

## Some Remarks on Hayek's *The Sensory Order*

"Of the *Sensory Order* I can truly say, as Hume said of his *Treatise*, that it 'fell dead-born from the press' "

— F. A. von Hayek

### I

Two months short of his 18th birthday 'Fritz' von Hayek dropped out of school and made some effort to pass a supplementary exam in order to be entitled to an officer's training in the Austro-Hungarian army. Having been born into an aristocratic family that could not only lay claim to a long academic tradition but also to a long and dutiful service to the Empire, this was the way youngsters of his social class were raised in *fin-de-siecle* Vienna. Thus, consciously devoted to the vision and splendor of the Habsburg Empire he joined up in March 1917 and after some seven months of basic military drill and officer's school outside Vienna, he was anxious to be sent as an artillery sergeant-cadet to the intensely embattled Italian front. He considered it an honor to serve and "never doubted that there are things in life worth fighting for and risking one's own life."<sup>1</sup> At that time unconfirmed reports of mass desertions and mutinies of troops mostly from the eastern provinces of the Empire already surfaced in Vienna. Hayek arrived in Gorizia

at the Italian front and much to his dislike missed by a few days the Battle of Caporetto in October/November 1917 that left many dead and wounded. After months in the damp and dirty trenches along the Piave River in the hinterland of the Adriatic Sea, Hayek's artillery regiment took part in the last offensive of the Austro-Hungarian army in the Italian battleground in June 1918. By early July, however Major-General Boroevic gave order to abort this last desperate assault due to an appalling number of casualties, malnutrition, and a rapidly declining discipline. And in late October of the same year then, Austria suffered the terminal blow delivered by the Italians after they crossed the Piave River. The front lines broke down and the Austrian army's inner order and command structure began to disintegrate.

As rumors of immediate mutinies were abound, these disillusioned troops speaking some 11 different languages found themselves left in the trenches, wounded and hungry without any entrusted command or legally binding oath. Hayek was among those tens of thousands of demoralized soldiers who escaped Italian imprisonment and attempted to retreat into the economic and political

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<sup>1</sup>Conversations and interviews with Hayek I, Salzburg, 1971-77. Tapes in my possession (my translation).

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uncertainty of their shattered homelands. Aggressive nationalistic and political fanaticism erupted among the soldiers and in countless occasions they turned violently against each other. And yet, as a keen observer Hayek witnessed how not before long and with no one formally in charge small groups began to spontaneously evolve among these confused monarchists, radical nationalists, or revolutionary Marxists. He joined these spontaneously developing orders and structures, as one soldier after another started to search for some comrades to band up, thus facilitating their a common and arduous march back through sometimes hostile territory.

On November 3 a cease-fire treaty was signed in Padua. The once mighty Habsburg Empire in which these troops had been raised and whose proud and traditional institutions they had vowed to defend has collapsed before their eyes and a dramatically changed world order was about to emerge and began to break all bonds.

Severely weakened by malaria, Hayek returned into a starving and deeply divided Vienna on November 12, 1918, the very day the self-styled parliamentary deputies of what had remained of the Habsburg Empire unanimously resolved that the German speaking Austria “from now on shall be part of a German Republic.” In other words, if there was not to be a new multi-national federation of the many states and nations occupying the area along the river Danube, then the German speaking population of Austria would naturally become a part of a new German state.<sup>2</sup> Like so many of his

friends, Hayek had grown to manhood within an intellectual milieu formed by individuals who had become accustomed to playing a leading role in a large cosmopolitan multi-national state. For this entire group the most important fact about the newly founded Republic of German-Austria was that it simply did not offer a field of action commensurate to their aspirations, and they were to respond accordingly. Politically unprepared, democratically unfit, and totally cut off from the fertile farmlands and resources of its former eastern provinces, the once mighty Empire of about 50 million people was reduced to the size of a small, land-locked country of barely seven million. The unexpected situation in which ‘German-Austria’ found itself raised a set of unprecedented social problems which Hayek and his countless contemporaries who all had clearly assumed that their primary tasks were attached to a vast empire before the war, found difficult to turn their attention to. It was here that von Hayek, Ludwig von Mises and large numbers of fellow intellectuals became convinced advocates of the “*Anschluss*” to Germany.<sup>3</sup> They advocated the annexation not so much for emotional reasons, rather it seemed for them the only way the little Austria could economically survive. Their society had disappeared and the new Austria was simply unable to offer the type of opportunities for leadership which Hayek and his social class had come to expect.

