
AYN RAND AND FRIEDRICH A. HAYEK: A COMPARISON

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THE PHILOSOPHER, AYN RAND, and the economist, Friedrich A. Hayek, did much during the twentieth century to provide philosophical arguments that helped to turn intellectual opinion away from statism and toward a free society. Although they are opposed on many philosophical and social issues they generally agree on the superiority of a free market. However, Rand's defense of capitalism differs dramatically from Hayek's explanation of the extended order.¹ In addition, he approves of state activity that violates Rand's ideas of rights and freedom. The purpose of this pedagogical article is to describe, explain, and compare the ideas of these two influential thinkers.

In their early years of writing both Hayek and Rand were heralded by businessmen. In addition, Hayek gained some respect from intellectuals when, during the 1920s and 1930s, he engaged in debates with socialist thinkers and later with Keynes, and when he published *The Road to Serfdom* in 1944. He wrote a number of scholarly books, attained formal academic positions, and earned the Nobel Prize for economics in 1974. Rand never did

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¹ There are two main branches of Austrian economics. Ayn Rand's philosophy is much closer to the thinking of those in the wing that includes Carl Menger, Ludwig von Mises, and Murray Rothbard than to those in the branch that includes Friedrich A. Hayek, Israel Kirzner, and Ludwig Lachmann, who took Austrian economics down a very different path.

write scholarly works or hold a formal academic position. Her philosophy must be extracted from her essays and her fiction.

Hayek was read in college classes sooner, and until recently was read there to a much greater extent, than was Rand. He was viewed by intellectuals as a responsible and respected scholar, and Rand was not. His antistatist vision was more acceptable to intellectuals because he called for some exceptions to laissez-faire capitalism. In his writings he permitted concessions for some state interventions. In his immense and varied body of work he touched upon a great many fields including anthropology, evolutionary biology, cognitive science, philosophy, economics, linguistics, political science, and intellectual history. During the last twenty-five years or so, Rand's works have been increasingly studied by scholars. There is now an Ayn Rand Society, affiliated with the American Philosophical Association, and a scholarly publication devoted to the study of her ideas: *The Journal of Ayn Rand Studies*. In addition, her writings are now being covered in college classes.

The first section of this paper presents a brief summary of Rand's ideas predominantly found in *Atlas Shrugged* (1957), *The Virtue of Selfishness* (1961), *Capitalism: The Unknown Ideal* (1967), *Introduction to Objectivist Epistemology* ([1966–67] 1990), and *Philosophy: Who Needs It* (1982). This is followed by an overview of Hayek's ideas as mainly expressed in his *The Road to Serfdom* (1944), *Individualism and Economic Order* (1948), *The Sensory Order* ([1952] 1967), *The Constitution of Liberty* ([1960] 2011), *Studies in Philosophy, Politics, and Economics* (1967), *Law, Legislation and Liberty* (1979), and *The Fatal Conceit* (1988). The next-to-last section of this article addresses the views of thinkers who have compared the ideas of these two thinkers. The concluding section then presents and explains an exhibit that summarizes the differences between Rand and Hayek on a number of issues.

Ayn Rand's Aristotelian Philosophy

Ayn Rand (1905–82), the best-selling novelist and world-famous philosopher, developed a unique philosophical system called Objectivism that has affected many lives over the last half century. This section summarizes the ideas distributed throughout her books, essays, lectures, and novels (especially *Atlas Shrugged*).

Metaphysics is the subdivision of philosophy that studies the nature of the universe as a totality. Epistemology is concerned with the relationship between a man's mind (i.e., his consciousness) and reality (i.e., the universe) and with the operation of reason. In other words, epistemology investigates the fundamental nature of knowledge, including its sources and validation.

One's theory of knowledge necessarily includes a theory of concepts, and one's theory of concepts determines one's theory or concept of value (and ethics). The key to understanding ethics is in the concept of value and thus ultimately is located in epistemology and metaphysics. The purpose of this section is to delineate the inextricable and well-argued linkages among the various components of Ayn Rand's philosophy of Objectivism. Rand's philosophy is a systematic and integrated unity, with every part depending upon every other part.

Hierarchically, philosophy, including its metaphysical, epistemological, and ethical dimensions, precedes and determines politics, which, in turn, precedes and determines economics. Rand bases her metaphysics on the idea that reality is objective and absolute. Epistemologically, the Objectivist view is that man's mind is competent to achieve objectively valid knowledge of that which exists. Rand's moral theory of self-interest is derived from man's nature as a rational being and end in himself, recognizes man's right to think and act according to his freely chosen principles, and reflects a man's potential to be the best person he can be in the context of his facticity. This leads to the notion of the complete separation of "political power" and "economic power": the proper government should have no economic favors to convey. The role of the government is thus "[to] protect man's rights" through the use of force, but "only in retaliation and only against those who initiate its use". "Capitalism," the resulting social system, "is based on the recognition of individual rights, including property rights, in which all property is privately owned" (Rand 1967, 10). For Rand, capitalism, the system of *laissez-faire*, is the only moral system.

Ayn Rand created the broad philosophical system of Objectivism in her novels and essays. Objectivism is her integrated system of thought that defines and explains the abstract principles by which a person must think and act if he is to live a life proper to man. Rand explains that a coherent philosophical system must have axioms which are irreducible, self-evident truths that are implied in all acts of cognition and that cannot be logically refuted. Objectivism is founded on the axioms of existence, identity, and consciousness. More specifically, existence exists, to be is to be something, and consciousness is the faculty that perceives that which exists independently of consciousness. Existence is identity and consciousness is identification. The task of a man's consciousness is to perceive reality, rather than to create it. The denial of any of Objectivism's axioms is illogical because they are implicit in the very act of their denial. The person denying the axiom is forced to use it in his efforts to deny it (Rand [1966–67] 1990, 55–61).

Affirming the primacy of existence, Rand declared that existence is fundamental and irreducible and that consciousness is a characteristic of human beings by which they acquire awareness of an independently existing reality. Her law of causality states that a thing's actions are determined by its nature. An entity may not act in contradiction to its identity. She explained that reason and free will are features of human nature and that free will is compatible with the law of causality.

Men are beings of conceptual consciousness, and reason is man's sole source of knowledge and guide to action. Rand defined reason as the faculty that identifies and integrates the material provided by the senses through the formation of concepts. She maintained the validity of a man's senses (i.e., perceptual realism) and that reason is competent to know the facts of reality.

Rand's metaphysics and epistemology are inextricably interconnected, and together they form Objectivism's philosophical foundation. Knowledge is based on the observation of reality. Through both extrospection and introspection, a man pursues knowledge using the methods of induction, deduction, and integration. A man forms concepts according to actual relationships among concretes and uses concepts according to the rules of logic. Rand provided a set of rules for deriving valid concepts. She explained that concepts refer to facts, knowledge has a base in reality, that it is possible to define objective principles to guide a man's process of cognition, and that the conclusions reached via a process of reason are objective. Rand contended that it is possible to obtain objective knowledge of both facts and values.

For Rand, essences and concepts are epistemological (as well as contextual and relational) rather than metaphysical. The essential characteristics of a concept are epistemological. The fundamental or essential characteristics (i.e., the essence) of a concept are determined contextually and may change with the growth of a person's knowledge. The essential characteristics and the definition that expresses them may change as one's cognitive context enlarges. Concepts are epistemological, yet they are real because they exist in one's mind, which is part of reality. Although concepts do not exist independently of one's mind, they are not arbitrary because they reflect reality, which is objective. The meaning of a concept is metaphysical, in the sense of its referents. Rand's epistemology, in which essences and concepts are epistemological rather than metaphysical, is arguably superior to the Aristotelian view which sees them as metaphysical. Her objective theory of concepts is integral to her rational epistemology (40–74, 95, 97, 98, 102, 103, 165).

