INTRODUCTION

There is a kind of nihilism lurking in the Austrian tradition, a sense that the world cannot be improved, that all our efforts will be in vain. In its moderate version it exhibits itself as a conservative sensibility which favors the status quo and is skeptical about proposals for major overhauls in morality, culture, the economy, and society. It is undeniable that Hayek had such a sensibility, it is for good reason that we associate his work with that of Michael Polanyi and Michael Oakeshott. But Hayek did not want to be a conservative, and he certainly did not want to be a nihilist. In fact, his work between Freedom and the Economic System (1939) and Law, Legislation and Liberty (1982) is written from the firm belief that liberalism must be a constructive program, a legislative program, and yes, a policy program.

Scheall in his book F. A. Hayek and the Epistemology of Politics appears to want to revive the more nihilist version of the program. At the very least he seems determined to use the knowledge arguments from the more skeptical and critical parts of Hayek’s work against the more constructive parts of Hayek’s work. He does so by generalizing the epistemological critique that Hayek employed against the socialists and later the macro-economic planners, most notably in his Nobel address The Pretence of Knowledge (1975). Not merely institutional changes in a centralizing direction are epistemologically too demanding, but the same is true for institutional changes in a decentralizing direction. Scheall draws attention to the problem of policymaker ignorance and argues that policymakers will inevitably lack the necessary knowledge to achieve policy goals. Even if we would grant policymakers sufficient knowledge of the functioning of the economy to reach a particular policy goal, they would still be ignorant about the goals of their constituents. The ignorance and darkness appear to be all encompassing in many parts of the book.

Scheall seems to reach a kind of impossibility theorem in the book. He suggests as much: “For these reasons, the value of empirical political epistemology is likely to be more negative than positive, that is, to consist more often in the knowledge that policymakers probably cannot deliberately achieve some goal” (p. 163). I do not wish to deny in this reflection that Hayek would have disagreed. After all, in his most optimistic book The Constitution of Liberty Hayek early on suggested: “If we are to understand how society works, we must attempt to define the general nature and range of our ignorance concerning it. Though we cannot see in the dark, we must be able to trace the limits of the dark areas” (Hayek 1960, p. 23). For Hayek knowing what we cannot do,
however, is a step in the direction of knowing what we can do. I am not sure whether this is also true for Scheall, as he at least does not offer any practical examples of positive knowledge about policy. Even if we agreed that a Hayekian minimal or constitutional state was possible, we would not know how to get there according to Scheall. It is therefore at least a little bit ironic, that Scheall’s own proposal is a similar kind of constitutional proposal.

In these reflections I wish to explore what the constructive Hayek would have to say to Scheall’s, at times radical, skepticism. After all, there are passages in Scheall’s book that suggest we have a duty to look for what is possible, not merely point out what is impossible: “If we are serious about upholding democratic ideals, if we mean to pay more than mere lip service to these ideals, we need to think creatively about mechanisms that might ensure that goals associated with these ideals are actually pursued and realized.” So, let me proceed with seriousness.

POLICYMAKERS ARE IGNORANT, BUT WHAT ABOUT US?

At various points of Scheall’s book I was reminded of the public choice literature. Not in the sense that Scheall is interested in analyzing the incentives of policymakers, he is very explicit that for him epistemological concerns are primary, and incentive problems second. But in the sense that Scheall is intent upon demonstrating that policymakers are mere mortals, they live with the same epistemological defects, constraints and biases as citizens do. It is a fair and accurate critique, policymakers are no angels, and neither are they anywhere close to the omniscience of Laplace’s demon.

Hayek’s theory of human behavior is rooted in the idea that human beings act based on incomplete and subjective knowledge. Humans will rely on heuristics to obtain information, most famously market prices. And they will often follow cultural rules, which tend to contain a lot of built-up knowledge (of which individuals are incompletely aware). Since the future is uncertain, and the success of individual plans depends on the plans of other individuals, they will make mistakes. Hayek is very explicit about the lack of knowledge humans face in formulating their plans. He is less explicit about the extent to which humans face similar knowledge problems in determining their goals, the ends they pursue, but it would not be inconsistent with his overall philosophy. But despite all this lack of knowledge, the ignorance even, humans act.