The experiences of his war service, the loss of his best friend, and the collapse of his social and political milieu left

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<sup>2</sup>Karl R. Stadler, *The Birth of the Austrian Republic, 1918-1921* (Leydijthoff, 1966), pp.64-65, 68.

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<sup>3</sup>See among other works L. von Mises, “Der Wiedereintritt Deutsch-Österreichs in das Deutsche Reich und die Währungsfrage”, in *Wirtschaftliche Verhältnisse in Deutsch-Österreich: Schriften des Verein für Sozialpolitik*, 158 (1919), pp. 147-71.

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a lasting impression on Hayek. And yet, as he remarked in retrospect, “it was like being shipwrecked which also leaves you without any doubt that one has to start anew, rather than a slow decline.”<sup>4</sup> His fascination with the natural sciences which clearly dominated in his family for several generations, thus gave way to the problems of individual behavior and economic organization.<sup>5</sup>

## II

Within this political void, Hayek, like many of his fellow veterans, looked for some lead and intellectual orientation and attempted to find them in the few books they could get. And they found it in the works of Ernst Mach (1838-1916), Walter Rathenau (1876-1922), the Webbs (1858/59-1943/47) and Eugen von Philipovich (1858-1917), among others. As a passionate reader and book collector he was at once especially captivated by Rathenau’s persuasive books *Von Kommenden Dingen* (1917). It was Rathenau, a German statesman and admirer of the utopian socialist Saint Simon who probably more than others drew Hayek’s attention to the economic problems of society. For a passing time these ideas lead him to favor some sort of a well-intentioned “Fabian Socialism” with a moderate economic planning attitude. In order to promote these ends he even founded, with some friends, the *Deutsch-Demokratische Hochschüler Vereinigung*, a somewhat left-leaning

<sup>4</sup>Conversations and interviews with Hayek I, Salzburg, 1971-77 (see Note 1).

<sup>5</sup>In a short letter to a Swedish neurologist (Feb. 17, 1983), Hayek claims that “only the political excitements of the time after WWI have ‘abducted’ him into the social sciences (my translation).” Hoover Archive, Hayek Collection, 34-4.

left-leaning student association at the university.

As his interest was almost equally divided among philosophy, psychology, and economics, the circumstances of the time forced him to chose between his academic attractions and the dim expectations for landing a job. Hayek thus decided to enroll in the Faculty of Law at the University of Vienna. Although the Habsburg Empire with its traditional institutions has ceased to exist, the typical old Austrian “juristic ethos” entrenched in the Central European tradition was still present, and economics thus was merely offered as one major field within the entire legal curriculum. Therefore, in order to read economics one had to study law which provided a degree with some prospects for a position in the legal professions or the civil service. Immediately after his return to Vienna, Hayek and hundreds of his fellow war veterans therefore flooded the University of Vienna and began to study towards their law degree. Despite the dismal material conditions at the university, the intellectual climate was still vibrant and carried the marks of such towering figures who either had died before or during the war, like Böhm-Bawerk, Phillipovich, the philosopher of science and physicist Ernst Mach, the physicist Jodl, the art historian Schlosser, the legal theorists Bernatzik or Loeffler, among countless others.<sup>6</sup> Due to his rather mixed success in his school years and his premature termination of the Gymnasium (he joined up two months short of his 18th birthday), Hayek’s literary and philosophical education was less than complete, and most of his friends

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<sup>6</sup>See the very useful book by J. Nautz and R. Vahrenkamp, eds., *Die Wiener Jahrhundertwende: Einflüsse-Umwelt-Wirkungen*, 2<sup>nd</sup> ed. (Vienna, 1996).