Rand states that it is only the concept of life that makes the concept of value possible. Life as a particular kind of being is an ultimate end (i.e., an end in itself) for any living being. For a man, living as a rational animal means living by the use of his reason. She explains that reason is a man's only proper judge of value and his only legitimate guide to action. For Rand, what is good is an evaluation made of the facts of reality by a man's consciousness according to the rational standard of value of the promotion of his life.

According to Rand, the concept of value depends upon, and is derived from, the antecedent concept of life. Life, an ultimate goal and end in itself, makes the existence of values possible. Her naturalistic value theory is concerned with what is, in fact, proper or good for human life. Rand espouses a contextually relational objectivity in her theory of value. She contends that it is possible for a person to pursue objective values that are consonant with his own rational self-interest (Rand 1961, 13–39).

Rand's moral theory is based on the Aristotelian idea that the objective and natural end for a human being is his flourishing (Den Uyl and Rasmussen [1984] 1986, 63–80). Practicing morality will lead to his well-being and happiness, which is the highest moral purpose of his life. A man's need for morality arises from his distinctive nature as an entity with volitional consciousness. Because a person does not automatically perform the actions necessary to meet his needs, it is imperative that he ground his ethical judgments on reason. Adhering to a rational morality enables a person to make the most out of his life.² Rand's *eudaimonistic* account of ethics involves the virtues of rationality, independence, integrity, honesty, justice, productiveness, and pride. Life is conditional and requires choosing values, gaining them, and developing character attributes. Values are what a person acts to gain and/or keep, and virtues are the acts by which an individual gains and/or keeps them (Rand 1961, 27–29).

All concepts, including the concept, value, are derived from facts. The concept of value depends upon, and is derived from, the antecedent concept of life. Life's conditionality is the basis of moral value. Man's life is the ultimate value (i.e., an end in itself) and the standard of value for a human being. The concept of value presupposes an entity capable of acting to attain a goal in the face of an alternative. To live, man must think, act, and create the values that his life requires. The act of valuation is a type of abstraction and objective values can be identified by a process of rational cognition.

² There are Objectivist critics of Den Uyl and Rasmussen's flourishing or *eudaimonistic* interpretation of Rand's view of life. The survivalist argument can be found in Kelley (1992) and Khawaja (1992).

When one attributes moral value to something, one must address the questions “To whom?” and “For what?” Value is relational and dependent on the subject, object, and the context involved. The ultimate standard of value is the life of the valuer. Objective values are contextual and relational with respect to a given person. A personally estimated value can be either objective or subjective depending upon whether or not it is truly valuable to the life of the agent. The act of valuing involves discerning what maintains and advances the life of the individual. Some objective values are universal and stem from common human potentialities and characteristics. Others are objective but not universal. They depend upon one’s unique needs, circumstances, abilities, and so on. One’s life is the fundamental alternative at the end of a person’s value chain (or network) (Rand 1957, 939–940; 1964, 13–32; Peikoff 1991, 241–48).

There have been a number of contemporary virtue ethicists but none has done more to present a unified picture of virtue ethics than has Ayn Rand. Through her philosophy of Objectivism she has made a conducive and rational case for putting individual moral judgments on an objective basis. Rand’s method of moral reasoning aptly permits an individual to decide what he should morally do given the existence of particular metaphysically objective natural facts. Rand demonstrates how virtues and values can play essential roles in unifying the study of morality, flourishing, and happiness. She bases each virtue on the foundation of the values that the virtues bring forth and the functions that the virtues and values perform with respect to the individual’s flourishing and happiness. She explains that rationality is the master virtue and that all of the derivative virtues are integrated and interdependent, and are aspects of rationality applied and viewed within more limited contexts. Rationality, the primary virtue, has differing applications in different situations. The various virtues are logically interconnected both in theory and in practice.

Rand (1957; 1964; [1966–67] 1990) explains that to live, men must hold three ruling values: “reason, purpose, and self-esteem”. These values imply all of the virtues required by a man’s life. “Rationality,” the primary virtue, is the recognition of objective reality, commitment to its perception, and the “acceptance of reason as one’s source of knowledge, one’s only judge of values, and one’s only guide to action”. “Independence,” the acceptance of one’s intellectual responsibility for one’s own existence, requires that a man form his own judgments and that he support himself by the work of his own mind. “Honesty,” the selfish refusal to seek values by faking reality, recognizes that the unreal can have no value. “Integrity,” the refusal to permit a breach between thought and action, acknowledges that man is an indivisible, integrated entity of mind and body. “Justice,” a form of

faithfulness to reality, is the virtue of granting to each man that which he objectively deserves. Justice is the expression of man's rationality in his dealings with other men and involves seeking and granting the earned. A trader, a man of justice, "earns what he gets and does not give or take the undeserved". Just as he does not work except in exchange for something of economic value, he also does not give his love, friendship, or esteem except in trade for the pleasure he receives from the virtues of individuals he respects. Love, friendship, and esteem, as moral tributes, are caused and must be earned. "Productiveness," the virtue of creating material values, is the art of translating one's thoughts and goals into reality. "Pride," the total of the preceding virtues, can be thought of as "moral ambitiousness." Unfortunately, Rand did not produce a comprehensive, systematic, and detailed work with respect to the virtues. On the positive side, Tara Smith (2006) has endeavored to provide a detailed explanation of the virtues in the context of Rand's rational egoism.

A man must exercise his mind in the service of his life and thus requires the power to act without coercion from others. It follows that men must deal as traders giving value for value through voluntary exchange to their mutual benefit. A man should not obtain values from others by the use of force and may not initiate the use of force against others. Rand explains that a person's rights can only be violated by physical force or fraud and that the proper function of government is the protection of a man's rights. It follows that she views government as the agency that holds a monopoly on the legal use of physical force.

Rand's justification of capitalism is that it is a system based on the logically derived code of morality outlined above—a code of morality that recognizes man's metaphysical nature and the supremacy of reason, rationality, and individualism. The ruling principle of capitalism is justice. The overall social effect—the fact that individuals and groups who live under capitalism prosper—is simply a byproduct or secondary consequence. Political and economic systems and institutions that encourage and protect individual rights, freedom, and happiness are proper systems (Rand 1967, 1–29).

"A right is a moral principle defining and sanctioning a man's freedom of action in a social context" (Rand 1961, 110). According to Rand, rights are innate and can be logically derived from man's nature and needs. The principle of man's rights, like every other Objectivist moral principle, is derived by way of ethical egoism. The state is not involved in the creation of rights and simply exists to protect an individual's natural rights. There are no group rights—only individual rights. Group rights are arbitrary and imply special interests.

Humans are material beings who require material goods to sustain their existence. If one's life is the standard, man has the right to live and pursue values as his survival requires. He has the right to work for and keep the fruits of his labor—the right of property. “Without property rights, no other rights are possible” (110). A man who has no right to the product of his efforts is not free to pursue his happiness and has no means to sustain his life. A violation of a man's property rights is an expression of force against the man himself. The purpose of government is “[to] protect man's rights” (including property rights) and enforce contractual agreements—a breach of contract is an indirect use of force. The state's function is thus restricted to “[the] retaliatory use of force.” (126).

