BOOK REVIEW:

**“F.A.HAYEK AND THE EPISTEMOLOGY OF POLITICS – THE CURIOUS TASK OF
ECONOMICS” BY SCOTT SCHEALL**

REVIEWED BY

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The book's declared purpose is to advance a "research program in political epistemology" (p. 1) exploring the *problem of policymaker ignorance* and its consequences "for politics, for society, and for political and social inquiry?" (p. x). Positing that the problem he addresses "has been almost entirely neglected throughout the long history of political thought" (p. 3) Scheall shows that he does not shy away from strong claims. Indeed, his book presents quite a few such claims, inviting, as strong claims tend to do, a reviewer's critical examination of their tenability.

The first chapter's central (and often repeated) claim is that the "problem of policymaker ignorance is logically prior ... to the problem of policymaker incentives" (p. 2). While it is uncontroversial that that "the epistemic" is *logically* prior in the sense that human action "can deliberately realize goals ... only to the extent that the knowledge upon which action is based is adequate" (p. 34), the conclusions Scheall draws from this insight are surely less so. It entails, as he posits, that the "nature and extent of policymaker's ignorance serves to determine their incentive structure" (p. 29), a fact that, in his judgment, Hume's constitutional maxim fails to account for. In recommending that when drafting a constitution "every man ought to be supposed a knave," so Scheall charges, Hume "neglected the significance of policymakers' ignorance" (p. 16), a failure of which he considers Hume's "modern descendants in the public choice tradition of political economy" (p. 10) equally guilty. Hume's maxim, so Scheall's verdict, "gives bad methodological advice" (p. 18), because, even if "we somehow managed to solve the problem of policymaker incentives, we would still have to address the problem of policymaker ignorance" (ibid.).

To be sure, a constitution that aims of addressing the incentive problem does not answer the knowledge problem. Yet, the reverse is true as well, even if one were to follow Scheall's argument that persons' "ignorance ... is an important factor in determining whether a course of action appears to them as an option and ... to what extent they are incensed to pursue it" (p. 21). His arguments on what kind of "determination" is supposed to be involved here remain, however, rather vague, asserting little more than that policymakers, when choosing among alternative policy-options, have an incentive to "pursue the epistemically easy" (p. 178). In

fact, Scheall tones down his claim when he notes that the “initial, pre-conscious ranking of options ... can be (and, presumably, often is) overridden by other, non-epistemic considerations” (p. 169).

Acknowledging “that economists of the Austrian School, Mises and Hayek in particular, have come closer than other political thinkers to recognize the logical priority of the problem of policymaker ignorance to that of incentives” (p. 4), Scheall explores in chapter 2 “the historical development of the Austrians’ political-epistemological approach” (p. 34). While crediting Hayek with having generalized Mises’ original epistemological argument against socialist central planning in his critique of Keynesianism and other versions of interventionist policies, Scheall concludes, nevertheless, that “he did not extend it as far as it can go” (p. 64), leaving fully generalizing it a task yet to be completed.

In chapter 3 Scheall argues that taking on this task provides an opportunity “for Austrian School economists ... to extend their epistemological approach” (p. 5), but also poses a problem for them by complicating “their own case for liberalism” (p. 79). In contrast to their “well-grounded political-epistemological argument against socialism” (p. 75), so Scheall posits, Austrians have failed to provide “a well-grounded political-epistemological argument for liberalism” (ibid.).

A closer look at the arguments Scheall offers in support of his claim suggests that he tends to confound two obviously quite different matters, namely, on the one hand, the epistemic burdens involved in operating a liberal vs. a centrally planned system, and, on the other hand, the epistemic burden involved in implementing or setting up of these systems. The requirement that a meaningful comparison between the Austrian case for liberalism and the socialist case for central planning must be symmetric is obviously violated when Scheall posits that Austrian liberals are not “any better epistemologically equipped to deliberately realize an effective liberal order than socialist central planners are epistemologically equipped to deliberately coordinate supply and demand” (p. 79). The “epistemic requirements of liberal transition” (p. 101) faced by Austrians who pursue the goal of “effectively liberalizing relatively illiberal societies” (p. 5) are categorically different from the epistemic requirements faced by central planner seeking to “deliberately coordinate supply and demand.”