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were far ahead intellectually. It was mainly for these reasons that as soon as he recognized the academic vigor prevalent at the university he at once plunged into several branches of study and after a short period of time surpassed even his most ambitious friends. The political excitement of the time encouraged Hayek to venture out far beyond his own narrow subject, which later enabled him to develop his legal, economic and philosophical ideas into a comprehensive socio-economic system.

With several positions vacant due to the war and the famous Friedrich von Wieser resuming his chair for economics at the University of Vienna only in 1919, economics at the time of Hayek's first semesters was somewhat underrepresented. Carl Menger had left the university prematurely already in 1903. There were more or less only Othmar Spann (1878-1950) and Carl Grünberg (1861-1940) teaching, and thus Hayek's first contact with academic economics was the Marxist Grünberg who introduced him among other things to the "*Bodenreformer*," a German blend of the Henry George School and the Ricardian theory of land rent. Although his attraction to Ricardo's thought was a passing one, this experience taught Hayek much and was his decisive step into economic theory even before he was formally exposed to Wieser.

A brief mention should also be made here that, since Ludwig von Mises was never promoted to full professor at the University of Vienna and thus only conducted a weekly private seminar there, Hayek at no time was a student of Mises in a formal sense. In fact Hayek checked out Mises at the university only once and

quickly came to thoroughly dislike him.<sup>7</sup> It was only later that they developed their lasting and scientifically fruitful relationship.

During these first months at the university, Hayek devoted again much energy and time to the systematic study of Ernst Mach's writings on scientific method. Mach, who had died in 1916, still was philosophically by far the most influential figure in Vienna of that time.<sup>8</sup> It was mainly Mach's work *Die Analyse der Empfindungen* (1885/1902/1959) that turned out to be the main stimulus for Hayek's increasing interest in physiological or sensory psychology. And yet, the lasting influence of Hayek's father, the physician and eminent botanist August von Hayek (1871-1928), should not be underestimated. It was his father who exposed him from early boyhood on to accompany him on his extended botanical excursions and was perceptive enough to see that his oldest son's mind was already more theoretical than it was taxonomical. Nurtured by his father, at age 16 Hayek's interests began to slowly shift from systematic botany to paleontology and further to the theory of evolution. The exposure to his father proved very educational.

Without a life teacher Hayek also began to study the works of the psychologist von Helmholtz and the philosophers Adolph Stöhr and Alois Riehl. The reading of Ludwig Feuerbach's (1804-1872)

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<sup>7</sup>Conversations and interviews with Hayek I, Salzburg, 1971-1977.

<sup>8</sup>See especially Hayek's "Preface" to *The Sensory Order* (1952), as well as his essay on "Ernst Mach und das sozialwissenschaftliche Denken in Wien", in Ernst Mach Institut, *Symposium aus Anlass des 50. Todestages von Ernst Mach* (Freiburg/Br., 1967).

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works was “merely a bore” for him. His knowledge of philosophy and the physiological problems of psychology therefore where acquired more or less on his own. Although he made several serious efforts to read Immanuel Kant’s works he admitted that he “did not get much further than some embarrassing stumbling through the *Prolegomena*. “I guess all what I know about Kant comes almost exclusively from the neo-Kantian philosopher Alois Riehl whose works I found quite fascinating when I was in my early twenties.”<sup>9</sup> This confession however, does not mean that he has never, intentionally or not, acquired some sort of skeptical Kantianism. Such evidence is to be found among many other works, especially in his early German draft of what became later his *The Sensory Order* (1952).

### III

During the cold winter of 1919-20, when most of the public offices as well as the University of Vienna had to be closed for lack of heating material, most students had to interrupt their studies. Hayek, however, had the good fortune to get the funding for spending two intellectually most important months in Zürich. Life in Zürich had two major effects on Hayek’s intellectual development. On the one hand he saw for the first time after the catastrophe of the war how a society, not shattered by war, starvation and nationalistic turmoil could actually function normally. It was also there where he had the opportunity to work for some weeks in the laboratory of the famous brain anatomist Constantin von Monakow (1853-1930), where he was first introduced to

the “*Gehirnezupfen*,”<sup>10</sup> a rather sloppy German expression, by which von Monakow meant the careful separation of bundles of nerve fibers that make up the human brain. On the other hand, and equally important, a young university lecturer made him aware of a newly published book by the German born philosopher Moritz Schlick (1887-1936). Besides his first fascination with the problems of scientific methods through the works of Ernst Mach, the book on this subject which convinced and deeply satisfied Hayek, was clearly Schlick’s crucially important *Allgemeine Erkenntnislehre* (1918). This book definitely left a deep impression on Hayek.