Under Randian capitalism, which historically has never existed, there is a complete separation of state and economy. Men deal with each other voluntarily through independent judgment, individual choice, and free trade to their perceived mutual benefit. The profit motive is just and moral. Profit is made through moral virtue and measures the creation of wealth by the profit-earner. The market price is socially objectively determined in the free market and represents the lowest price a buyer can discover and the highest price a seller can obtain. It is a socially objective value rather than a philosophically objective value (Rand 1967, 16–17). In a free market both parties expect to benefit—no one is willing to enter into a one-sided bargain to his anticipated detriment. A person's wealth under capitalism depends on his productive achievements and the choice of others to recognize them. Rewards are tied to production, ability, and merit. A producer can do with his wealth what he chooses as long as he does not infringe on the rights of another. However, Rand is against altruism, which involves giving up a higher value in favor of a lower value. Altruism is the moral doctrine that requires a man to live selflessly and disinterestedly for others and to place others above self. The essence of altruism is the demand for disinterested self-sacrifice instead of true concern for others. Altruism holds that self-sacrifice is the highest moral duty. Ayn Rand explains that it is not self-sacrifice to help someone whose well-being is important to one's own life and happiness. Charity is rational, objective, and genuine when, rather than being offered indiscriminately, it is offered voluntarily and only to valued individuals.

Ayn Rand, whose philosophy is a form of Aristotelianism, had the highest admiration for Aristotle. She intellectually stood on Aristotle's shoulders as she praised him above all other philosophers. Rand acknowledged Aristotle as a genius and as the only thinker throughout the ages to whom she owed a philosophical debt.

As realists, Aristotle and Ayn Rand are the philosophical champions of this world. Both appeal to the objective nature of things. They agree that

logic is inseparable from reality and knowledge. Affirming reality, reason, and life on earth, they concur that a man can deal with reality, attain values, and live heroically rather than tragically. Men can grasp reality, establish goals, take actions, and achieve values. They view the human person as a noble and potentially heroic being whose highest moral purpose is to gain his own happiness on earth. Their shared conception of human life permits a person to maintain a realistic moral vision that has the potential to inspire men to greater and greater heights. Rand follows the Aristotelian idea of *eudaimonia* as the human entelechy.

Like Aristotle, Rand subscribes to only a few basic axioms: existence exists, existence is identity, and consciousness is identification. Aristotle and Rand agree that all men naturally desire to know, understand, and act on the knowledge acquired. For both, all knowledge is arrived at from sensory perception through the processes of abstraction and conceptualization. They each see rationality as man's distinctive capacity. Both develop virtues and concrete normative behavior from man's primary virtue of rationality.

For both Aristotle and Rand, the issue of how a person should live his life precedes the problem of how a community should be organized. Whereas Aristotle sees a social life as a necessary condition for one's thoroughgoing *eudaimonia*, Rand emphasizes the benefits accruing to the individual from living in society as being knowledge and trade. Although Rand does not expressly discuss the human need for community in her nonfiction writings, her portrait of Galt's Gulch in *Atlas Shrugged* closely approximates Aristotle's community of accord between good men. Of course, the organization of Galt's Gulch is along the lines of anarchocapitalism rather than the minimal-state political system of capitalism advocated by Rand or the somewhat paternalistic ideal of Aristotle's polity.

Viewing human life in terms of personal flourishing, both Aristotle and Rand teach that we should embrace all of our potentialities. Their similar visions of the ideal man hold that he would have a heroic attitude toward life. The ideal man would be both morally and rationally heroic. They both see pride (or moral ambitiousness) as the crown of the virtues.

So where do Rand and Aristotle differ? Rand argues that her philosophy diverges from Aristotle's by considering essences as epistemological, relational, and contextual instead of as metaphysical. She envisions Aristotle as a philosophical intuitivist who declared that essences exist within concretes (Sciabarra [1995] 2013, 48). Rand considers essences and concepts to be the epistemological products of a classification process that reflects the best knowledge that a person possesses about the particular entity in question. In Objectivism, an essence is the (or an) essential

attributes(s) of the existents that a concept subsumes. A concept is formed by recognizing that existents in reality share essential characteristics. The fundamental characteristic(s) form part of the definition. The concept and the essence are epistemological. They exist in reality in that they exist in man's mind and man's mind is part of reality. They do not exist independently of man's mind. The meaning of a concept is not confined to its essential attributes. The meaning of a concept is the actual units in reality that are subsumed by the concept. This is the connection between epistemology and metaphysics (Rand [1966–67] 1990, 40–74, 102–130, 264–265, 274–279).

In addition, Rand appears to require the conceptual recognition of what is valuable or good in order for it to exist in reality as something potentially valuable to, or good for, a given person. Rand states that value consists of an evaluation of the facts of reality by man's consciousness according to a rational standard of value. It follows that the valuing does not exist outside the consciousness of man. In contrast, the Aristotelian view is that the values that a man may strive toward exist in reality as potential values in relation to himself even before he cognizes and chooses among them.

Also, Rand and Aristotle disagree regarding the role of choice in morality. She contends that an individual needs to choose to live or to flourish in order for ethical obligations to exist. If one chooses to live, then a rational ethics will inform him regarding the principles of action he is required to take in order to put his basic choice into effect. According to Aristotle, a person's obligation to pursue his self-perfection stems from facts pertaining to human nature. It is the nature of an individual human person's potential for flourishing, which exists as a potentiality whether or not it is chosen, that determines his obligation. Aristotle maintains that individuals make choices only about the objects of their deliberations, which are not ends, but are the means of ends. For Aristotle, the ultimate end (or good) for man is not chosen—it simply exists.

Whatever their differences, it is clear that Rand's philosophy of Objectivism is within the Aristotelian tradition. Rand inherited significant elements of the Aristotelian *eudaimonic* tradition. Rand, like Aristotle, recognized her task as helping people to know. Because of Rand, we have had a rebirth of Aristotelian philosophy with its emphasis on reason and on man, the thinker and doer.

Despite provoking a number of vehement and critical commentaries, Rand's controversial, original, and systematic philosophical positions should be taken seriously and treated with respect. She persuasively expounds a fully integrated defense of capitalism and the component metaphysical, epistemological, psychological, ethical, social, political, cultural, and historical

conditions necessary for its establishment and survival. Rand presents Objectivism as an integrated new system of thought with an organized, hierarchical structure. Whatever one's ultimate evaluation of her theories, Rand's unique vision should be considered worthy of comprehensive, scholarly examination.

Ayn Rand was a philosophical system builder who consistently integrated the various aspects of her clearly written and compelling work. Rand's view of the world and of human possibility in the world is at the heart of her system. She sees a benevolent world that is open to man's achievement and success.³ Happiness and great accomplishment are possible in the world. To succeed, man must comprehend the nature of the world and of man and must define, choose, and passionately pursue rational values. Moral greatness is possible for each of us if we rationally strive to live up to our potential, whatever that potential may be. A person who selects rational values and who chooses ends and means consonant with the nature of reality and with the integrity of his own consciousness exemplifies a moral ideal and can certainly be viewed as heroic. As a rational goal, Rand's ideal of moral greatness is available to every human being.