They do so despite the uncertainty, despite their epistemological limits, despite their ignorance. And this is not merely true for individuals, it is also true for business leaders of major corporations, who certainly can be modelled as (a kind of) policymakers. The same is true for leaders of social movements, and managers of non-profits, who face presumably even more epistemological limitations since they cannot rely on the price system for important subsets of their actions. Of course, Scheall never in his book suggests that humans do not act, nor does he suggest that policymakers do not act. They do, despite their ignorance, and that is one of the motivations for his arguments about policymaker ignorance. But if all actors are ignorant, and epistemologically constrained that can never be an argument why some actors’ decision power should be severely restricted. Politics without epistemological romance, is still politics.

All actors in economy, in society, face the kind of epistemological limits that Scheall identifies. Scheall nowhere offers reasons why policymakers are in a fundamentally different position, although he does highlight that policymakers face the additional problem of limited knowledge about their constituent’s goals. But that problem is certainly not unique to political actors and holds for managers as much as it does for union leaders, and for civic leaders, as much as it does for women or men managing a household. Acting on behalf of others, is not the unique defining feature of policymakers. Nor was I ever quite sure that Scheall wanted to claim that this was the most important type of ignorance, it seemed that he gave precedence to the ignorance about how to achieve policy goals.

The crucial epistemological feature of markets, in the Hayekian approach to markets, is that the market is a dynamic process in which there is not merely learning but also discovery. Curiously Scheall’s discussion of the socialist calculation debate is relatively static, and his discussion of the epistemological properties of
markets, although based on Lavoie’s work, has very little eye for either learning processes or the role of entrepreneurship. To make matters worse the entire book does not mention the concept of uncertainty once (!).

This is odd since Scheall devotes an entire chapter to Hayek’s theory of knowledge and its connections to Viennese psychology. In that chapter there is ample attention to the sources of knowledge, as well as the nature of knowledge, but the discussion remains purely qualitative. Either one knows, or one doesn’t know. Either one is ignorant, or one has knowledge. Consequently, policymakers are either ignorant, or they possess the relevant knowledge. In my view that perspective is thoroughly un-Hayekian for several reasons.

First, Scheall, perhaps unconsciously, remains far too close to the neoclassical paradigm in which agents have preferences and policymakers are expected to act upon those clear preferences, as if the relevant paradigm for Hayekian political epistemology would be Kenneth Arrow’s world of preference aggregation. Secondly, ignorance, despite the occasional nod to the fact that it is a matter of degree,² remains an on-off property which obscures processes of adaptation, learning, and entrepreneurial action. Thirdly, there is very little attention in the book to the institutional structure of democracies, which makes it virtually impossible to seriously discuss the epistemological problem of politics based on the framework that Scheall lays out. In the next section I will jointly discuss point one and two, and in the final section the third point.

DISCOVERING WHAT WE WANT, POLITICALLY

Neoclassical economics and the associated welfare economics are based on the idea that individuals have a clear set of preferences. I firmly believe that Hayek’s thought, although his early work started from that assumption, is incompatible with this perspective. While it is beyond the scope of this commentary to develop this argument fully, Sugden (2018) has laid out a convincing argument along Hayek-Buchanan lines for the importance of behavioral insights, and the recognition of cognitive limitations about individual choice (and its implications for welfare economics). Sugden is justly skeptical of the idea that individuals have a clear conception of their own goals, and consequently of the idea of preference-aggregation.

