Alan Ebenstein: *Friedrich Hayek: A Biography.*

Alan Ebenstein is a well-known historian of economic thought. In this book, he elaborates on Hayek's liberalism and the intellectual climate in which his ideas developed. In particular, Ebenstein's investigation into much of the material in English is outstanding. This book is more useful and gives more important information than does Hayek's autobiography, *Hayek on Hayek* (1992).

This book consists of six parts, each part dealing with a different period ranging from Vienna in the interwar period, Britain (LSE and Cambridge) from 1931 to 1950, Chicago from 1950 to 1964, Freiburg from 1964 to 1974 (including his time in Salzburg) and the period of Hayek's revival after winning a Nobel Prize.

The book focuses on some of Hayek's important works such as *The Road to Serfdom* (1944), *The Constitution of Liberty* (1960), *Law Legislation and Liberty* (1973, 1976, 1979), and *The Fatal Conceit* (1988), and describes the prevailing intellectual climate at the time when these books were written. The author neither over- nor underestimates the great economist, and describes him calmly and fairly. For example, he analyses the reason why Hayek belonged to the Committee of Social Thought at Chicago University and not to the economics department. The reason for this is often explained as follows: Because *The Road to Serfdom* was too successful and Hayek was too popular among those who were not academics, economists no longer regarded him as one of their brotherhood. Consequently, his fellow economists did not give him a faculty position. However, Ebenstein rejects this popular view and quotes Friedman who said that the failure to appoint him was that the staff in the economics department 'had a very strong feeling that they should choose their own members and not have members appointed from the outside' and that 'they didn't agree with his economics' (174).

While this book is useful for beginners and non-specialists, it also provides many suggestions to researchers in the history of economic thought. Many studies of Hayek's works have been published since his death. Meanwhile there is no real biography of him. This book does not discuss each of Hayek's topic in depth nor examine in detail other studies. However, the author understands very well how Hayek's ideas developed over the years. In particular, he draws attention to four important points.

First, Ebenstein picks out a significant debate on a radio programme just after the publication of *The Road to Serfdom*. Hayek was debating with two American economists who supported economic planning. Hayek's following arguments in this programme are instructive if we want to understand his liberalism in the early period of his development:

"There is, on the one hand, the method of relying upon competition, which if it is to be made effective, requires a good deal of gov-
ernment activity directed toward making it
effective and towards supplementing it where
it cannot be made effective ... All I am argu­
ing is that, where it can create competitive
conditions, you ought to rely upon competi­
tion.” (126) This assertion obviously shows
that Hayek does not think that the market
mechanism solves every economic problem.
He agrees that in areas where the market
mechanism is ineffective (for example be­
cause of the scale economies), the govern­
ment should take several actions. Moreover,
Hayek said, when talking about regulation by
government, that (at that time) “my objec­tion is not one of principle but one of degree”
(Hayek on Hayek, 112). Ebenstein rightly
points out that Hayek is still a classical liberal­
alist, not a libertarian.

Secondly, the conception of “the constitu­
tional order” in The Constitution of Liberty
stems from his studies in economics, metho­
dology and psychology (194). In Japan his
liberalism is usually discussed in the context
of the philosophy of law or a history of poli­tical thought. It is, however, obvious that
the development of his liberalism is a result
of his studies in economics. We should focus
on Hayek as an economist.

Thirdly, Ebenstein gives a clear explana­
tion of the chapter “Why I am not Conserva­
tive ?” in The Constitution of Liberty, which
is sometimes neglected or underestimated.
We frequently forget the fact that conserva­
tivism had to be the opposite of liberalism
before the appearance of socialism. It is also
interesting to note that Hayek hoped to win
general applause for this book as well as for
The Road to Serfdom and made all possible
effort to, although this book was almost
completely neglected.

Fourthly, another important theme
worth analysing is the academic and personal
relationship between Hayek and Friedman.
In Japan, both are often thrown into the same
group just because they are liberal econom­
ants. Ebenstein makes clear that the relation­ship between those economists is not
strong either intellectually or emotionally. It
seems difficult to find a point on which they
can agree with respect to economic theory.
Keeping this fact in mind is significant when
we study liberalism and libertarianism in the
twentieth century.

Finally, I should mention some problems
with this book. Ebenstein uses most of the
materials which are available in English.
However, he includes few quotations from
German documents. To understand the proc­
ess by which Hayek’s ideas developed, it is
important not to neglect the relationship with
Mises and the intellectual climate in Vienna
between 1920 to 1930. To do this it is essential
to analyse German documents. Moreover,
whereas the author makes a comprehensive
analysis of Hayek’s liberalism, his analysis of
Hayek’s economic theory is not thorough. As
is well known, Hayek’s capital theory and his
business cycle theory are not complete and
they are not regarded as important in modern
economics. The second part of The Pure
Theory of Capital, only a few parts of which
have been published, suggests a difference in
opinion on modern capitalist society between
Hayek and Keynes. We can find some manu­
scripts of this book in the archive of the
Hoover Institute, and we may infer “the
missing second part.” if we carry out a fur­
ther investigation into the literature. Work­
ing out what the second part was could be an
important task for those doing future
research into Hayek’s thought. The differ­
ces between the Hayek and Keynes con­
cerning modern capitalism is reflected in
their contrasting assertions regarding the

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function of the market and the role of governments. For example, Hayek's theory does not distinguish between an economic society that consists mainly of stock companies from that which consists of owner's companies. On the other hand, Keynes obviously deals with an economic society in which capital and administration are separate. If the author focused more on the difference between their economic theories after *The General Theory*, the reason for the differences of the views of two great economists of the twentieth century regarding capitalist society would become clearer. However, these criticisms may indicate that we demand too much from the book, and do not lessen the value of the book.

Although a biography usually deals with many topics superficially, this book will inspire the Hayek scholars, because the author carefully deals with important topics.

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