Hayek's Negative View of Human Reason

Friedrich A. Hayek (1899–1992), 1974 Nobel Prize winner and the most well-known of the Austrian economists, is primarily concerned with the nature, scope, limits, use, and abuse of reason in human life. For Hayek, a man's knowledge of the world and himself is at best limited, incomplete, and uncertain. Viewing the task of philosophy as the investigation of the limits of reason, he said that men needed to be aware of the limits of one's knowledge and that each of us should take our ignorance seriously. Analogously, one of the functions of economics is to show men how little they know about what they presume that they design. He emphasized the extent of human ignorance with regard to the decisions of particular individuals. Hayek explained that the fatal conceit was man's undue faith in the power of reason. Speaking of man's inevitable ignorance, he said that a person should be cognitively humble and should not exhibit the pretense of knowledge. Hayek was particularly concerned with the hubris of reason that characterizes constructivist rationalism. According to Hayek, if people are to understand

³ Peikoff (1991, 342) explains that Rand's "benevolent universe" premise does not mean that the universe cares about people or wants to help others. The universe simply exists. The benevolent universe premise means that if men adapt to the universe then it is possible for them to achieve their values in reality.

how society works, they must try to define the nature and extent of their ignorance regarding it. It is important for social scientists to “know” that they are ignorant and that they can never know or act in total consideration of all the facts relevant to a particular situation. It follows that social order cannot be the product of a directing intelligence.

A critic of political utopianism, Hayek argues that there is no way for bureaucrats to make intelligent decisions to deliberately plan or design an economy because it is impossible for them to gain and possess sufficient knowledge. Individuals act on the basis of local knowledge and their dispositions and preferences that they cannot totally express to themselves, let alone communicate them to some central authority. In other words, social arrangements cannot be products of deliberate calculations by social engineers. He explains that it is man’s fallibility together with the limits of reason that mitigate against a designed utopian order. Centrally directed economies are therefore bound to fail because they rely upon the limited knowledge of those who give the orders. Hayek explains that the proper role of the state is to create general rules that facilitate mutually beneficial interactions rather than to prescribe specific outcomes. It follows that, by not interfering in the spontaneous social order, concrete practical knowledge can most effectively be employed.

Hayek ([1960] 2011) rejects central social planning as a solution to the problem of attaining social order. Instead, he emphasizes the importance of decentralized decision making in the achievement of spontaneous social order. Hayek describes and elaborates on the idea of spontaneous order first articulated by Adam Ferguson and Adam Smith. His notion of spontaneous order refers to social institutions and practices that are the products of human action but not of human design. Hayek argues that many forms of social interaction are coordinated through institutions that are unplanned and part of a far-ranging spontaneous order. Spontaneous orders include language, markets, money, customs, traditions, and rules of conduct as exhibited in moral systems and systems of law. Customs and morals spontaneously evolve, but rules of law can be either spontaneous or by design ([1952] 1979). These have evolved without any conscious designer guiding them. The convergence of numerous rule-following people on one system of rules constructs social objects such as markets, money, language, law, and morality, which themselves are models of a spontaneous social order. Hayek maintains that institutions and values are determined as a part of a process of unconscious self-organization of a pattern or structure.

Hayek emphasizes the division of labor and its analogue, the division of knowledge (1948; 1955; [1952] 1979). He explains that a spontaneous order can use fragmented knowledge that is dispersed among people. He says that

each individual possesses specialized and local knowledge and that all the bits of specialized knowledge contribute to overall social order. Based on their local knowledge, people adapt to changing circumstances, pursue individual objectives, and engage in voluntary exchanges and cooperative relationships. It follows that civilization is founded on the use of much more knowledge than any one person is aware of or is capable of being aware of.

The division of knowledge increases the ignorance of any one person with respect to most of the knowledge. Hayek points out that the knowledge of which an individual is explicitly aware when engaged in some activity is only a small fraction of the knowledge necessary to successfully engage in that action. People cannot know nor articulate the full context of their decisions. Hayek contends that because it is undesigned, rather than the product of rational thought, the spontaneous order of society can accommodate the ignorance we all share of the many bits of knowledge on which society depends. He says that the structure of human activities constantly adapts itself to a multitude of facts that in their entirety are not known to any one person.

Hayek explains that markets make use of knowledge that goes beyond what could be obtained by a central authority intent on instituting a consciously ordered pattern. The market via the competitive price system is able to coordinate the activities of the participants in the market. He goes on to say that the price system is undesigned and not intended to fulfill the various purposes that it actually serves.

According to Hayek, ([1960] 2011), the rule of law underpins the idea of spontaneous order. As explained by Hayek, the rule of law requires law to be: (1) general and abstract, (2) known and certain, and (3) equally applicable to all people. The rule of law also necessitates independent judges unmotivated by political considerations and protection of a private domain of action and property. The rule of law is concerned with property, contracts, and torts and supplies a system of impartial rules that serve as a framework within which individuals and voluntary associations can seek their own diverse purposes and ends. When a free society is ordered through the rule of law it does not require a hierarchy of purposes or ends.

Knowledge, for Hayek, is a product of trial and error learning. It is an accumulation of functional and beneficial responses to the demands of man's survival. Hayek explains cultural evolution with his thesis of the natural selection of competitive traditions in which traditions and social systems compete to filter out errors. Knowledge and rules are tested by people in both the physical and social environments and are selected via competition based on their value for human survival. It is through unplanned evolutionary

progress with incremental alterations that human beings adapt themselves to life's contingencies. For Hayek, evolution simply means adaptation to changing environmental contexts. All rules governing social life are viewed as the products of evolutionary selection and modification. Social rules embody the knowledge of a given period. Hayek contends that systems of social rules providing successful behavior are adopted by other individuals without conscious reflection.

Hayek's evolutionary perspective on human survival includes an evolutionary theory of ethics (1988). For Hayek, moral conventions are part of the evolving and spontaneous social order. He explains that values are relative to particular historical circumstances and that people accept the values for which critics cannot find a reason to reject them. These unplanned moral conventions are neither invariant nor immutable. They change in accordance with the circumstances and needs of people who sanction them. According to Hayek, evolved moral traditions surpass the capacities of reason. Like Hume, Hayek views morals as a presupposition of, rather than as a product of, reason.

For Hayek, moral principles are not objective and frequently are unable to be articulated. He rejects teleology and the possibility that a system of objective morality can be developed. According to his evolutionary theory of ethics, values are not absolute and are based on one's feelings and convictions. Values are ends that reason serves but which reason cannot determine.

Hayek explains that social institutions and rules of conduct act as vehicles of knowledge regarding human beings and the world. Social norms, customs, mores, folkways, taboos, habits, and other rules build up over time and are learned through imitation. Rules are discovered when people interact through speech and example. These rules are accumulated, adapted, sometimes eliminated, and transmitted from person to person and from one generation to another. It is through emulation and mimetic contagion that rules conferring successful behavior replace rules that are inappropriate for the environment.

For Hayek, knowledge is, at the core, tacit or practical knowledge that exists in the dispositions or habits of people to act in a rule-governed manner. This tacit knowledge is embedded in social rules internalized by one's personality. Know-how refers to one's capacity to act according to rules in concrete situations. He explains that doing something always involves a practical knowing-how that tends to be tacit or inarticulate and not susceptible to explicit formulation. Such knowledge is first embodied in practices and skills rather than in theories.

Hayek emphasized the socially constituted nature of man. He says that society defines the individual and that the self or human personality is made by social rules. Man's nature, character, and awareness of moral duty derive from man's social embeddedness. Hayek explains that inherited social rules of perception and action form a person's goals and construct his deliberative capacities. Social structure is a precondition of social agency, and shared values delineate the ends and set the bounds to such agency. According to Hayek, rules, traditions, folkways, customs, mores, and so on of a culture establish habits of thought and restrain people's actions.