When Schlick had accepted an appointment as professor at the University of Vienna in 1922, Hayek was among his most attentive students and followed his lectures with much satisfaction and gain. However, after Hayek began to distance himself more and more from “Positivism,” he gradually withdrew from Schlick’s philosophy. Schlick has been credited with the founding of Logical Positivism as a philosophical movement active in Vienna mainly during the period between the two world wars.<sup>11</sup> In the early 1920’s, Schlick brought together a group of philosophers who within a few years thereafter became known as the “Vienna Circle.” It is an interesting fact that among its leading members were not only Ludwig von Mises’ brother Richard, who later became professor of statistics in Harvard, but also Carl Menger’s son, the eminent mathematician Karl Menger. Several of its members also attended

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<sup>10</sup>*ibid.*

<sup>11</sup>On June 22, 1936, Moritz Schlick on his way to one of his popular lectures was shot dead by a student in front of the University of Vienna.

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<sup>9</sup>Conversations and interviews with Hayek I, Salzburg, 1971-77.

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Ludwig von Mises' "privat-seminar," which he conducted in his office at the Vienna Chamber of Commerce. The early 1920's, with its stimulating academic environment and culture proved congenial to the development of Hayek's psychological ideas, to which I will refer briefly in the following paragraphs.

#### IV

It is admittedly quite difficult to outline even the essentials of Hayek's complex theory in a summary sketch. I shall therefore in all modesty attempt merely to present several important points of his hypothesis. It should be mentioned here that Hayek organized the table of contents of *The Sensory Order* in the same way as his distant cousin Ludwig Wittgenstein arranged his *Tractatus*.

According to Hayek the established sensory theory claimed that "all experience begins with the reception of sensory data possessing constant qualities which either reflect corresponding attributes belonging to the perceived external objects, or are uniquely correlated with such attributes of the elements of the physical world."<sup>12</sup> In other words, the attributes of the sensory data are initially possessed by the external events and then communicated in some fashion to the mind itself. The sensory data understood in such a way are assumed to form the "raw material which the mind accumulated and learns to arrange in various manners."<sup>13</sup> That means however, that the traditional theory of the sensory order has drawn a clear distinction between the direct sen-

sory perception of given qualities and the more abstract process of thought.

Hayek, although barely 20 years old, attempted to challenge this traditional explanation and, still under the sometime haunting impressions of the horrifying war and its aftermath he began to advance a different interpretation, which he drafted in German while he was a student at the University of Zürich in early 1920. He completed his "Beiträge zur Theorie der Entwicklung des Bewusstseins"<sup>14</sup> in early September of the same year when he was invited to spend a few short weeks in Norway to get relief from his malaria. This "youthful effort" of about 40 pages became clearly the nucleus of his *The Sensory Order*, which he was to publish 32 years later, in 1952. At this stage Hayek's conclusion already was that "mental events are a particular order of physical events within a subsystem of the physical world that relates the larger subsystem of the world that we call an organism (and of which they are a part) with the whole system so as to enable that organism to survive."<sup>15</sup> Hayek simply could not conceive that "a sensory fiber could carry or a nerve cell could store, those distinctive attributes that we know mental phenomena to possess—know not only by introspection but also from our observation of other people's behavior."<sup>16</sup>

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<sup>14</sup>This draft is to be found among the 'Hayek Papers' at the Hoover Institution, Archives 93-1.

<sup>15</sup>See F. A. von Hayek, "The Sensory Order after 25 years," in Walter B. Weimer and David S. Palermo, eds., *Cognition and the Symbolic Processes*, vol. 2 (Hillsdale, N.J., 1982), p. 288. In this short essay one can find some useful autobiographical remarks.

