

SEMINARI di DIPARTIMENT



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FRIEDRICH AUGUST VON HAYEK OVERRATED AS A POLITICAL PHILOSOPHER, UNDERRATED AS AN ECONOMIST?

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F.A. Hayek, as he is known in the English-speaking world, was awarded the Nobel Prize in Economic Sciences in 1974. To many economists that came as a surprise.

They had almost forgotten Hayek was still alive. The most some of them knew was that during the 1930's Hayek had been the main adversary of the nascent macroeconomics of John Maynard Keynes. Even fewer economists remembered the contents of Hayek's economic theories.

Yet, instead of leading to a rediscovery of Hayek's economics, the first impact of the Nobel Prize was a revival of interest in his political philosophy. After finishing *The Constitution of Liberty* of 1960, he had just started to develop that part of his thought further again in the first volume of *Law, Legislation and Liberty*, published in 1973 (volumes 2 and 3 were to follow in 1976 and 1979).

The official recognition by the Swedish Central Bank made intellectuals discover Hayek's work in domains, too, such as social philosophy, the philosophy of law, the methodology of the social sciences, complexity, central economic planning, the philosophy of mind, and the history of ideas. The fact that up till today interest in his economics has continued to lag far behind may be dismissed as paradoxical – which it is. Yet it is also a waste of intellectual resources. This is because Hayek's economics contains various analytical tools for coming to grips with some of the big problems the world is still grappling with in the aftermath of the Great Crisis of 2007.

Among these are the imbalances between the real and the financial sector, the instability of the banking system, the long-run problems surrounding welfare in general and pensions in particular, and the interest rate.

I am not asserting that Hayek's economics contains ready-made answers to these problems nor that it is perfect or even complete. One of its major flaws is the neglect of government as an economic agent. What I do say is that the analytical framework of his economics has the potential to be developed so as to better understand these problems, and possibly come nearer to their solution. Hayek's political philosophy and particularly his defense of the liberal market economy, on the other hand, though interesting for many motives, in the end fails for reasons internal to his thought, which kept him from bringing it to a coherent conclusion.