According to Hayek, customs and conventions supply the template for the orderliness of the world, including our shared moral values. These rules help people to know what to do in various situations. Actions of others are predictable to the degree that a person shares with them a common framework of perception and action. It is because of the existence of such a framework, built up through trial and error, that an individual is not totally disoriented when he enters unfamiliar circumstances. Hayek is very interested in studying the patterns of communication through which a person understands others and anticipates their behavior.

Hayek maintains that a person obeys social norms because he feels that he must obey them. These norms, ingrained in biological and/or cultural structures, are transmitted through birth or education. Because they interact in complicated ways, Hayek says that we cannot precisely differentiate between instinct and habit as they affect norms. Such norms embody the experience gained through trial and error of many generations. Individuals pursuing their own goals learn to conform with shared norms and constraints so that their exchanges and interactions will be orderly and favorable.

In *The Sensory Order* ([1952] 1967) Hayek thoroughly presents his theory of mind. Viewing man's reason as very limited, Hayek explains that a person develops "ideas" intuitively and passively. In fact, he says that a man's senses alone are able to discern recurring patterns or order in events without resorting to mental operations. According to Hayek, the capacity of a man's senses for spontaneous pattern recognition exceeds the ability of his mind to specify such patterns. He contends that somehow a man's senses are able to "theorize" and to react to unconscious inferences in his perceptions. Hayek acknowledges the inability of the human mind to grasp the basic rules that govern its operations. He explains that conscious thought is governed by a supraconscious mechanism, which itself cannot be conscious, that operates on the contents of consciousness. This supraconscious or metaconscious mechanism is the sensory order of neural connections.

Hayek says that there is a nonrational supraconscious level of abstract rules or conventions upon which all conscious thought depends. These rules are considered by Hayek to be axiomatic. For Hayek, the mind serves as a process of classification. Physical events are thus classified via the sensory order, which forms a cognitive framework for individual choice. For Hayek, the brain has categories in the Kantian sense that are part of the structure of the human mind. After stimuli have been classified, the mind is capable of perceiving them because they belong to a particular set of categories that the brain is able to process. An individual's perceptions are thus filtered by an act of classification that is common to most human beings. To a certain degree, the brain's physical structure is said to have evolved in various shared ways that are manifested in perceptual consistencies among most people. According to Hayek, one of the minds' functions is to order sensations.

Hayek contends that a person's sensory order is originally based on what he terms "pre-sensory experience" which is "knowledge" embedded in the structure of the mind. Existing before an individual obtains actual experience with the world, this pre-sensory experience is the result of the inherited biological and cultural experience of the human race. Physical events perceived and filtered by the sensory order are then subject to processes of abstraction and conceptualization.

Hayek explains that each person has his own framework through which he is able to perceive and to understand the world. Each person develops his own sensory order that is acquired through his own perceptions and experiences. The history, experiences, and choices made by specific persons will prompt individual brains to evolve in various directions and will direct one's perceptions in different ways. For Hayek, each person's neural connections or categories can be viewed as semipermanent and alterable. They evolve and are a function of the interplay of one's biology, experiences, and history of choices.

Hayek is a post-Kantian critical thinker. Like Kant, he disclaims a man's ability to know things as they are or the world as it is. For both Hayek and Kant, the world we see, the phenomenal world, is the product of the creative activity of our minds as they interact with the world. Any order a person finds in his experiences is the product of the organizing structure of his mind. The phenomenal world is what we sense and the real physical world beyond our senses is mainly accepted by faith. In other words, man's mind is impotent to know true reality (i.e., the noumenal world). This line of thinking led Hayek to proclaim that the concept of "things in themselves" served no purpose and thus could be omitted. Accordingly, he rejects the Aristotelian method of searching for the essences or natures of things. This leaves Hayek

with the purely concrete-bound knowledge of the phenomenal world (Gray 1982).

Hayek states that a person cannot step out of his human point of view so as to obtain a presuppositionless perspective on the world in its entirety and as it is in itself. As an element of the world, man does not have a privileged position that would permit him to stand outside and see objectively how reality and all of its laws go together. A person can never achieve a synoptic view of the world as a whole or of the workings of his own mind. Hayek says that it is impossible for a person's brain to produce a complete explanation of the specific ways in which the brain itself classifies stimuli because any such device would necessarily have to possess a degree of complexity greater than that which it classifies. In other words, to fully explain a man's knowledge, he would have to know more than he actually knows or that he is able to know.

Unlike Kant, Hayek contends that the mind is subject to evolution and is constantly changing. Like Karl Popper, Hayek champions an evolutionary epistemology that holds that the fundamental categories and structural principles of men's minds comprise evolutionary adaptations of human beings to the world. He explains that the mind categorizes phenomena that it uses to refine further its own categories. According to Hayek, because the mind's categories are changeable, logical reasoning may differ according to time, place, and person. Hayek's evolutionary epistemology, which includes the notion of the mind as consisting of matter and its relations, leads to the conclusion that there is no free will. He states that the controversy about free will is a "phantom problem," but he does accept that each person has a unique personal subjective will (Hayek [1960] 2011, 135–36). By this vague statement he seems to mean that a person's "choices" are determined by the interaction of the material that makes up the specific person and the material that constitutes the rest of the world. Hayek maintains that the causal determination of human action is compatible with assigning responsibility to human agents for what they do. Hayek explains that a person cannot avoid acting as if he is free because he is never in a position to understand how he is determined to act. He does not say that we have free will but simply that human beings are incapable of knowing how to behave as if their wills are not free.

Hayek, like Popper, views human beings as fallible and science as the product of a process of conjecture and refutation. Hayek adopted Popper's idea that it is the falsifiability of a proposal, rather than its verifiability, that makes knowledge empirically testable. Both held a critical polemical approach

to theory formulation contending that no knowledge can be verified. At best we can say that it has not yet been falsified but that is falsifiable.⁴

The writings of Ludwig Wittgenstein, the philosopher and linguist, influenced Hayek's contention that the study of language is a necessary precondition to the study of human thought. Wittgenstein maintained that philosophy cannot get beyond the limits of language. He inspired the logical positivists who explained that the purpose of philosophy is to analyze and clarify the meaning of words. They also held that the only road to knowledge was through controlled experiments employing quantitative and scientific methods. It was Wittgenstein primarily who prompted Hayek's interest in the way language influences a person's thoughts and creates his picture of the world. Hayek also followed Wittgenstein with respect to his emphasis on the important role of social rules in the transmission of tacit or practical knowledge (Gray 1982; Ebenstein 2003).

For Hayek, as for the logical positivists, words, rather than reality, become the starting point of analysis. Hayek engages in deconstruction by breaking down words and language to find their meaning, which for him is determined by agreement among minds. He is interested in studying the interactions between minds, through which individuals' definitions and ideas are tested and corrected by other people. Hayek sees linguistics as a somewhat coherent body of theory with which to begin his study of the social world. Hayek can be viewed as a positivist but not as a logical positivist. Unlike the logical positivists, he did not think that it was possible to reduce all experiences to sensory experiences or to empirically verify every conclusion or statement.

