

of empirical evidence, and accompanied with a healthy serving of policy proposals. Anyone interested in how governments can use markets to provide the right incentives to their employees, and create more choices for citizens, would do well to read this provocative work.

**Reviewed by
Andrew Leigh**

Dr Leigh will shortly commence as a Fellow in the Economics Division of the Research School of Social Sciences, at the Australian National University.

Hayek's Challenge: An Intellectual Biography of F.A. Hayek

by Bruce Caldwell

Chicago, University of Chicago Press, 2004
489pp, \$US55
ISBN 0 2260 91910

Friedrich Hayek played a key role in the revival of classical liberalism in the 20th century, notably through the impact of his *Road to Serfdom*. Since his death in 1992 the flow of books and articles about him has increased. In addition, the *Collected Works* of Hayek, of which Caldwell is now the General Editor, is regularly including new and interesting material.

Those who read Hayek will discover that he gave classical liberal ideas a distinctive interpretation. Just what is going on, however, is not always easy to work out. In part, this

is because he was a prolific writer and had inter-connecting interests in a range of academic disciplines. In part, it is because he lived for a long while and the context to his work is not always easily accessible for those who read it today. In part, it is because he grew up in Austria, and was trained in the 'Austrian School' of economics. This was distinctive in itself—much more than a German-language version of marginalist economics—because of the ideas against which it developed its views. These included the German historical schools of economics, whose work is now not well-known, and in some cases even good secondary sources about them are not easily available.

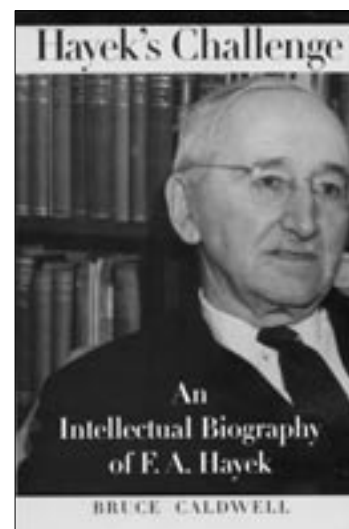
All this is important for understanding Hayek's more narrowly economic ideas, and for the broader themes in political economy that inform his political writings. As Caldwell brings out, when Hayek engaged with Keynes and with other British writers, he often drew upon ideas that were initially developed in a very different intellectual context.

Accordingly, Hayek is recognised as an important figure, and as someone who has made a considerable impact upon our current understanding of classical liberal and conservative ideas. Yet those who have wished to understand what was going on face some difficult problems. They have sometimes found him difficult to understand, or have got the wrong end of the stick.

Bruce Caldwell's *Hayek's Challenge* will resolve many of these difficulties. Caldwell

has given us a clear and careful explanation of Hayek's key economic and methodological ideas. He has also provided a useful discussion of views that influenced Hayek, and of ideas against which he was reacting. Caldwell has a remarkable command of the full range of Hayek's writings (published and unpublished) and of the secondary literature, and he does an excellent job in explaining what was going on. This is a book that anyone with an interest in Hayek should purchase.

Do I have any reservations? Caldwell has given us an invaluable account of Hayek's work. But it is—understandably, given Caldwell's interests—focused upon his economics and methodological ideas, and also on his work in psychology. Caldwell also has an excellent treatment of Hayek's work in Chicago on spontaneous and complex orders. However, some other themes of real importance—such as his ideas about law and political thought—get very short shrift. While Caldwell's exposition of



Hayek's ideas is illuminating, and his sketches of some of the intellectual background are superb, he is also sometimes perhaps unduly cautious in offering broader interpretative ideas about what was going on behind the scenes, outside of his major works.

For my money, it is when Caldwell is disentangling some important intellectual problems about Hayek's ideas that he is at his best. He has excellent discussions of such topics as the origin of Hayek's distinctive ideas about the social division of knowledge that are set out in his 'Economics and Knowledge'. He also has a first-rate discussion of the interplay between Hayek's ideas in economics and in methodology. Caldwell's treatments of Hayek's periods at the London School of Economics and in Chicago are also very nicely done. On some other themes, such as the development of the ideas that inform his *Road to Serfdom*, Caldwell says some useful things but is a bit wooden.

His account of the German-language intellectual background against which Hayek was writing is also very useful. But as I know from having been in the same position myself, he has been largely limited to the rather sparse and largely secondary sources that are available in English. Of these Caldwell makes excellent use. But I was disappointed that, given its importance for Hayek's work, we get almost nothing about Hayek's initial studies in law, and about the development of his interest in legal issues.

Caldwell has done us a great service. Anyone even thinking seriously about Hayek's work will need to refer to this book for a long time to come. However, if someone is also interested in the development of Hayek's political and legal ideas and thus in his wider ideas about politics and society, they will still also need to refer to other work such as John Gray's *Hayek on Liberty* and my own *Hayek and After*.

One problem with Caldwell's book is also that we lose sight of Hayek's normative concerns in politics. This is significant for two reasons. First, it is these that have had most influence, rather than his ideas in economics and on methodology. Second, one question about Hayek is how he came to the relatively strong classical liberal ideas with which he is now identified. We may also ask whether his ideas about economics and its methodology are adequate for the defence of his broad views in political economy. Caldwell's account does not engage directly with these issues. But his discussion of the potential of Hayekian ideas in economics and methodology, while fascinating, may also suggest some problems for those whose main interest is in defending a 'Hayekian' politics. Caldwell's book thus both informs and gives us a lot of food for thought. One can only hope that it is swiftly made available in a reasonably priced paperback edition.

**Reviewed by
Jeremy Shearmur**

Platypus and Parliament: The Australian Senate in Theory and Practice

by Stanley Bach

Department of the Senate
Canberra, 2003, 389 pp
\$29.95 (Available only from
the Senate)

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This somewhat oddly titled book very thoroughly details the role of the Australian Senate in both theory and practice. The author's contention is that the Australian Parliament, a fusion of British responsible government and American federalism, is a 'seemingly inconsistent and even incompatible' system which nevertheless functions effectively. This proposition is well supported and well argued throughout.

Both major political parties have canvassed significant changes to the electoral design of the upper house over the years. The Whitlam Opposition, following the 1975 crisis, made it official Labor Party policy to abolish the Senate. This has only recently been amended. The current Howard government, continually frustrated by delay and obstruction in the Senate, put Senate reform on the agenda in this its third term (and may choose to act on such reforms if elected to a fourth term).

However many Australians see a very real benefit to the upper house, acting as a check on executive government and a forum for a diversity of policy scripts. Electoral voting patterns indicate larger and larger numbers of Australians now choose to vote differently between the houses, often for