inspired by Malthus'. (note 3, p. 277)

Note the implications of this carefully constructed sentence. Hayek only mentioned Malthus's influence on Darwin once, very early on, and given that he did so 'without endorsement or denial', it is not clear that he really believed that Malthus influenced Darwin. If one adds this to his later neglect, Hayek appears either not to have believed that Malthus influenced Darwin, or had some reason to avoid mentioning the influence.

Now since everyone knows that Malthus influenced Darwin, Hodgson is at a loss how to explain what he calls Hayek's 'grave error' (p. 58). He finally offers an ideological explanation:

¹ The 'Scientism' essay is the only work by Hayek cited in *The Sensory Order*. In a retrospective on his book, Hayek states, '[i]n the early 1940s, I had done a study of what I christened 'scientism'—that is, an examination of the harmful effects that the physics model had had on the methodology of the social sciences—and in this work had been driven both to rely in some measure on the results of my unpublished work in psychology and to think further about some of the problems with which I had dealt in it' (Hayek, 1982, p. 289). In *Hayek on Hayek*, he again stated that his work on *The Sensory Order* was stimulated by 'my old ideas on theoretical psychology, which had been revived by the work on the methodology of the social sciences I had done during the early years of the war' (1994, p. 126).

The link between the 'Scientism' essay and what would become *The Sensory Order* is also confirmed in Hayek's letters from the period: 'I am at the moment entirely engrossed in an attempt to elaborate the psychological implications of the early part of my Scientism essays—or rather an attempt to restate certain ideas I had formed on this subject a very long time ago—at the moment at any rate I feel quite unable to give my mind to anything but these questions, but, of course, nothing may come of it' (Hayek, letter to Otto Neurath, dated 21 July 1945, located in Box 40, number 7, in the Hayek Archives, Hoover Institution, Stanford, CA). 'The theoretical problems, on the other hand, have led me to take up again a life-long interest in physiological psychology and to prepare a book on the place of mind in the universe of nature in which I elaborate certain themes only sketched in "Scientism"' (Letter to John Nef, dated 6 November 1948, located in Box 55, number 1, in the Hayek Archives, Hoover Institution, Stanford, CA).

Hayek offers other reasons for the return to psychology (see, e.g., Hayek, 1994, p. 152), but this does not change the fact that puzzles from the 'Scientism' essay led him to think again about psychology.

while Malthus saw disorder and chaos coming out of this evolution, Hayek always wishes to side with Mandeville and Smith, and stress the emergence of unintended spontaneous order rather than Malthusian catastrophe. Malthus did not have Hayek's degree of faith in the efficacy of the market, and he rejected the stability or finality of any social equilibrium or order. (p. 58)

Once again Hodgson's failure to examine *The Constitution of Liberty*, where Hayek's first full discussion of Darwin may be found, has consequences for his narrative. Hayek notes there that his emphasis 'on the role that selection plays in the process of social evolution' may lead the reader to think he is borrowing from biology, so that it is worth noting that in fact 'it was from the theories of social evolution that Darwin and his contemporaries derived the suggestion for their theories' (Hayek, 1960, p. 59). The sentence carries a footnote which begins: 'I am not referring here to Darwin's acknowledged indebtedness to the population theories of Malthus . . . ' (note 22, p. 433).

So Hayek clearly knew about Malthus' influence on Darwin, and Hodgson's claim that Hayek does not mention Malthus' influence except once is incorrect. But we still might wonder with Hodgson: Why does Hayek appear to neglect Malthus in his discussions of Darwin?