Rand vs. Hayek

Whereas Hayek exhibits breadth as an eclectic and intuitive scholar, he does not present a logical and coherent philosophical system. Moreover, he sees himself as a dissector, analyzer, puzzler, and muddler and certainly not as a master of his subject or as a systems-builder. His skeptical approach is grounded on a view of the limits of human reason. Hayek is certainly correct in arguing for the impossibility of using a particular understanding of reasoning (i.e., deliberative reasoning) to engage in central social planning. Unfortunately, Hayek sometimes seems to equate individual human reasoning with the deliberative reasoning used by social designers and

⁴ In chapter 15 of his 2003 book *Hayek's Journey*, Alan Ebenstein provides an excellent discussion of Hayek and Popper's intellectual relationship.

engineers. An individual uses his practical reason to identify his needs, wants, and constraints and to choose, create, and integrate all the values, virtues, and goods that comprise his personal flourishing. By disparaging reason in general, Hayek can be interpreted as sanctioning a type of spontaneous order that implies the unimportance and inadequacy of individual rationality. He would have been much wiser to have rejected state planning on the moral grounds that such planning would frustrate individual sovereignty.

David Kelley (2011) has written that Ayn Rand's philosophical perspective is radically different from the viewpoint expressed by Hayek. Whereas Rand makes a positive case for a free society based on active cognition, Hayek puts forth a negative case based on passive cognition. These two thinkers espouse far different views with respect to the efficacy of reason, active cognitive processing, intentionality, and free will in their arguments for a free society. Emphasizing choice and responsibility, Rand argues that reason can be used to discover and to validate society's proper organizational principles. Progress, for Rand, depends upon the human ability to think conceptually. For Hayek, people are not able to understand and to govern themselves solely by reason. Instead, he sees progress as emanating through social selection processes rather than as a product of conscious thought. Hayek's free society permits a wide variety of ideas, practices, and preferences to exist. A process of social selection then filters out unsuccessful societal rules and permits successful societal rules to evolve and to emerge. Societies flourish or fail depending upon the nature of the rules adopted.

According to Larry Sechrest (1998) Rand's defense of capitalism is based on epistemological realism, rationality, objective knowledge, and ethical egoism. Hayek's defense of a free society is based on the idea that socialism is a mistake because only an extended order (i.e., a free market economy) produces both liberty and prosperity. Hayek explains that the market process is a process through which individuals discover information that is valuable and useful to them. Such a spontaneous order of cooperation and abstract rules exists and prospers without any top-down conscious central direction. No individual possesses enough knowledge to justify a centrally planned economy. It is through cultural evolution that particular beneficial rules, customs, and morals are adopted that lead to wealth, population growth, and so on. Because of the limited capacity of reason, the evolution of an extended order is essentially a nonrational, nonconscious process. Traditions and customs, some that may not even be able to be explicitly stated and explained, evolve because they "work." Hayek's evolution is Lamarckian, rather than Darwinian in nature. Lamarckian evolution holds that acquired characteristics or adaptations of a generation that permitted it to survive are transmitted to succeeding generations. For Hayek this pertains to all

phenomena of mind and culture including physical, psychical, intuitive, and cultural characteristics. Cultural evolution works by transmitting acquired characteristics in the form of learned rules, intuitions, dispositions, traditions, customs, and so on. For Hayek, dispositions are both genetically inherited and also the result of experience. He associates his concept of tacit knowledge with this notion of dispositions that previous generations have amassed. It follows that, in a sense, each person is able to use all of the knowledge that has been accumulated and stored in the traditions of society without even realizing that he is doing so.

For Hayek, moral rules can be found somewhere between reason and instinct. Like Hume, Hayek is an epistemological skeptic who maintains that the rules of morality are not the conclusions of reason. He argues that there is no valid universal and timeless system of ethics. For Hayek, individuals are not fully moral agents as they are simply the entities in time and space where genetic, physiological, social, and cultural influences meet and interact in complex ways. Moral rules are tacitly acquired as one matures and gains experience in the world. This acculturation process involves the social pressure to conform and the need to imitate the behavior of other people. A person's awareness of his moral duty is part of his socially embedded nature.

Hayek espouses an evolutionary view of mind, morals, and society. He therefore focuses on the cultural, biological, and social context of man's capacity to reason and to be moral. He sees the mind, culture, and society as developing concurrently and reciprocally. His physiological theory of the mind, which emphasizes nerve cells, neurons, neuronal connections and circuits, and neural fibers holds that the mental frameworks by which our brains categorize the world are alterable in an evolutionary manner. Hayek agrees with Kant that the mind's categories are genetically transmitted, but he also says that they can be influenced by and changed through individual experiences. They agree that a preconscious framework of abstract categories and connections among categories permits people to make sense of the external world. However, Hayek contends that the mind's classifying apparatus is restructured, altered, and refined as a result of a person's experiences in the form of incoming impulses or stimuli. As a result, individuals differ in significant ways due to the uniqueness of each person's own experiences.

Hayek considers moral action to be evolved rational action. It follows that he views the spontaneous and evolutionary process of the world as the true source of morality. For Hayek there exists three inextricably related sources of man's moral values: genetics, culture, and to a limited degree, rational thought. Although Hayek claims to be a proponent of individualism, his main focus is on complex social phenomena. For him, reason is not a

faculty that can lead to an understanding of social development. Like Hume, Hayek is skeptical of the power of reason, which he says is incapable of producing objective moral rules. Unlike Hayek, Rand argues that a timeless objective moral ethics provides the foundation for a free society. Also unlike Hayek, she rejects collectivism on moral grounds rather than on practical grounds.

In his books (1995a; [1995b] 2013; 2000) Chris Matthew Sciabarra contends that Hayek was contrasting or juxtaposing constructivist rationalism with a legitimate alternative that he labeled critical rationalism. For Hayek, critical rationalism signifies reason properly used as a faculty that acknowledges its own limited potential. Hayek was critical of constructivist rationalists who have a “synoptic delusion” or false belief that they can consciously design a society as if they had complete knowledge.

Sciabarra ([1995b] 2013, 197–214) argues that Rand and Hayek’s conceptions of reason are actually somewhat similar and that the differences between them are largely a matter of perspective, context, degree, and emphasis:

Hayek was critical of a particular conception of reason, rather than of the rational faculty, *per se*... What needs to be discussed... is the distinction that Hayek and others have made between “knowing how” and “knowing that,” between tacit and articulate epistemological dimensions. This is a distinction that Rand never made in these formal terms, but which is apparent in many aspects of her thought... For Hayek, skills and habits, customs of thought and action are instances of our “knowing how” to do something without necessarily being aware of exactly what we are doing... Both Hayek and Polanyi maintained that we do not know why certain customs or taboos exist, except that some of them seem to embody an unarticulated “wisdom of the ages.” Skills and crafts are passed on for generations without the craftspeople being able to articulate exactly what it is they do... Rand recognized that most people accepted rules of social conduct tacitly as if by cultural osmosis. But she rejected emphatically the claim of evolutionists like Hayek, who assessed the efficiency of moral codes by their relative ability to sustain the culture that embraced them... Rand acknowledged that there is a significant tacit dimension in concept formation, subconscious integration, emotional response, sense of life, and psycho-epistemology. She recognized that skills and creativity involve important tacit elements... What must be understood is that Rand did not seek a synoptic identification of all that is tacit in the mind... She recognized that consciousness is by its nature, finite and limited... What Rand opposed in Hayek and Polanyi was their tendency to view skills, ideas, and morals as

ineffable... By contrast, Rand viewed the tacit components of knowledge as articulable in principle... Rand did not believe that it was a requirement of human survival to articulate *every* tacit practice. But for Rand the articulation process was not only possible, but *essential*, especially in the realm of morality, because it enabled individuals not only to “do the right thing” but to know *why* it was the right thing to do... Within the category of the man-made, Rand did not distinguish between those objects, institutions, or procedures which people *intended* to make, and those which were the unintended consequences of their actions. And yet, in recognizing that there are articulated and tacit dimensions of thought and action, Rand seems to have accepted the very distinctions she did not explicitly endorse... Rand never belabored the issue of unintended consequences because it appears somewhat obvious to her... Nevertheless, by not focusing extensively on unintended consequences, Rand neglected an aspect of social inquiry that was central to Hayek’s worldview... Hayek contrasted constructivist rationalism with a legitimate alternative which he called “critical rationalism.” He believed that “reason properly used” is a faculty that acknowledges its own limited potential... Clearly there are enormous differences between the Randian and Hayekian perspectives. But it is possible to see some significant parallels between them... Whereas Hayek concentrated on the social and cultural context of the capacity to reason, Rand focused on the identity of the rational faculty.