In the Austrian approach fallible knowledge and uncertainty play a key role in all human decision-making. Strictly speaking this might merely pertain to the set of available goods, and how these can be used to pursue specific ends. But I see no good reason to argue why this not also pertains to the ends pursued by individuals. If we accept Hayek’s argument that markets are a discovery procedure, then certainly this should also apply to the ends individuals pursue (Hayek 2002). More generally I regard it as consistent with, or even necessary for, a liberal political economy to assume that the goals that individuals pursue evolve over time.

This means that a key aspect of the markets process is not merely the discovery of the most efficient means of producing goods for firms, and for consumers the most efficient means to reach their ends. Markets processes are also a discovery mechanism for what we should desire, what is worthy of our attention, and what we should aspire to. In Frank Knight’s words: “life is at bottom an exploration of values, an attempt to discover values, rather than on the basis of knowledge of them to produce and enjoy them to the greatest extent” (Knight 1935, p. 105). This process appears to me just as important in politics which complicates the first type of policymaker ignorance that Scheall identifies: the ignorance about the preferences of their constituents. If citizens are engaged in a discovery process about their (political) ends, we cannot demand that policymakers have knowledge of these goals. So, we must arrive at a process view of the political opinion formation to arrive at a Hayekian political epistemology, much like Hayek argued for a process view of competition.

I am not the first one to make this observation, in several articles Michael Wohlgemuth has explored what a Hayekian perspective on the political process would look like. He argues that in a perspective in line with Hayek, Buchanan (and Popper): “the virtue of democracy is predominantly assessed according to its ability to serve as a rule-guided procedure for the formation, discovery and utilization of opinions and conjectural problem-solutions” (Wohlgemuth 2002, p. 228). And he quotes Hayek to that effect: “Democracy is,
above all, a process of forming opinion (…) It is in its dynamic rather than its static, aspects that the value of democracy proves itself” (Hayek 1960 cited in Wohlgemuth 2002).

Wohlgemuth makes several important points. He provides good reasons why citizens in modern society might seek to develop informed opinions about political issues even if the ballot box itself is a weak incentive to do so (mostly for reputational reasons). He highlights the fact that politicians, in their role as political entrepreneurs, depend for their success on the creation of public issues, the formulation of alternatives, and what is particularly useful, the rebuttal of their opponent’s proposals.

Wohlgemuth’s most interesting argument is about the importance of minority opinions in a democracy. It is well-known from public choice theory that small groups might lobby for specific policies, something that is likely to succeed if the benefits of such a policy are concentrated, while the costs are dispersed. But the reverse is also the case, if the costs of a particular policy fall heavily on a particular group (are concentrated) then that group is likely to speak out against the policy, and will seek to change public opinion against it.

Wohlgemuth develops this idea into a more general point in which he emphasizes that in a Hayekian political epistemology heterogenous political opinions should be just as important as a starting point as in Hayekian economic analysis (another argument against preference-aggregation of the Arrow-type). The benefit of heterogenous political opinions is that it creates an arena of contestation, in which different goals and policy measures will have to compete with one another. Proponents will have to draw upon reason and evidence to argue for the superiority of their specific proposal and seek to transform public opinion in their favor. Wohlgemuth again cites Hayek to make this point:

The conception that the efforts of all should be directed by the opinion of a majority or that society is better according as it conforms more to the standards of the majority is in fact a reversal of the principle by which civilization has grown . . . it is always from a minority acting in ways different from what the majority would prescribe that the majority in the end learns to do better (Hayek 1960, cited in Wohlgemuth 2002).

To the best of my knowledge a very similar view of democracy, based on Hayek, has been developed by the late Gerald Gaus. He similarly defended the importance of plurality of opinions and worldviews to improve ‘public reason’ (Gaus 2010).

Perhaps a truly Hayekian political epistemology should be skeptical about the virtues of such an, ultimately, deliberate process. But I don’t think that invalidates the general insight. The ‘experiments in living’ in Nozick’s Utopia (1974) as well as the liberal archipelago of Chandran Kukathas (2003) are based on the same positive evaluation of difference and diversity for a liberal society, and not, or far, less reliant on the qualities of public debate. They seek to promote the discovery process through a process of selection, in line with Hayek’s later work.

