

The pretence of knowledge

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Abstract

Introduction

Hayek was a rare breed of economist, a kind that has become extinct in the specialized, publish-or-perish world of academia. He was a political economist whose job was to develop new ideas and foster advanced thinking in social sciences. He was one of the most important economists of the 20th century, alongside Keynes, Schumpeter, and Friedman. His kind was responsible for some of the most important economic transformations of the last century, their ideas novel, their political influence far-reaching. And more importantly, none of the above contain any overstatement to Hayek's place in the economics history of the 20th century.

As every important influential figure, Hayek is immersed in controversy, since his ideological bias comes as opposed to socialism, with a stalwart defensive support of free-market capitalism. This is best illustrated in his work *The Road of Serfdom* (1944) – the historical debate is summarized in Caldwell (1997), and the work revisited in Vol. 21, issue 4 of the *European Journal of Political Economy* (2005). Hayek's book *New Studies in Philosophy, Politics, Economics and the History of Ideas* (1978) is the best example of the scope of his work, an economist that dwelt in philosophy, psychology, jurisprudence, and who expressed his ideas freely and unabashedly.

His lecture on the Pretence of Knowledge is the culmination of many methodological issues raised in earlier work and a preoccupation with the epistemology of social sciences vis-à-vis hard science. This preoccupation is part of an historical debate that is modern in the sense that Hayek's position, in a pragmatic and simplistic way, lost, and the academic economic world that prevails is the opposite of what Hayek surmises as the correct way to do science. On methodology Hayek's work dialogues with the likes of Popper and Lakatos in philosophy, and Friedman and Arrow in economics. There are many sources for Hayek's debates on methodology, (Caldwell, 2004 and White, 1984 are among the best) but in the grand tradition of Nietzsche's *Ecce Homo*, the best one is Hayek's own words in his *Autobiographical Dialogue* (1994).

In the Pretence of Knowledge, Hayek makes indirect references to his theory of complex events. It is important to give a brief review of Hayek's theory of complex events insofar as it is directly related and serves as a background to the issues raised in the lecture.

Hayek's theory of complex events is not a complexity theory *per se*, even if he names it so, since Hayek is writing in an era when complexity was not a formed body. It was a way to criticize most economic simplistic models, and firmly ground social sciences methodology. His argument evolved through time, with a direct line beginning in 'Scientism and the Study of Society (1942)', passing through 'Degrees of Explanation (1955)', and finishing with the apex in "The Theory of Complex Phenomena" (1964). His first argument, a naive one, is that problems arise in social sciences because social phenomena presents too many explanatory variables: "The number of separate variables which in any particular social phenomenon will determinate the result of a given change will as a rule be far too large for any human mind to master and manipulate them effectively" (Hayek, 1942: 290). In this case social sciences are not complex, but complicated. Dealing with a multitude of variables is, in the age information technology, a simple task and Hayek's first argument loses its power to it. However, the argument evolves over time, and is transformed into the more powerful version present in his later works.

The later argument is more well-rounded and approaches the current concept of complexity. Hayek defines complexity as "the minimum number of elements of which an instance of the pattern must consist in order to exhibit all the characteristic attributes of the class of patterns in question" (Hayek, 1964). It also acknowledges the importance of interconnectivity in building this complexity. In this sense Hayek's definition of complexity is very close to that of Herbert Simon in *The Architecture of Complexity* – 1962, published in the Proceedings of American Philosophical Association.

The complexity concept that Hayek develops is to build his methodological arguments. Alongside it Hayek analyzes the shortcomings of statistics as a way to analyze social systems. Armed with it, he proceeds to deconstruct social sciences methodology to argue for practical limitations on theoretical reductionism.

Paradoxically, when arguing that economics scientific rigour is unscientific, since the economists' tools are unsuitable for the job of analyzing complex phenomena, Hayek strives for more rigour, for theories that would acknowledge its limitations: "But if it is

true that in subjects of great complexity we must rely to a large extent on such mere explanations of the principle, we must not overlook some disadvantages connected with this technique. Because such theories are difficult to disprove, the elimination of inferior rival theories will be a slow affair, bound up closely with the argumentative skill and persuasiveness of those who employ them. There will be opportunities for grave abuses: possibilities for pretentious, over-elaborate theories which no simple test but only the good sense of those equally competent in the field can refute. There will be no safeguards even against sheer quackery... It is not because of a failure to follow better counsel, but because of the refractory nature of certain subjects that these difficulties arise. There is no basis for the contention that they are due to the immaturity of the sciences concerned. It would be a complete misunderstanding... to think that [it is a] provisional and transitory state of the progress of those sciences which they are bound to overcome sooner or later." (Hayek, 1955)

As observed before, *The Pretence of Knowledge* is the culmination of his earlier works in epistemology and the methodology of social sciences. It should be read as an important historical piece that deals with the most profound epistemological implications of recognizing complexity as part of social systems. That this discussion was presented in the beginning of our understanding of complex phenomena should be testament to the intellectual prowess of Friedrich August Von Hayek, one of the sharpest minds of the 20th century. He recognized the relevance of complexity and was able to translate it into the powerful discourse presented in *The Pretence of Knowledge*. And for that, read on.

Notes

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