Sciabarra says that, despite problems in Hayek’s philosophy, Hayek contributes a great deal to what can be called a “dialectical-libertarian social theory.” Hayek has analyzed society not only from political and economic perspectives, but also as a phenomenon whose causes and effects can be studied on many different levels of generality and from many different vantage points. Sciabarra takes from this that we should study and defend freedom with an understanding of the interconnections between the political, the economic, the philosophical, the historical, the personal, the cultural, the psychological, and so on. Libertarians require an effective strategy that recognizes the dynamic and reciprocal connections among all of these aspects if they are to be successful in attaining a free society. Change must occur in many different areas and on many different levels. Sciabarra points out that Rand, like Hayek, viewed situations through multidimensional lenses in her attempts to understand the roots of a philosophical or social problem through logical, rigorous, and integrated analysis.

Steven Horwitz (2005) observes that Hayek and Rand were thinkers who proposed strongly opposed explanations for the source of ethical rules but who held somewhat similar conclusions with respect to these rules. Both argue for a strong link between philosophy, ethics, politics, and the role of

the state. Horwitz explains that the two thinkers are in agreement when it comes to the ethics of the anonymous world of the market and social interactions (i.e., the macro-cosmos). Rand's ethics are consistent with Hayek's rules of just conduct, that he says will evolve in a society to support the spontaneously ordered market economy. However, they differ regarding what is considered to be appropriate in the more personal and intimate world of the micro-cosmos. For Hayek, ethical principles are dependent upon institutional context but for Rand they are not. Whereas Rand's ethics reduce all contexts to that of trade, Hayek's ethics, given his view of the nature of the social world, see the worlds of the micro-cosmos as requiring different ethical principles.

Hayek's discussions of morality revolve around the ideas of cultural evolution and social spontaneity. He sees articulated rules of justice as being the result of the evolutionary transformation of moral rules. He also views morality as evolved guidelines for individual actions consisting of moral rules, legal rules, and customs. He does not suggest how long (if ever) it will take for a spontaneous order to conform with classical liberalism's moral and political principles or for immoral rules of conduct and traditions to fail to survive in cultural competition. Hayek says that political change is built on slow, tacit, and gradual evolution in culture, traditions, morals, habits, and so on. He defends classical liberal principles by proclaiming that they are the best principles suited to the nature of social knowledge. In contrast, the Randian perspective would be that rules and traditions can only be judged based on objective evaluation through the use of reason.

When it comes to practical matters, Hayek was diplomatic regarding policy issues which may be in accord with his views with respect to disjointed and incremental change in traditions, customs, laws, and so forth. He approved of, or did not explicitly oppose, many government actions that violated Rand's notion of liberty. He ended up defending a limited version of a mixed economy rather than a night-watchman state. Walter Block (1996; 2007) says that Hayek is lukewarm and ambivalent in support of laissez-faire capitalism and that he calls for many exceptions to libertarian principles. Hayek compromised with central planning on a whole host of issues and was a weak and conflicted supporter of the market. Some of the interventions that he somewhat supported were in the areas of handling monetary systems, limitations on working hours (maximum-hour legislation), some welfare for the poor, subsidies for businesses with positive neighborhood effects, health and accident insurance (socialized medicine), the promotion of competition through antitrust legislation, minimum-wage laws, and rent controls (which he did oppose but did not want to eliminate too quickly).

A Summary Comparison

Table 1 provides a summary comparison of Rand and Hayek based on a variety of factors and dimensions. With respect to metaphysics and epistemology Rand holds that “A is A” and that reality is knowable. In contrast, Hayek argues that reality is unknowable and that what men see are distorted representations or reproductions of objects existing in the world. The skeptic Hayek goes so far as to state that the notion of things in themselves (i.e., the noumenal world) can be dismissed. Whereas Rand’s foundation is reality, the best that Hayek can offer as a foundation is words and language.

Hayek supports the view that the human mind must have a priori categories that are prior to and responsible for the ability to perceive and interpret the external world. He adds to this Kantian view by making the case that each individual mind’s categories are restructured according to the distinct experiences of each particular person. Each person’s neural connections can therefore be seen as semipermanent and affected by his or her environment and experiences. The mind’s categories evolve as each specific person experiences the world. According to Hayek, there is pre-sensory knowledge embedded in the structure of the mind and the nervous system’s synaptic connections that can be further created and modified over time. For the neo-Kantian Hayek, knowledge always has a subjective quality.

Reason for Rand is active, volitional, and efficacious. It follows that she sees rationality as man’s primary virtue. She sees progress through science and technology as the result of the human ability to think conceptually and to analyze logically through induction and deduction. Rand also contends that people can develop objective concepts that correspond with reality.

In his philosophy, Hayek relegates reason to a minor role. He argues for a modest perspective of people’s reasoning capabilities. He contends that reason is passive and that it is a social product. Hayek’s message of intellectual humility is primarily aimed at constructivist rationalism rather than critical rationalism. As an “antirationalist,” he explained that the world is too complex for any government planner to intentionally design and construct society’s institutions. However, he is a proponent of the limited potential of critical rationalism through which individuals use local and tacit knowledge in their everyday decisions. Hayek views progress as a product of an ongoing dynamic evolutionary process. He said that we cannot know reality but can analyze evolving words and language. Linguistic analysis and some limited empirical verification provide Hayek with somewhat of an analytical foundation. His coherence theory of concepts is based on agreement among minds. For Hayek, concepts happen to the mind. Of

course, his overall theory of knowledge is that individuals know much more than can be expressed in words.

| | Rand | Hayek |
|---|--|---|
| Foundation | Reality | Words and language |
| Knowledge | Reality is knowable | Skepticism: the idea of things in themselves is dismissed |
| Reason | Reason is active, volitional, and efficacious | Reason is passive and a social product |
| Progress | Based on human reason and conscious thought | Evolution and social selection |
| Analytic method | Logical analysis including induction and deduction | Linguistic analysis and empiricism |
| Theory of concepts | Objective concepts that correspond with reality | Coherence or agreement among minds |
| Freedom | Positive case for freedom | Negative case for “freedom” |
| Free will | Man has free will | Man is determined but acts as if he has free will |
| Subject of value and unit of social analysis | Individual happiness | Perpetuation of society (i.e., the group) |
| The individual | Independent | Dependent: man is socially constituted |
| Rights | Based on the nature of the human person | Created by society through law |
| Law | Objective law | Rule of law |
| Ethics and morality | Rational objective morality based on reason and egoism | Evolutionary ethics based on altruism: habits and imitation |
| Values | Can be objective | Are only subjective |
| Desired social system | Laissez-faire capitalism | Minimal welfare state: public goods and social safety net |
| Highest level of understanding | Consciousness of the individual | Metaconscious framework: neural connections |
| Philosophical influences | Aristotle | Ferguson, Smith, Kant, Hume, Popper, Wittgenstein |

Table 1: Summary comparison of the views of Ayn Rand and Friedrich A. Hayek.