Wohlgemuth’s idea that the democratic policy process functions as a kind of falsification mechanism of policy proposals is perhaps overly optimistic. Policies are rarely, if ever, tested in isolation. Another point that he does not fully develop is why political entrepreneurship might be beneficial. But if we extend Hayek’s analysis in the direction that G. L. S. Shackle has done it becomes quite evident why politicians might fulfill an important role in the political learning process. In Shackle’s perspective the imaginative act in the formulation of plans, in the face of deep uncertainty, is key for economic actors (Shackle 1972). We could extend that idea to the role of politicians and policymakers, who offer, based on some degree of imagination, possible avenues for an uncertain future. In his recent work Jens Beckert has highlighted the essentially forward looking nature of plan-formation, and extended that to the political sphere (Beckert 2016; 2020).

From this perspective the ignorance of individuals and policymakers is symmetrical. Nobody knows what the future holds, and nobody knows in advance precisely what they are pursuing. And yet, individuals, politicians, business leaders must act. They do so, based on plans. The role of policymakers (or poli-
ticians) in the political process is the development of such plans, the development of what Beckert calls ‘imagined futures’.

One might argue that this imaging of futures is a dangerous undertaking, especially in the political realm. And Hayek indeed never tires of making that argument. But pointing out the dangers is different from denying the importance of the process itself. Popper famously argued for piecemeal engineering, Hayek had much to say about general rules. There might be all kinds of other considerations, rules of thumb, conventions and heuristics that are used in policymaking and the formulation of political plans for the future that the liberal economist might wish to stress, or that the Hayekian political epistemologist might wish to highlight.

But to convincingly promote such heuristics or policy rules we need a sense, not merely of policymaker ignorance, but also of policymaker knowledge (and capacity). What is the set of policies about which we more or less know the effects, about which is our knowledge too limited, and which policies are mere wishful thinking? It is telling that the two practical problems that Scheall tackles are two of the most difficult policy problems imaginable: managing the business cycle and major political transformations. I grant immediately that these are areas where there is much ignorance and very little knowledge. But is this equally true for the introduction of an import tariff, for industrial subsidies, for an increase in the income tax? Are these really the type of policies for which policymaker ignorance is the most important problem? And is it true that: “constituents do not know what to do [to] avoid circumstances in which their policy demands are likely to be disappointed” (p. 154)? Is it true that constituents do not understand the relative difference in difficulty between a general speed limit, and the micro-management of traffic movements? Granted, there might be unintended consequences, and these are hard to foresee in many cases. But these are secondary effects, frequently small, and sometimes well recognized. The primary effect of a large set of everyday policies appears to be well known by policymakers and understood by citizens.

Scheall argues repeatedly: “On Hayek’s theory of knowledge, policymakers know enough to realize some policy objective to the extent that they can make a plan and realize the objective on the basis of this plan, without any need for the intervention of spontaneous forces” (p. 7). I am not quite sure what to make of that statement. Hayek’s favored policies are typically general rules which depend for their effect, precisely on the adjustment of the spontaneous forces in society. Policymakers can hardly ever directly realize a policy objective, if only for the simple fact that enforcement of policies is typically in the hands of regulatory agencies or other parts of the government, and not in the hands of policymakers themselves. More importantly, the practical (desired) effects of, say a tariff, depend very much on the spontaneous forces of adaptation after the introduction of the tariff. It might make more sense to take Hayek’s point about pattern predictions to heart: policymakers can at best make pattern predictions about the (expected) effects of their policies. For some policies we know more about the expected patterns, for others we are mostly groping in the dark.

