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FRIDAY, APRIL 29, 2011

## Soros Confusion on Hayek

The confusion of George Soros about F.A. Hayek has prompted more links being sent to me on a particular item than ever before. Thanks to all of you for the link to the Soros comments made at the Cato Institute.

Here's a quick take on Soros confusion. Hayek [writes](#):

Friedrich Hayek is generally regarded as the apostle of a brand of economics which holds that the market will assure the optimal allocation of resources — as long as the government doesn't interfere. It is a formalized and mathematical theory, whose two main pillars are the efficient market hypothesis and the theory of rational expectations.

This is usually called the Chicago School...

Hayek was so far from being a thinker in the tradition of the Chicago School that the economics department rejected him as a member of their department. He had to teach at U of C's Committee on Social Thought,

Ronald Hamowy [wrote in 2003](#):

F.A. Hayek began his career at the University of Chicago in the fall of 1950 and during his tenure there he was associated with the Committee on Social Thought, an interdisciplinary department headed by the eminent economic historian John Ulrich Nef. Milton Friedman reports, and there seems to be every reason to accept its accuracy, that the Department of Economics was reluctant to hire Hayek because Hayek's approach to capital theory was at odds with Departmental orthodoxy

As for Hayek using a formalized mathematical theory. This is simply laughable. Hayek wrote *The Counter-Revolution of Science* which was an attack, among other things on, the use of formalized mathematical theory in the social sciences.

I have already [addressed here](#), the charge that Hayek is a "market fundamentalist".

Soros completely misunderstands Hayek's use of the term "unintended consequences." Soros says:

Hayek also recognized that decisions based on an imperfect understanding of reality are bound to have unintended consequences

This is not the sense in which Hayek primarily discusses "unintended consequences". What Hayek means by unintended consequences is not an idea based on the errors caused by misunderstanding reality, but that consequences arise which are not the conscious plan of anyone. No one, for example, set out to create money. Money developed as the unintended consequences of many separate human actions. Language, in the same way, does not develop by someone drawing up all the words and rules. The

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development of language is thus an unintended consequence of many separate human actions.

None of this has anything to do, as Soros believes, with Hayek discussing an imperfect understanding of reality. There is imperfect understanding surrounding Soros' presentation but it is that of Soros totally botching the presentation of the reality of what Hayek was discussing.

Soros is one confused dude, when it comes to economics.

Posted by Robert Wenzel at [6:53 PM](#)

## 4 comments:

### Anonymous said...

One could argue that consequences that were not the conscious plan of anyone are, by definition, due to an imperfect understanding of the situation.

Don't get me wrong, I don't want to be defending Soros here, I disagree with him on so many levels. At the same time, this is a completely unforeseen turn in his [public] economic evangelism. I'm pleasantly surprised. Hopefully this isn't some ruse that I'm falling for.

[April 29, 2011 7:02 PM](#)

### Anonymous said...

Mis-understands or mis-informs? I suspect the latter.

[April 29, 2011 8:44 PM](#)

### Anonymous said...

Whenever I have seen Soros giving a speech, I have felt that I was watching a sociopath in action. My impression is that he is not so much ignorant as deliberately lying.

[April 30, 2011 6:22 AM](#)

### Brian said...

Soros is a state fundamentalist. He's trying to conflate "market fundamentalism" with "religious fundamentalism"; to plant an image in the heads of his audience that those who advocate free markets do so based on faith rather than rational argumentation. The irony of the whole situation is that if you took his words and replaced "market" with "state" you would have a picture-perfect representation of Soros' own beliefs.

[April 30, 2011 9:16 AM](#)

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