According to Binswanger (2016), Hayek thought that reason implies rationalism in which concepts are products of intuition. Hayek did not understand Rand’s rational theory of concept formation. Like Hume, Hayek

did not envision that there could be a logical and rational basis for inductive generalizations based on reality. Instead, as a skeptic, he thought that there only could be habitual associations, social conventions, and traditions based on trial and error, evolution, and spontaneous order.

Rand makes a positive case for freedom based on the nature of man and the world. She explains that man's distinctive nature is exhibited in his rational thinking and free will. Each person has the ability to think his own thoughts and control his own energies in his efforts to act according to those thoughts. People are rational beings with free wills who have the ability to fulfill their own life purposes, aims, and intentions. Rand holds that each individual person has moral significance. He or she exists, perceives, experiences, thinks, and acts in and through his or her own body and therefore from unique points in time and space. It follows that the distinct individual person is the subject of value and the unit of social analysis. Each individual is responsible for thinking for himself, for acting on his own thoughts, and for achieving his own happiness.

Hayek denies the existence of free will. However, he explains that people act as if they have free will because they are never able to know how they are determined to act by various biological, cultural, and environmental factors. His negative case for freedom is based on the idea that no one person or government agency is able to master the complex multiplicity of elements needed to do so. Such relevant knowledge is never totally possessed by any one individual. There are too many circumstances and variables affecting a situation to take them all into account. His solution to this major problem is to permit people the "freedom" to pursue and employ the information they judge to be the most relevant to their chosen goals. For Hayek, freedom is good because it best promotes the growth of knowledge in society. Hayek explains that in ordering society we should depend as much as possible on spontaneous forces such as market prices and as little as possible on force. Acknowledging man's socially constructed nature, he does not view individuals as independent agents but rather as creatures of society.

According to Rand, the principle of man's rights can be logically derived from man's nature and needs. Rights are a moral concept. For Rand, the one fundamental right is a person's right to his own life. She explains that rights are objective conceptual identifications of the factual requirements of a person's life in a social context. A right is a moral principle that defines and sanctions one's freedom of action in a social context. Discussions of individual rights are largely absent from Hayek's writings. At most he says that rights are created by society through the mechanism of law.

Whereas Rand speaks of objective law Hayek speaks of the rule of law. Objective laws must be clearly expressed in terms of essential principles. They must be objectively justifiable, impartial, consistent, and intelligible. Rand explains that objective law is derived from the rational principle of individual rights. Objective law deals with the specific requirements of a man's life. Individuals must know in advance what the law forbids them from doing, what constitutes a violation, and what penalty would be incurred if they break the law. Hayek says that the rule of law is the opposite of arbitrary government. The rule of law holds that government coercion must be limited by known, general, and abstract rules. According to Hayek certain abstract rules of conduct came into being because groups who adopted them became better able to survive and prosper. These rules are universally applicable to everyone and maintain a sphere of responsibility.

Rand espouses a rational objective morality based on reason and egoism. In her biocentric ethics, moral behavior is judged in relation to achieving specific ends with the final end being an individual's life, flourishing, and happiness. For Hayek, ethics is based on evolution. Ethics for Hayek are functions of biology and socialization. They are formed through habits and imitation. Whereas Rand understood that value judgments could be objective based on a correct relationship between a person's mind and the facts, Hayek viewed value judgments as subjective, existing only in one's mind. Rand explains that values reflect facts as evaluated by persons with respect to the goal of living. Values can be objective if they promote the life of the valuer. They are contextual and relational dependent upon the specific individual, the object, and the situation involved. For Rand, values are metaphysically objective when their attainment requires conformity to reality and they are epistemologically objective when they are discovered through a process of rational cognition. The act of valuation is a type of abstraction and a product of the process of concept-formation and use.

Subjective values are creations of a man's consciousness independent of reality. Hayek, like Ludwig von Mises, is a subjectivist who maintains that all values flow from the consciousness of the valuer. These Austrian economists also assert that ends are given and subjective and that they depend upon a person's internal goals, purposes, or motives. For them, economic values are subjective: existing within the minds of acting individuals. Hayek did not understand that values could be logical, rational, and objectively determined through inductive reasoning based on reality.

Hayek, like Mises and other Austrian economists, maintains that values are subjectively determined (i.e., personally estimated) by each individual. Rand explains that there is another level of values that defines values in terms of correct preferences. Depending upon its relationship to the end of a given

person's life, the value can be objective (i.e., rational) or subjective (i.e., irrational). A personally estimated value can be either objective or subjective depending upon whether it is truly valuable for the individual. Austrian economics is descriptive and deals with the logical analysis of the ability of selected actions (i.e., means) to achieve chosen ends. Whether or not these ends are truly objectively valuable is not the concern of the Austrian economist when he is acting in his capacity as an economist. There is another realm of values in terms of objective values and correct preferences and actions. Ayn Rand's Objectivism is concerned with this other sphere and thus addresses what a particular human being ought to value and act to attain.

Although Austrian economists hold that values are subjective and Objectivists argue that values are objective, these claims are not incompatible because they are not really claims about the same things—they exist at different levels or spheres of analysis. The value subjectivity of the Austrians complements the Randian sense of objectivity. The level of objective values dealing with personal flourishing transcends the level of subjective value preferences.

Rand advocates a social system of *laissez-faire* capitalism in which the sole function of the state is the protection of individual rights. Hayek, on the other hand, allows for certain exceptions and interventions to make things work. He holds that it is acceptable for the government to supply public goods and a safety net. Whereas Rand bases her defense of capitalism as an economic system on her rational ethics and rational politics, the best that Hayek can do is to argue that capitalism spontaneously evolved naturally over time as a result of trial and error.

For Rand, the consciousness of the individual human person is the highest level of mental functioning. For Hayek, it is a supraconscious framework of neural connections through which conscious mental activity gains meaning. He states that this metaconscious mechanism is taken for granted by human beings. The set of a person's physiological impulses forms what Hayek calls the sensory order. Perception and pattern recognition follow one's sensory order which is altered by a person's own perception and history of experiences.

Aristotle is Rand's only acknowledged philosophical influence.⁵ They both contend that to make life fully human (i.e., to flourish) an individual

⁵ Although Ayn Rand's only acknowledged philosophical influence was Aristotle, it can be said that she respected, and was likely affected by, the thought of others such as Thomas Aquinas, Brand Blanshard, Hugo Grotius, John Locke, Nicholas Lossky,

must acquire virtues and make use of his reason as fully as he is capable. Hayek was influenced by Kant and Popper in epistemology, Ferguson and Smith in evolutionary theory, Hume in ethics, and Wittgenstein in linguistics.

Although Rand and Hayek are opposed on many philosophical questions they generally agree on the desirability of a free market and are among the most well-known defenders of capitalism in the twentieth century. The works of both of these intellectual giants are highly recommended for any student of liberty.

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