INSTITUTIONS FOR DEMOCRATIC LEARNING

The most surprising sections in Scheall’s book, to this reader, were those where he sought to criticize recent work on epistemic institutionalism in the Hayekian tradition. Much of the relevant work in that direction has been done by Pete Boettke in his recent book on Hayek, and in a more practical sense in his book with Aligica and Tarko on public governance (Boettke 2018; Aligica, Boettke, and Tarko 2019). Scheall appears dissatisfied with this work since it never considers how the relevant epistemically desirable institutions could be realized. And hence he desires to move the problem one level up, not epistemic institutionalism, but political epistemology. The knowledge about how to realize the desirable epistemic institutions.

I am not at all convinced that such a move, one level up, would be desirable from a Hayekian perspective. What is distinct about Austrian political economy, next to its emphasis on processes, is its unwillingness to engage in ideal theorizing. In its best Hayekian versions—I might be guilty of idealizing here political economy seeks to compare real-world institutions with each other. The knowledge problem means that
ideal theories are unlikely to be of much use. Who would have the knowledge to analyze all the implications of such a situation? For real-world institutions on the other hand we have more practical knowledge, knowledge obtained from experience: experimentation, failure, and occasional success. According to Hayek’s later work most real-world institutions are typically a wealth of stored up knowledge gathered through a long process of experimentation.

In that sense we can only learn about the epistemic properties of different political institutions through experimentation. Much like the relevant set of goods, the best methods of production, and the most efficient allocation of resources can only be discovered through the market process, the process of experimentation. Fortunately, many earlier ‘experiments’ have taken place across time and place, and so there is some material to analyze for the relative epistemic properties of different (democratic) political institutions. That knowledge is imperfect, flawed, perhaps misleading, and most importantly incomplete. And yet we must act, and if we are to proceed with seriousness, keep thinking about how we can improve the epistemic properties of our democratic political institutions. This similarly holds for the problem that Scheall gives primacy, the epistemic requirements for institutional change.

Various institutions have been singled out for their epistemic properties by political economists in the Austrian tradition. Hayek himself suggested that organically grown institutions are generally to be preferred over designed one’s. Decentralization is praised for its epistemic benefits in market settings by Hayek, and federalism is generally believed to be its political equivalent. Recently various Austrian economists have been attracted to self-governing arrangements as exemplified by the commons in the work of Elinor Ostrom. Julian F. Müller has explored the epistemic virtues of a polycentric democracy (Müller 2019). His book contains a section on implementation. It is also worth pointing out that in political philosophy there is now a literature on political feasibility, explicit motivated by a desire for a non-ideal theory of politics (Gilbert and Lawford-Smith 2012).

I do not deny that Scheall is right in pointing out the importance of the epistemological aspect of politics, even the primacy of epistemology in politics. Most of the work I have mentioned so far is exploratory in nature and very recent. The most important work remains to be done, and I think rather than less institutional and more philosophical as Scheall suggests, it should be less philosophical and abstract, and more institutional. A good example is the role of the (political) press and more broadly the (social) media in modern democracies. Scheall briefly mentions the role of the press, but only to paint it as a further corrupting element next to the politicians, who he labels ‘bullshit artists’ (p. 154).

What is instead required is a serious analysis of the further epistemic characteristics of the political process. Market coordination does not happen only through prices. It occurs through a wide variety of additional coordination mechanisms: product categories, industry standards, reputation mechanisms, review systems, expert scrutiny and so on. These institutions, which vary from market to market, are important elements of the epistemological properties of markets. In similar fashion we should come to appreciate the political process not merely as an interaction between idealized policymakers and isolated citizens. Instead we should come to understand the complex process of coordination in the political process.

The institutions in the political process which facilitate learning and discovery are varied. Ideologies, much like product categories, are informational heuristics for the general direction in which solutions are sought. Political parties can function as screening mechanisms on the one hand, and function like brands (reputations) in a marketplace on the other hand. The press can, through the principles of division of labor (and knowledge), facilitate communication between policymakers and their constituents, as well as uncover scandals. Think-tanks and other research institutes could engage in policy evaluation as well as the exploration of new policy ideas. Opinion polls, focus groups and other types of mechanisms inform policymakers about the views and desires of constituents. Social movements have the power to combine many of the functions above, including more activist strategies such as protests and strikes.