Hodgson proposes an ideological reason, but there is another one that is almost painfully obvious: Malthus was not repeatedly mentioned because his influence was too well known to point out! After all, Darwin himself mentioned Malthus in *On the Origin of Species* in his chapter on natural selection. In his autobiography, first published in 1887 and well known to anyone who knew anything about Darwin, the naturalist wrote that:

Fifteen months after I had begun my systematic enquiry, I happened to read for amusement Malthus on population, and being well-prepared to appreciate the struggle for existence which everywhere goes on, from long-continued observation of the habits of animals and plants, it at once struck me that under these circumstances favourable variations would tend to be preserved, and unfavourable ones to be destroyed. The result of this would be the formation of new species. Here, then, I had at last got a theory by which to work. (Darwin [1887] 1989, p. 144)

Recall too that Hayek was writing his words about Darwin during a time when the Darwin centennial was taking place. At such a time, Malthus' influence on Darwin was 'something that every schoolboy knew'. Hayek's whole point was to note that there were influences besides Malthus (the one that everyone knew about) on Darwin.

In failing to emphasise Malthus, Hayek need not therefore have been guilty of some grave error of neglect. His crime, if crime it be, was to assume that his audience was at least minimally informed. If this was in fact the case, Hayek was not the first author to pay for overestimating the sophistication of his readers. The real question is why Hodgson insists on an ideological explanation of Hayek's alleged 'lapse'. The more straightforward explanation—that the citation would seem patronising to educated readers—certainly seems equally, if not more, likely.

4. Hayek underestimated Darwin, chiefly because Darwin's system was a phylogenetic one, whereas Hayek favoured ontogeny

Hodgson further charges that in Hayek's work 'there is a tendency to underestimate the role of Charles Darwin in the development of evolutionary theory and both the originality and significance of his scientific work' (p. 159). He reproduces a quotation where Hayek suggests that the basic conception of Darwin's theory is 'exceedingly simple' (p. 159), then notes Hayek's assertion to the effect that men like Savigny and Burke were 'Darwinians before Darwin'. Hodgson protests that many of these earlier writers did not identify natural selection as a mechanism, that Hayek's selection of supporting documents are

skewed towards older times when Darwin's work was less popular, and that Hayek failed to distinguish between the different meanings of the term 'evolution' when looking at the contributions of the pre-Darwinian writers. Hodgson notes, too, the public goods nature of his own criticisms: 'With a social theorist as prominent as Hayek, the errors and travesties are likely to be replicated by his followers, and must be corrected' (p. 159).

Why does Hayek downgrade Darwin? The answer, in Hodgson's opinion, is simple enough: Though he appears to be in favour of phylogeny, Hayek's laudatory remarks about the market order reveal him to be a secret fan of ontogeny.

When Hayek ([1964] 1967B, p. 72) writes that 'the whole of economic theory . . . may be interpreted as nothing else but an endeavor to reconstruct from regularities of the individual actions the character of the resulting order' he is letting the cat out of the bag. Biological ontogeny is precisely the endeavor to explain the development of organisms from the regularities of their genetic endowment, in contrast to phylogeny which considers the sifting and changing of the gene pool through natural selection or drift. Hayek's statement clearly suggests ontogeny rather than phylogeny.

Thus, in implicitly comparing his theory to the kind of economic ontogeny found in the writings of Walras or Smith, Hayek makes the addition of the idea of 'natural selection' a mere appendage. Darwin is then reduced in stature because he is not significant for the Hayekian theory . . . It is thus no accident that Hayek simultaneously upgrades ontogenesis and downgrades Darwin's contribution. (p. 161)

Well, one hardly knows where to begin, but let us take what Hayek thought of Darwin first. The quotation about Darwin's theory being 'exceedingly simple' is taken from Hayek's paper 'The Theory of Complex Phenomena' ([1964] 1967B). A quick look at what Hayek actually wrote should help us to decide whether his intent was to undermine Darwin.