In the remaining chapters of his book Scheall aims at sketching “the research program required to analyze the problem of policymaker ignorance in particular political contexts and, ultimately, to mitigate policymaker ignorance and its effects in the real world” (p. 102). Most

of chapter 4 (pp. 112-128) he devotes to an instructive discussion of Hayek's epistemological approach, reviewing the influences on, and the development of Hayek's conception of knowledge. As Scheall emphasizes, for Hayek knowledge includes all actionable (and fallible) beliefs "that can be put to work in service of deliberately realizing the believer's goals" (p. 128). For the problem of policymaker ignorance this outlook at knowledge implies, so Scheall notes, that we "must accept that there are only less-than-perfect approaches to the problem and seek to mitigate it as far as possible rather than solve it once and for all" (p. 130). The two chapters that follow deal with "two (non-mutually exclusive) ... ways of possibly moderating the deleterious effects of policymaker ignorance in the real world" (ibid.), both of which, as Scheall adds, "have their roots in Hayek's ideas" (ibid.).

In chapter 5 Scheall discusses what he calls the "epistemic-mechanistic approach" (p. 137), an approach that investigates "any devices, mechanisms, or processes" (ibid.) that might help "to improve the knowledge of political actors, policymakers and constituents alike" (p. 174) and to "facilitate the communication of knowledge" (ibid.) between them. The largest portion of this chapter is devoted to an extensive exposition of the Hayekian outlook at how the market price mechanism serves as an epistemic device in the economy (pp. 142-146) and a detailed discussion of how the decentralized "publication-citation-reputation" system serves as such a mechanism in science (pp. 146-151). It is only at the very end of this chapter that Scheall turns to epistemic mechanisms in *politics*. He repeatedly emphasizes that "the mechanisms that typically exist in democratic political contexts ... are quite inadequate to the requirements of a tendency toward political order" (p. 153), without offering any suggestions for how democracies' epistemic deficiency might be remedied. It should be said that, preempting any expectations that he might do so, Scheall tells his readers at the very beginning of this chapter that what he is going to offer is only "a meta-theory of the epistemic-mechanistic approach" (p. 137), not "specific mechanisms" (ibid.).

Chapter 6 deals with the second of the two approaches supposed to mitigate the effects of policymaker ignorance. The "*constitutional*" approach, as it is called,

takes the knowledge of policymakers and constituents as given and seeks to mitigate the effects of policymaker ignorance ... by limiting political action to goals that political action can positively contribute to realizing ... and leaving all other goals to spontaneous forces (p. 9).

Just as Scheall's arguments on the epistemic-mechanistic approach, his arguments on the "constitutional" approach are mostly about *what* this approach is supposed to accomplish, but say little about *how* it is supposed to actually do it. We learn that "we should avoid assigning

goals to policymaking that are more effectively realized spontaneously, and (that) we should avoid leaving goals to spontaneous forces that are more effectively realized via policymaking” (p. 173). And we are told that “[a]s political-epistemological inquiry progresses, we should learn more about how to divide the class of potential policy ends” (ibid.) and that “a completed empirical political epistemology would allow us to determine precisely” (ibid.) where to draw the dividing line. Yet, we are left in the dark as to how the “constitutional” approach is supposed to be put to work in actual practice. Scheall’s declared purpose with the “final two chapters is to consider tools and methods that might serve the development of political epistemology as both a theoretical and an empirical discipline” (p. 130), the ultimate purpose of which is “the crafting of a political constitution ... that mitigates the effects of policymaker ignorance as far as possible” (158). The chapters are meant, as he notes, to provide suggestions “for getting this inquiry off the ground” (p. 130).

As for the future development of a *Hayekian* political epistemology I would like to submit that there is a more promising starting point than Scheall’s “epistemic-mechanistic” and “constitutional” approaches. These are arguments that can not only be said to have “their roots Hayek’s ideas” but have been explicitly and extensively elaborated in Hayek’s work, namely his arguments on the intrinsic connection between *ignorance* and *rules*.¹ Central to Hayek’s theory of knowledge is the argument that rules are “a device for coping with our constitutional ignorance” (1976: 8), an adaptation to the “inescapable ignorance of most of the particular circumstances which determine the effects of our actions” (1976: 20). In discussing what this basic fact of the human condition means for the scope and limits of deliberate policy, Hayek emphasizes that “our attempts to influence intelligently the processes of society” (1973: 12) ought to be confined to the *indirect* method of improving the *framework of rules* within which these processes unfold rather than attempting to *directly* create what we regard as desirable end-states. In his 1962 inaugural address at the University of Freiburg, Hayek described this outlook at politics in these terms:

[C]ontrary to a widely held opinion, economic theory ... has comparatively little to say on the concrete effects of particular measures in given circumstances. We know the general character of the self-regulating forces of the economy and the general conditions in which these forces will function or not function, but we do not know all the particular circumstances to which they bring about an adaptation ([1963] 2014: 225).