Such institutions can work well, but they can also function poorly. Liberal theorists have typically regarded it of great importance that the state allows freedom of the press and association to ensure effective checks on government. More socially oriented liberals have suggested that states might have important fa-
cilitating functions in enabling such institutions. There are many epistemological aspects to differences in party-systems, the press functions very differently across the world. Germany has a system of think-tanks associated with the major political parties, whereas these are mostly privately funded and independent from state and politics in the United States. Techniques for surveying the public have evolved enormously over time. Social and political movements have existed in a wide variety of guises from lobby groups to terrorist groups. From an epistemological process they all seek to add knowledge to the process of political coordination, to signal what they want and how bad they want it.

CONCLUSION

A Hayekian political epistemology means the study of the process of political coordination. Just like the Hayekian economic epistemology finds its realization in the study of the process of economic coordination. That investigation should recognize the lack of knowledge among all participants of the political process, the deep uncertainty that they are facing. Consequently, the starting point can never be the aggregation of individual preferences, but must be the process of exploration and discovery. This open-ended coordination process is the starting point. From there we should proceed to the analysis of the epistemological properties of the existing (and historical) variety of democratic institutions, and empirically study these properties. We do not have the luxury of imagining idealized institutions, or ideal epistemological conditions. It is only in the political process itself that we can discover the relevant institutions, and in which they will prove their worth.

To pursue this Hayekian political project, we better engage with the enormous empirical literature on democratic, and other political institutions, already in existence. Like in other fields, a Hayekian or Austrian perspective will provide a fresh perspective. In my commentary I have sought to make clear that this should not be restricted to formal democratic institutions, but include the wide variety of supporting and related institutions such as parties, ideologies, the press as well as social movements. After all a Hayekian political scientist will be interested in all the ways in which knowledge in society is used. Both in terms of perspective, and in terms of scope a Hayekian political epistemology has much to offer. Scheall is, most certainly, correct in pointing out that the epistemological perspective is not the default perspective for economists and political scientists.

All of this makes me wonder, where the extreme skepticism about the abilities of policymakers come from in his book. Why is it that Scheall seeks to return to the almost nihilistic agenda of the Austrian program which comes close to the denial of any type of policymaking. Perhaps it is a sign of the times, a reflection as much of the current American political situation as of the general epistemological challenges that policymakers face. If that is true, then we should proceed toward the improvement of our democratic institutions not only with seriousness, but also with hope. Or as Hayek put it: “I have drawn encouragement from the fact that it [liberalism] has often emerged from adversity with renewed strength” (Hayek 1960, p. 7). 


NOTES

1 An implication of this symmetry of ignorance or lack of knowledge is that traditional political theorists were perhaps somewhat justified in focusing on the question of the legitimacy of political authority. After all, if there are no epistemological reason for granting policymakers authority, then these justifications must be found elsewhere.

2 For example: “The actionability of plans is not dichotomous but a matter of degree. Where individuals are less than omniscient and omnipotent, the disappointment of plans is an unavoidable aspect of social life” (p. 140).

3 Although it is interesting that in the discussion of political transformations Scheall highlights a particular type of knowledge, contextual knowledge of time and place, which was neglected. Implicitly he highlights here the crucial challenge for a Hayekian political epistemology I promote here: making the best use of all knowledge in society.

4 The public choice literature is in fact full of instances where policies are pursued primarily for their secondary effects, with good evidence that the actors were aware of these secondary effects. A good example is the literature on the minimum wage, which was often used to protect incumbent workers.

5 I was surprised to miss any reference to indeterminacy results on second-best policies in the book (Lipsey and Lancaster 1956). These results appear relevant to the feasibility of liberalization policies if one remains, as Scheall does, within the mainstream welfare economics perspective. I think in non-ideal theories these results are far less relevant, and the notion of pattern predictions is far more relevant.

REFERENCES