The basic conception of the theory is exceedingly simple and it is only in its application to the concrete circumstances that its extraordinary fertility and the range of phenomena for which it accounts manifests itself. The basic proposition which has this far-reaching implication is that a mechanism of reduplication with transmittable variations and competitive selection of those which prove to have a better chance of survival will in the course of time produce a great variety of structures adapted to continuous adjustment to the environment and to each other. (p. 32)

As the full citation shows, Hodgson quotes Hayek out of context. Hayek's intent in calling Darwin's theory 'simple' was not to slight it, but to emphasise that, despite its apparent simplicity, its range of applicability is vast. The three ideas that Hayek identifies as being essential in Darwin's theory, namely the identification of mechanisms of variation, heritability and selection, are the same three that Hodgson identifies in his section 'Phylogenetic Evolution: Some Elaborations' (p. 46). The differences between them are that Hayek's treatment is more succinct, and that it includes the point, a commonplace one today in the literature on self-generating orders, that simple rules can give rise to phenomena of great complexity.

It is certainly true that Hayek frequently wrote about the existence of 'Darwinians before Darwin'. He did not mean this phrase literally, of course; Hayek was not claiming that the writers he had identified had come up with the theory of natural selection. Rather, his point was that a type of evolutionary thought formulated outside the natural sciences preceded Darwin's contribution, and indeed influenced him, and that this line of influence (unlike 'Darwin's acknowledged indebtedness' to Malthus) had in recent times been forgotten. It had not been forgotten by earlier writers, whom Hayek of necessity cites.

Finally, Hayek's rationale for making this point is stated clearly enough in *The Constitution of Liberty*: 'Since the emphasis we shall have to place on the role that selection plays in

this process of social evolution today is likely to create the impression that we are borrowing the idea from biology, it is worth stressing that it was, in fact, the other way around . . . ' (1960, p. 59). Hayek didn't want readers to make the natural assumption that he was simply taking evolutionary ideas from Darwin. He was sensitive about the issue because in past years 'evolutionary' thinking in economics tended to be associated either with Social Darwinism or with Veblen and the institutionalists, and he would not have wanted his ideas to be linked with those of either group.

Hayek does insist that 'the mechanism of cultural evolution is not Darwinian' (1988, p. 23), and notes a number of differences between the theories (*ibid.*, p. 25). In his own book Hodgson makes the same sorts of distinctions, and indeed concludes, in apparent agreement with Hayek, that 'Hence there are no advocates of strict Darwinian evolution, as understood today, in the socioeconomic context' (p. 40). Hodgson's statement is quite accurate. What is remarkable is that when Hayek says the same thing, he is accused by Hodgson of 'downplaying Darwin's importance'.

Someone who has not read Hodgson's book might wonder why it is so important for him to establish that Hayek underestimated Darwin. For this, we must turn to Hodgson's claim that what is motivating Hayek is that he is some sort of closet ontogenist.

This charge against Hayek is crucial to Hodgson's whole brief against the Austrian, because for Hodgson, phylogeny is the appropriate evolutionary metaphor for the social sciences, and ontogeny is a poor one. Indeed, much of his book consists of looking at the writings of earlier economists and, based on whatever they might have said about societal evolution, placing them either within the ontogenist or the phylogenist camp. Adam Smith, Carl Menger, Lon Walras, Alfred Marshall and Joseph Schumpeter are all characterised as ontogenists of one sort or another by Hodgson, apparently because they either took an equilibrium approach to modelling or they thought markets contained some kind of order. Hayek initially is accorded phylogenist credentials, along with Malthus, Thorstein Veblen and Herbert Spencer (Hodgson, 1993, p. 39). But according to Hodgson's scheme, Hayek's belief that the ever-evolving market system exhibits characteristics of a self-generating complex order indicates that he should be placed in the ontogenist category. It appears then that, for Hodgson, the notion that a market system might be an example of a complex spontaneous order is in itself evidence of ontogenistic thinking.

That Hodgson's reinterpretation of works by economists who wrote long before the phylogeny-ontogeny distinction was made might not be the most illuminating approach to intellectual history is an issue that space constraints prohibit me from entering into here.¹ Even if one accepted the approach, certain of his judgements as to where economists fit could be challenged.²

¹ Hodgson acknowledges the limitation. He follows this with a one sentence justification of his procedure, a sentence the brevity of which, rather than ameliorating the doubts one might have, may well only heighten them.