<sup>16</sup>*ibid.*, p. 289.

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<sup>12</sup>F. A. Hayek, *The Sensory Order* (Chicago: University of Chicago Press, 1952), p. 165.

<sup>13</sup>*ibid.*, pp. 165-66.

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His early draft was to provide a physiological explanation of the perception of the mind or the nervous system as “an apparatus of multiple classification or, better, as a process of continuous and simultaneous classification and constant reclassification on many levels (of the legion of impulses proceeding in it in any moment), applied in the first instance to all sensory perception but in principle to all the kinds of mental entities, such as emotions, concepts, images, drives, etc. that we find to occur in the mental universe. But the only thing I tried fully to show was that the whole order of sensory qualities, all the differences in the effects of their occurrence, could be exhaustively accounted for by a complete account of all their effects in different combinations and circumstances, and that if we succeeded in this, nothing would be left to explain about them.”<sup>17</sup> Under the pressure to pass one of his legal examinations, he thought of putting the manuscript aside for a short while in 1922. However, he was not to open it again for some 25 years.

According to Hayek’s theory of the sensory order, in the course of ontogenetic and phylogenetic developments a system of several connections is formed which registers the relative frequency with which different groups of internal and external stimuli have acted together upon the organism. Each individual stimulant or cluster of stimulants on its occurrence evokes other impulses that correspond to stimuli which in the past have under normal conditions coexisted with its occurrence. The primary impulse through its acquired connections will set up a bundle of secondary impulses, subsequent to the primary impulse, and so

on. It is thus the total or partial identity of this following that determines different forms of classifications. In Hayek’s explanation, all sensory perception must be regarded as an act of classification. What we perceive therefore are never unique properties of individual objects, but always only properties which these recognized objects have in common with other objects. It follows that our perception is always an interpretation, the placing of something into one or several classes of objects. All sensory perception is necessarily abstract, and always selects certain aspects or particular features of a given situation. The characteristic attributes of sensory qualities, or the classes into which these different events are eventually placed in the process of perception, consist then entirely in the differentiating responses of the organism by which the order of these events is created. Accordingly, this classification is based on the connection created in the nervous system by past linkages, as he called these links.

This means then that this organizing function of the mind must be prior to perception of particular things, since all information we get about the external world, our social environment for instance, has gone through this kind of sorting process. And this sorting process itself will develop as the mind recognizes new links or distinctions between past experiences. Therefore, every sensation must be regarded as an interpretation of an event in the light of an individual’s past experiences. All experiences operate on physiological events and arrange them into an order that becomes the basis of their mental significance. The distinction between the sensory qualities in terms of which alone the conscious mind can learn about all things in our social environment, must then be seen as the result of such a “pre-sensory” experience.

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<sup>17</sup>*ibid.*

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Every sensory experience of an event in the environment is therefore likely to possess so-called attributes to which no other similar attributes correspond. These attributes are the significance which the organism has learned to assign to a class of events on the basis of the past associations of events of this class with certain other classes of events. So far as a conscious sensory experience is concerned it cannot be true that all what we know is due to such experience. Experience of this kind would rather become possible only after experience in the wider sense, namely in the sense of linkage, has created the order of sensory qualities. For Hayek, the fact that there can be nothing in our “mind” which is not the result of ontogenetically or phylogenetically established linkage, is not meant to exclude a process of a reclassification.

The term “mind” used in the sense of an organism which reproduces the image of the external world is defined here by Hayek as “a particular order of a set of events taking place in some organism and in some manner related to, but not identical with, the physical order of events in the environment.”<sup>18</sup> That means then that the same kind of regularities which we have learnt throughout our life to discover in the world around us are in principle also capable of building up an order that is quite similar to our mind. For Hayek, however, there exists an absolute limit to what the human brain can ever accomplish by way of explanation, due to the nature of explanation itself. Hayek argues that to complete any particular process is impossible by the simple fact that the distinct character of mental entities and of their mode of operation is determined by their relation to or their position in the system of all other mental enti-

