

# WINTER 1999

This issue of *Policy* closely follows the centenary of the birth of economist and social philosopher, Friedrich Hayek, on the 8<sup>th</sup> of May. Hayek's defence of individual freedom hinges on the unique but limited knowledge available to each human actor of his or her particular circumstances. This tacit knowledge is not easily communicable through formal means such as writing but is embodied in specific acts such as trading. This necessitates allowing the widest possible scope of interpersonal transactions such that greater knowledge of both means and ends (which in many crucial cases are yet unknown) can emerge and be efficiently utilised. Framed in this way, Hayek's case for liberalism is not subject to the criticism of being Euro-centric as the dilemma it recognises is a universal part of the human condition.

This theme, which will surely find resonances in all traditions, is underlined in Chandran Kukathas's feature article on the relevance of Hayekian thought to non-Western cultures. It is also emphasised in the survey of Hayek's work by Wolfgang Kasper and Samuel Gregg. The interdisciplinary nature of Hayek's work emerges from the interview with Max Hartwell, past president of the Mont Pelerin Society (an international classical liberal society founded by Hayek), who knew Hayek personally. The interview also explores the importance of culture and institutions to economic growth and development, another theme which dominates Hayek's writings on economics.

Sam Roggeveen's thought-provoking article on the differences between classical liberalism and conservatism, from a conservative perspective, was partly prompted by Hayek's disavowal of conservatism in his postscript to *The Constitution of Liberty*. The article is suffused by the influence of Michael Oakeshott, a thinker who had much in common with Hayek. Also in this issue of *Policy* is a translated excerpt from an article by German social philosopher Gerard Radnitzky which, in the form of a mock piece of political advice, critiques the rent-seeking tendencies created by redistributive policies in terms reminiscent of similar arguments by Hayek.

Charles Mulvey's piece on productivity and wages, which demonstrates the perversity of consciously linking wage increases to productivity, provides a concrete illustration of what Hayek meant when he affirmed the superiority of the spontaneous ordering processes of the market. Another illustration of this is in Jason Soon's feature article on deregulating the taxi industry. As it points out, regulations aimed at fixing the number of taxis have had adverse and perverse effects on both consumers and taxi drivers (the effects on the latter in terms of lesser job opportunities and high upfront costs in establishing a business). A more Hayekian prescription to informational problems in the taxi industry is to be found in certification rather than regulation, a prescription that might well be extended to other product markets.

This issue of *Policy* also contains an article by Anthony Adair on the problems created by government subsidy of the performing arts and how to reintroduce consumer choice into this sector.

Christopher Lingle tackles the re-emergence of Hayek's old intellectual adversary, Keynesianism, in his critique of inflationist prescriptions for the Asian crisis while Ray Steinwall discusses one prescription for improving the institutional framework of the market, namely greater uniformity in commercial laws. Our Schools' Brief looks at the fruits yielded by past economic reforms in terms of the increased immunity of the Australian economy to external shocks. There are also reviews of books on welfare dependency, illegitimacy, business ethics and globalisation.