¹ For more details see Vanberg 2017.

In his lecture Hayek emphasized the affinity of his own outlook at politics and the theoretical approach the so-called Freiburg School had advanced under the label “*Ordnungspolitik*,” an approach one may describe as “government by rules,” adopting a concept Hayek had used as the opposite to “government by orders” ([1946] 2010: 62f.).²

The reference to Hayek’s concept of “government by rules” provides an occasion to clarify an ambiguity inherent in a phrase Scheall repeatedly uses throughout his book, namely that what “we do not know enough to deliberately achieve .. can be achieved, if at all, only if spontaneous forces of some kind intervene to some extent” (p. 30). Importantly, though, the notion that “spontaneous forces intervene” can take on two quite different meanings that Scheall fails to clearly separate from each other. It can mean that, in spite of their lacking knowledge, policymakers achieve an intended goal by sheer happenstance, due to, as Scheall puts it, “the intervention of luck, fortune, or other spontaneous forces” (p. 178). Or it can mean that policymakers deliberately rely on spontaneous forces to achieve what they know they cannot accomplish by deliberate design. It is in this latter sense that Hayek speaks of “government by rules,” denoting an approach to politics that uses the instrument of *institutional framing* to channel “spontaneous forces” in ways that promise to result in beneficial *patterns* of outcomes. It is to such kind of “*Ordnungspolitik*” that Hayek (1973: 45) refers when he speaks of the rules of law “which, because we can deliberately alter them, become the chief instrument whereby we can affect the resulting order.”

Contrary to what Scheall asserts, Hayek does not denote social orders “that emerge out of spontaneously evolved systems of rules as ‘spontaneous orders’” (p. 141). Rather, Hayek explicitly states that “while the rules on which a spontaneous order rests, may also be of spontaneous origin, this need not always be the case” (1973: 45). And he stresses:

The spontaneous character of the resulting order must therefore be distinguished from the spontaneous origin of the rules on which it rests, and it is possible that an order which would still have to be described as spontaneous rests on rules that are entirely the result of deliberate design” (1973: 45f.).

Considering our “ignorance of most of the circumstances which determine the effects of our actions” as *inescapable*, he recommended imposing constitutional constraints on policymakers that limit their *discretionary authority* by binding them to *govern by rules*. Limiting our collective ambition to improve the social order in which we live to “government by rules” helps in Hayek’s view not only to mitigate the problem of policymaker ignorance. It

² For more details see Vanberg 2013.

also helps to mitigate the incentive problem because, so he argues, by limiting the discretionary power of legislators and governments it deprives them of the power to grant privileges to some at the expense of others. The same rationale also informs Hayek's (1979: 105ff.) proposal for a "model constitution" that Scheall criticizes as epistemically flawed (pp. 86ff.). Hayek advocates there

a real separation of powers between two distinct representative bodies whereby law-making in the narrow sense as well as government proper would be conducted democratically but by different and mutually independent agencies (1979: 107).

The purpose of so shielding the setting of rules from day-to-day politics is to contain the temptation for rules to be chosen according to their expediency for the problems of the day, rather, as they should be chosen, in terms of their general, long-term working properties.³ Scheall appears to miss this very point when he blames Hayek for failing to specify "what sort of epistemic mechanisms might convey to the members of the different chambers the specific knowledge they would require to perform their respective tasks effectively" (p. 86). He even concludes:

If no efficient method existed by which this knowledge might be conveyed, then, just like socialist central planners, legislators would lack the empirical knowledge required to do their job efficiently (pp. 86f.).

To be sure, a Hayekian political epistemology that takes its departure, as suggested here, from Hayek's arguments on the "knowledge problem" and the "rationale for following rules" will have to be content with more modest insights into how democratic politics might be made to better serve constituents' common interests than the insights Scheall expects a "completed empirical political economy" to deliver. I submit, though, that the former may be more likely to produce workable recipes for real world politics than the inquiry into Scheall's "epistemic-mechanistic" and "constitutional" approaches.

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³ For more details see Vanberg 2008: 155ff.

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