ties. It follows that no one of them can ever be explained without at the same time explaining the others, or the entire structure of the relationship determining their character. Any attempt to explain particular mental processes must contain references to other mental processes and therefore prevent us from a full description in physical terms. According to Hayek, “such a completion of the task of science, which would place us in a position to explain in detail the manner in which our sensory picture of the external world represents relations existing between the parts of this world, would mean that this reproduction of the world would have to include a reproduction of that reproduction ... and so on *ad infinitum*.”<sup>19</sup> Although we shall never be able to provide a full explanation of mental phenomena, Hayek contends that we can still use our “introspective” knowledge of mental events in order to “*verstehen*” (understanding) and in some measure even to predict the result to which mental processes will lead in certain conditions.

In good Austrian School fashion, *verstehen* is seen as a theoretical method that enables its user to interpret the meaning of typical action sequences by using typical schemata or designs of thought because we ourselves are acting human beings. A household plan or certain shopping patterns could serve as examples. One can only individually *verstehen* the meaning of our goals as *verstehen* is primarily the realization of the rational or irrational state of affairs. *Verstehen* in other words, can assist in the attempt to empathize with the sensations and feelings of others and logically is always subjective. It comes into the discussion where the subjectivity of values, judgments, and assessments begins. It sear-

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<sup>18</sup>*The Sensory Order*, p. 16.

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<sup>19</sup>*ibid.*, p. 194.



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ches for meaning by empathetically recreating, reconstructing or mentally reliving a totality and the words we use will invite our audience to follow us, attempt to reconstruct and even some times solidarize with the described event. But, whether they will and how they will follow us is solely determined by their previously received sensations and the will of the addressed individual. The idea and the meaning of *verstehen* that we use in our daily lives to move about in society is not different in its essence from the process of *verstehen* (understanding) used in psychology or in history.

## V

These fundamental insights, already drafted as a young man who was “still uncertain whether to become an economist or a psychologist,”<sup>20</sup> made Hayek later recognize that the market is not only a guide or a communication mechanism, but it enables men to adapt spontaneously their actions to circumstances and events of which they could not have any knowledge. Although he worked mostly on quite different problems, his ideas were strengthened and supported by his books and essays on business cycle theory, the impossibility of socialist calculation, or even the impact of rent control of the 1920’s and 1930’s.

When he started his preliminary work for *The Road to Serfdom* (1944), Hayek intuitively extended his analysis of society to an examination of the spontaneous emergence of legal and ethical rules. Here, in a typical Austrian manner, he began to see that the Rule of Law (subordinating the coercive power of the government under the law) was the necessary

foundation for a peaceful coexistence of people with totally different value convictions. For Hayek, the Rule of Law, the “ought” of the law, has a normative character which is necessarily prior to the state and quite in tune with the priority of “*Recht*” and “*Staat*” in the German term “*Rechtsstaat*.”<sup>21</sup> In view of Hayek’s imperative of the Rule of Law, the legal order corresponding to the ideal of the law develops in liberty and is a spontaneous order. According to Hayek, the world around us is conjectural in the sense that it is informed by a pre-existing system of classification in the light of which events are interpreted. These systems are a combined product of cultural evolution and individual learning. They always reflect the accumulated experience of the species and the market participant’s own experience of success and failure with differing conjectural ways of classifying events as similar or different in some behaviorally relevant regard.

The whole learning process or the growth of knowledge, therefore must be interpreted as a procedure of correcting, adjusting, and refining such conjectural knowledge in the light of presently available knowledge about experience. In his “Economics and Knowledge,”<sup>22</sup> and even more so in his classic “The Use of Knowledge in Society,”<sup>23</sup> Hayek applied

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<sup>21</sup>See here especially Hayek’s unsurpassed analysis of the ‘*Rechtsstaat*’ in chapter 13 of his magnum opus, *The Constitution of Liberty* (Chicago, 1960).

<sup>22</sup>F. A. von Hayek, “Economics and Knowledge,” *Economica*, N.S. (Feb 1937), reprinted several times. This essay was Hayek’s presidential address to the London Economic Club, delivered in November 1936.