The disadvantage of this mode of presentation is that we shall sometimes evaluate the writings of economists from the past by means of seemingly anachronistic concepts taken from modern biology. However, this is not as reprehensible as it may seem, as all history, by its very nature, involves the probing of materials from the past with the concepts of the present. (Hodgson, 1993, p. 36)

² For example, note the following assessment of Malthus by a distinguished biologist, an assessment that suggests grounds for an alternative reading of where Malthus might fit into Hodgson's framework. 'The world of Malthus was a pessimistic world: there are ever-repeated catastrophes, an unending, fierce struggle for existence, yet the world essentially remains the same'. Is a world remaining the same more consistent with ontogeny or phylogeny? Note the contrast Mayr draws with Darwin, who held 'the belief that the struggle for existence is not a hopeless steady-state condition, as Malthus believed, but the very means by which the harmony of the world is achieved and maintained. Adaptation is the result of the struggle for existence' (Mayr, 1991, pp. 85-6).

But let us limit ourselves to his treatment of Hayek. Unlike most of the other economists Hodgson discusses, Hayek actually employs the concepts, and explicitly embraces a phylogentic approach over an ontogenetic one. He invokes the distinction to argue against historicists and others who believe that there are 'laws of evolution' which would allow one to predict the development of a society. Hayek believed the contrary, that where complex phenomena are concerned, only pattern predictions are possible.

One of the main sources of this particular misunderstanding results from confusing two wholly different processes which biologists distinguish as *ontogenetic* and *phylogenetic*. Ontogenesis has to do with the pre-determined development of individuals, something indeed set by inherent mechanisms built into the genome of the germ cell. By contrast, phylogeny—that with which evolution is concerned—deals with the evolutionary history of the species or type. While biologists have generally been protected against confusing these two by their training, students of affairs unfamiliar with biology often fall victim to their ignorance and are led to 'historicist' beliefs that imply that phylogenesis operates in the same way as does ontogenesis. (Hayek, 1988, p. 26, emphasis in the original)

Hayek had made a similar point in the first volume of *Law, Legislation and Liberty*, though he does not use the language of phylogeny and ontogeny there. His words in this earlier work directly contradict Hodgson's claim that the emergence of a complex order necessarily implies ontogeny.

The pretended laws of overall evolution supposedly derived from observation have in fact nothing to do with the legitimate theory of evolution which accounts for the process. They derive from the altogether different conceptions of the historicism of Comte, Hegel and Marx, and their holistic approach, and assert a purely mystical necessity that evolution must run a certain predetermined course. Although it must be admitted that the original meaning of the term 'evolution' refers to such an 'unwinding' of potentialities already contained in the germ, the process by which the biological and social theory of evolution accounts for the appearance of different complex structures does not imply such a succession of particular steps. (Hayek, 1973, p. 24)

The idea that there are no laws of historical evolution is not a new theme for Hayek; as noted earlier, it dates to the 'Scientism' essay. His argument that the historicists took an ontogenetic rather than phylogenetic approach is added later to buttress his claims further. Hayek is one of the few economists mentioned by Hodgson who actually used the ontogeny-phylogeny distinction, he used it in a way that directly challenges Hodgson's categorisation method, and on the face of it his arguments are plausible.

It is curious, therefore, that Hodgson does not try to answer Hayek's arguments. Instead, we are told only that 'aware of the modern prestige awarded to Darwinism, Hayek admits some kind of selection process and phylogeny in his evolutionary theory' (Hodgson, 1993, p. 152). Hayek's actual claims are only mentioned in a footnote, where in two sentences the notion that the historicists were ontogenists is challenged (Hodgson, 1993, p. 291, note 1). Instead of arguments, in the text all we get is a part of a sentence which, once suitably 'reinterpreted' by Hodgson, is supposed to establish Hayek as an ontogenist, thereby 'letting the cat out of the bag'.