<sup>23</sup>F. A. Hayek, “The Use of Knowledge in Society”, *American Economic Review*, 35

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<sup>20</sup>*ibid.*, p. v.

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this insight to empirical observations and showed us how the market acts as a never ending “discovery procedure.” It was here where he identified the main problem of all human action: how to secure the subjectively best use of dispersed resources, such as uncommon knowledge or the knowledge of circumstances of time and place, known to some particular members of society but not available in its totality, even in principle, to any individual or any central authority. Only the process of competition enables men to make use of such existing knowledge. Thus, the Logic of Choice not only makes use of this existing knowledge, but also permanently generates new knowledge which none of the market participants yet possesses and could possibly ever accurately foresee. Only in their unplanned social interaction can all men bring to bear their dispersed, specialized, individual knowledge and may unintentionally discover more of its potentialities and utilize it accordingly. This is Hayek’s most original contribution.

Any better “*verstehen*” of existing knowledge results thus from this ever competitive interaction, which itself is a “knowledge production process.” The Pure Logic of Choice generates not-yet-existing knowledge about the already existing objects. The unavoidable ignorance of man concerning most of what affects his own action is the most important single fact from which any attempt to understand our social life must start. This is so, because the advantages of social life, and particularly of those of more advanced forms what we call civilization, rest on the paradox that the individual can use more knowledge than he actually

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(Sept 1945). This essay has also been reprinted countless times and is among Hayek’s most quoted works.

possesses. For Hayek any civilization begins where the individual market participant can benefit from more knowledge than he can himself acquire. In other words, we are able to cope with our ignorance by using knowledge which we do not possess. Man did not consciously choose the necessary structures and institutions of social life because he recognized the benefits which they would bring about. Rather, they have evolved because they bring benefits to those social formations that adopt them.

Moral behavior or the law are themselves manifestations of a spontaneous order, evolving from the competitive process of the logic of choice. But since most of our social institutions appear to us as being structured and regular in their operations, we are led to the false assumption that these can only be constructed and deliberately designed institutions, and thus can be reconstructed or remodeled. But as Hayek often maintained, man was certainly not endowed with a mind that was capable of conceiving any civilization or even setting up or creating our culture, our laws, or other social institutions at will. Man did not simply design a set of social rules and impose it upon his environment, because his mind is itself a “system” that undergoes permanent changes as a result of his efforts to adapt himself permanently to new knowledge and new situations.

Our understanding about the workings of society is, therefore, itself a product of civilization. Although it is naturally true that civilization is the product of actions of countless generations, it cannot be interpreted as the product of human design. The assertion that man has created his ethics or social institutions, and therefore can change them at will could be justified only if man had deliberately

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created them in full understanding of what he was doing.

### **Conclusion**

*The Sensory Order* is a phenomenon. Although published some 50 years ago, its theoretical findings and explanations only recently have become a subject of academic interest. Much to Hayek's disappointment this slim book was almost completely ignored while he was alive, although it clearly bears the key for the understanding of his thought. Hayek's early findings in theoretical psychology have shaped his theories of society and economic organizations in two crucially important ways. As a first implication we have learned from Hayek's works that our mind is limited and sees the world subjectively only in terms of rules and abstract relations between different things and previously received sensations. We can therefore recognize patterns without always being able to describe the particular things which make them up or even understand ("*verstehen*") their meaning, purposes or ends. For example "fair play"

and the "rules of just conduct," or the ideas that relate to the ideal of "justice" may belong here. Accordingly, a society is therefore an undesigned product of an evolutionary development, an order which has grown spontaneously without anyone intending it.

The second implication is that we can only know the world as it is filtered through past experience, and thus judge social institutions only in terms of past values or customs that have built up over human evolution. Any claim to be able to rationally reconstruct society from scratch is, therefore, a claim in the proper sense of the term. The way in which our minds classify information is subjective in the sense of belonging to the perceiving subject, although our minds work rather similarly. For Hayek (as for Kant), the task of social philosophy is therefore not the construction of metaphysical systems, but the investigation of the limits of human reason. These insights are the source from where his relentless critique and refutation of constructivism, positivism, and the philosophical foundations of socialism originated.