5. *Hayek was a methodological individualist, but this produces a 'fatal conflict' in his work because (a) methodological individualism commits him to ontogeny, and (b) it is incompatible with group selection*

The second part of Hodgson's final argument has been a perennial point of discussion in the secondary literature. His position is accepted by some, and has been disputed by others (see, e.g., Vanberg, 1994, Chapters 5 and 6; Lange-von Kulesa, 1997; Caldwell,

manuscript), and will not be further considered here. The first claim (about the relationship between methodological individualism and ontogeny) is uniquely his own, and obviously is meant to lend further support to the argument that Hayek is, despite his disclaimers, an ontogenist. As Hodgson puts it, 'in so far as his theory is still rooted in methodological individualism and the ideas of the Scottish School, it shall be argued that it largely remains in the confines of ontogeny' (pp. 152–3).

Hodgson's section on methodological individualism is lengthy, and contains a variety of claims and arguments.

- (a) Hayek is a methodological individualist. This is simply asserted: 'Methodological individualism may claim some priority because of its explicit longevity in Hayek's work' (p. 153). Hodgson defines methodological individualism as 'the doctrine that all social phenomena (their structure and their change) are in principle explicable only in terms of individuals—their properties, goals, and beliefs' (p. 153).
- (b) Methodological individualism is fatally flawed because it provides 'no good reason why explanations of social phenomena should stop short with the individual' (p. 155). Given that Hayek is a methodological individualist, this implies that his views are fatally flawed.
- (c) Hayek believes the units of selection are things like 'rules and practices'. But as Hodgson pointed out early in the book, 'A methodological individualist, however, would almost certainly insist that the only appropriate unit of selection is the individual' (p. 47). This is further reinforced in his chapter on Hayek:

Either the explanation rests on the rule rather than on the individual, or it has to explain the adoption of rules by individuals In both cases there is a clash with methodological individualism—at least the kind that Hayek has advocated in the past. (p. 169)

Since Hayek posits rules as the unit of selection, his thought is inconsistent with methodological individualism.

- (d) There is a further tension in Hayek's work in that he, like all Austrians, posits purposeful individual human behaviour. But this is incompatible with Darwinian selection: 'Clearly, if Hayek's notion of cultural evolution is to retain the notion of purposeful action, it must be distanced from an evolutionary process of a strictly Darwinian kind' (p. 158).

If I have given a fair rendition of Hodgson's arguments, the first thing to note is that none of them speaks to his claim that a commitment to methodological individualism carries with it a commitment to ontogeny. It should further be evident that the last point can be dropped immediately. Hodgson has slipped into the (Hayek would almost surely say, 'scientistic') mistake of thinking that cultural evolution must be strictly analogous with Darwinian evolution. But Hayek and Hodgson have already agreed that, as Hodgson put it, 'there are no advocates of strict Darwinian evolution, as understood today, in the socioeconomic context' (p. 40). So let us concentrate on the first three points: that Hayek is a methodological individualist, that methodological individualism is flawed because it offers no reasons why social analysis should stop with the individual, and that Hayek's use of rules as the 'unit of selection' is in any case inconsistent with methodological individualism.

Though we are alerted by Hodgson to the 'longevity' of Hayek's methodological individualism, he tells us little else about it. The definition he offers is not provided by Hayek, but by Jon Elster. We are then told that the definition 'is consistent with the definition of

von Mises' (p. 153). Hodgson next notes that Steven Lukes believes that methodological individualists take the individual as 'given', and then states that 'assumptions of this type are typical of neoclassical economics, as well as the economics of Hayek' (p. 153).

Now given the alleged longevity of his commitment, one is forced to wonder: Where is Hayek in all this? Where is his definition of methodological individualism, and where does he state his views? Indeed, what are his views? In the three full pages that Hodgson devotes to methodological individualism, only one quotation from Hayek appears. The quotation reads, if 'conscious action can be explained, this is a task for psychology but not for economics . . . or any other social science' (p. 154). But what has this to do with methodological individualism?

The assumption that Hayek is a methodological individualist is common in the secondary literature,¹ but in my recent investigations of Hayek's work on cultural evolution, I found that matters are not so simple (cf. Caldwell, manuscript). In fact, Hayek rarely even used the term 'methodological individualism', and when he did he was often referring to the ideas of someone else, such as Menger or Schumpeter (see, e.g., Hayek, [1942–44] 1979, p. 64; 1991, pp. 50, 55, 102–3, 160–1). The places where he comes closest to endorsing some such doctrine are associated with his wartime 'Abuse of Reason' project. These include the 'Scientism' essay and a few of the essays collected in *Individualism and Economic Order* (1948). References outside that are few and far between.

The type of methodological individualism that Hayek appears to endorse is unique. The contrasts between his views and those of the neoclassical mainstream are numerous. Hayek is famous, of course, for rejecting the full information assumption. But he also criticises the rationality assumption, calling it 'the bogey of "the economic man"' ([1945] 1948, p. 11; cf. 1960, p. 61). Furthermore, for Hayek 'self-interested' behaviour need not be 'selfish'; rather, it all depends on what interests an individual might have ([1945] 1948, *ibid.*, p. 15). He also asserted that 'the belief that individualism postulates (or bases its arguments on the assumption of) the existence of isolated or self-contained individuals, instead of starting from men whose whole nature and character is determined by their existence in society' was a 'common misunderstanding' (*ibid.*, p. 6). Finally, a rejection of the neoclassical assumption of stable tastes and preferences is implicit in Hayek and explicit in Mises.²

Now given Hayek's position, his further claim (which Hodgson quotes) that economists should take the choosing individual's tastes as 'given' makes a considerable amount of sense. Hayek is not saying, of course, that tastes and preferences do not change. Rather, we must take an individual's tastes as 'given' because we have so little information about what those tastes are, how they were formed, how they might be changing, and so forth. The assumption of 'given' tastes and preferences is in Hayek's hands an admission of how little economists know. It only becomes a 'dogmatic and over-restrictive' (Hodgson, 1993, p. 154) assumption if one adds to it the usual neoclassical provisos that Hayek rejects: that

¹ In an account of Hayek's methodological views that was written in the early 1990s, I gave undue attention to his wartime essays and this overemphasises Hayek's methodological individualism (see Caldwell, 1998, pp. 220–6).

² For Mises, there can be no inconsistency of preferences. Any particular choice simply reflects the choosing person's preferred states at the moment of choice, but those preferred states can change from moment to moment. As far as I know, Hayek never explicitly discussed the stability of preferences issue. However, given his remarks on equilibrium in papers like 'Economics and Knowledge' ([1937], 1948), and his beliefs that knowledge was ever changing, that the market helps correct wrong beliefs, and that changing social institutions affect human behaviour, I think that it would be bizarre to attribute to him the idea that humans have stable tastes and preferences.

all agents have access to the same, correct information, that tastes and preferences are unchanging, and so forth.

Hayek's variant of methodological individualism differs, then, from the neoclassical version.¹ But he also differs from Mises. Mises, like the neoclassicals, began his analysis with the individual agent, what he called 'acting man' ([1949] 1966, chapter 1). Hayek does not start from such microfoundations. The individuals might still be there, but Hayek always kept them in the background. He was much more concerned with the larger patterns that emerged at the market or institutional level.

To his credit, Hodgson acknowledges some of this, stating that, '[t]here have been some shifts in Hayek's work over the years, and it may be that "Hayek is by no means the champion of methodological individualism that he claims to be", as Stephen Boehm (1989, p. 211) alleges' (Hodgson, 1993, p. 157).² But if this is the case, why doesn't Hodgson let the reader in on some of the interpretive difficulties? And why does Hodgson devote so much attention to criticising a position that has so little to do with Hayek's actual beliefs?

In any event, Hodgson's argument at this point collapses. As noted above, the link between Hayek's methodological individualism and his alleged endorsement of ontogeny was never made clear. Hodgson assumes, rather than shows, that Hayek is a methodological individualist. Whatever variant of methodological individualism Hayek may have endorsed, it was not the sort that can be tarred with the brush Hodgson wields. As a result, the fact that Hayek believed that 'rules and practices', rather than individuals, were the appropriate units of selection involves no contradiction. Indeed, as a systems thinker, to the extent that Hayek used the term 'individuals', he was not always even talking about human beings, as the following indicates: 'we shall occasionally use the pairs of concepts "order and its elements" and "groups and individuals" interchangeably, although the former is of course the more general term of which the relation between group and individual is a particular instance' (1967A, p. 66).

A final point: Hayek begins the Epilogue to *Law, Legislation and Liberty* with a section entitled 'The Errors of Sociobiology' (1979, pp. 153–5). Had he been a methodological individualist of the sort imagined by Hodgson, surely this would have been a perfect place to assert the dogma that sociobiology is illegitimate because it goes below the level of the individual (to the level of the gene) in explaining social evolution. But Hayek did not do this. Instead, Hayek criticises the sociobiologists for assuming that there are only two, rather than three, sources of human values. Hodgson briefly discusses (pp. 161–2) Hayek's views on sociobiology, but does not seem to realise that Hayek's arguments against sociobiology establish that he could not be the sort of methodological individualist that Hodgson charges him with being.

¹ After 'Hodgson on Hayek' was accepted for publication, I came across a review article by Peter Boettke (1990) that criticised Hodgson's treatment of the Austrians and methodological individualism in his earlier 1988 book, *Economics and Institutions* (1988). Our criticisms of Hodgson are very similar. Boettke's basic claim, like mine, is that the Austrians never adhered to, and indeed were themselves critical of, the thin (neoclassical) version of methodological individualism that Hodgson opposes. Where I differ from Boettke is that I see differences between Mises' and Hayek's views, as well. In any event, Hodgson does not appear to have responded to this earlier critique by Boettke.

² Unfortunately, Hodgson does not elaborate on this statement. In his book, he lists the Boehm page reference as being 221; in my text this has been changed to 211, where Boehm's statement is actually found.

Conclusion

F. A. Hayek wrote on many subjects. His views were often controversial and not always clearly expressed. His writings on cultural evolution have generated an extensive discussion in the secondary literature. The debate has been substantial, and at times fruitful, perhaps particularly for those who hope someday to erect a more elegant and durable edifice on the foundations that Hayek laid.

Geoffrey Hodgson has played a prominent role in the revival of evolutionary thinking in economics, a revival that itself has bolstered interest in Hayek's work on cultural evolution. I have argued here, however, that Hodgson's idiosyncratic and fanciful rendition of Hayek's contribution should not be permitted to stand. In its place, I offer the following alternative reading.

Concern with cultural evolution and with evolutionary themes more generally was not a late development in Hayek's thought. Explicit reference to evolutionary themes date at least to 1960 and *The Constitution of Liberty*. His interest in evolutionary processes appears to have formed contemporaneously with his renewed interest in psychology some two decades before. Rather than obstructing or delaying his turn towards evolutionary themes, Hayek's essay 'Scientism and the Study of Society' appears to have provided an impetus for his return to psychology.

Rather than being tarred with ignoring Malthus' influence on Darwin, Hayek should be credited with pointing out Darwin's debt to the Scottish political economists. Hayek admired Darwin's contribution, recognising the generality of the principles of variation, heritability, and selection. But he also emphasised the many ways in which cultural evolution differs from biological evolution, perhaps most importantly in the 'Lamarckian' notion that acquired cultural characteristics are heritable.

Finally, the claim that Hayek was a methodological individualist is a commonplace one, but it is more often assumed than demonstrated. To the extent that he was a methodological individualist, it was of a variety quite different from that typically attributed to neo-classical economists. As such, many of the standard complaints against methodological individualism do not apply to Hayek's thought.

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