



# **Triple Governance** Hayek's Lost Thesis

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# Triple Governance

## Hayek's Lost Thesis

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In a University of California Los Angeles oral history interview, Friedrich von Hayek (1978) recalled

*I think the first paper I ever wrote – never published, and I haven't even got a copy – was on a thing which had already occurred to me in the last few days in the army, suggesting that you might have a double government, a cultural and an economic government. I played for a time with this idea in the hope of resolving the conflict between nationalities in the Austro-Hungarian Empire. I did see the benefits of common economic government. On the other hand, I was very much aware of all the conflicts about education and similar problems. And I thought it might be possible in governmental functions to separate the two things – let the nationalities have their own cultural arrangements and yet let the central government provide the framework of a common economic system. That was, I think, the first thing I put on paper.*

If this was Hayek's thesis, with a little imagination, it should not be difficult to restore it to life. For what did the Austro-Hungarian Empire represent when seen from a sociological, as distinct from a power or geo-political point of view? It is not so far off the case of the United Kingdom, which comprises four ethnicities in one unified and unitary state – a state with one government whose remit extends beyond rights to educational matters and culture generally on the one side, and economic affairs on the other. The difference is that in Britain the talk is of devolution, meaning breaking one single governance into four single governments, whereas Hayek's idea is 'double government.' Not, for example, Scotland separate from England, but cultural governance on the one side characterized by diversity (the absence of national conflict), with 'a common economic system' on the other.

Though not specifically stated by Hayek, by implication such a development, along with the processes it presupposes, entails a change in our understanding of nations and indeed the nation state. In particular, if cultural life and economic life are to find their own modes of governance, nationhood will need to find a ground independently of both.

In effect, therefore, Hayek's thesis is one of *triple* governance, not double. The precise form this would take and the processes needed to give it effect would depend on the circumstances obtaining in any country that chose to set out on such a journey. In principle, however the general scenario is readily predicted and can be envisaged with little if any speculation. While the exact arrangements will depend on history, the essential idea stands to reason – to sociological reason, at least.

It has to be that the existing unitary state with its single government, decides to articulate itself in three parts – to begin with by establishing, in addition to itself, two distinct frameworks or subsets of governance to which it then transfers specific powers along with the competences to discharge them.

To this writer's knowledge, there are no such actual cases in current history, but there have been two conceptions that go in this direction. They are mentioned here because both throw an interesting light on modern history, not in order to advocate them. Indeed, if any such system is to be (or be capable of being) advocated, first we need to be able to envisage the idea before we can judge whether it is merely theoretical or has some possibility in terms of both historical and institutional evolution. The two examples are Rudolf Steiner's ideas concerning the nature of socio-economic life, and Winston Churchill's image of an 'economic parliament.' Whether Steiner's or Churchill's ideas have merit in practical political terms is not here the point. Our concern is to adduce them as ideas, as thinkable – on the grounds that if they cannot be thought they cannot be done.

The examples are chosen in part because of their contrasting links to Hayek. Similar can be said of John Maynard Keynes. Interestingly, all men were witness to the same time of history, the period from 1914 to 1944, that has had such influence on economic policy. Steiner apart, they were all party to actual economic events, though one should beware over- or under-stating the links between them. For example, seeing Churchill as a hero for Hayek (or vice versa) or seeing Keynes as Hayek's nemesis (or vice versa). A broad view of recent history would stand back from the Left-Right divide that characterizes much of current debates, a divide consequent to no small extent on the very amalgam of political and economic governance discussed here. Churchill and Keynes need no introduction, but Steiner is less well known, at least as an economist. Born 1861, died 1925, he too grew up in Vienna and so knew well the events that background Hayek's youth. He (Steiner) was an advocate of clear thinking, not just having thoughts. He is often described as a seer, but he believed that the fact of thinking and that we can observe our thinking provided a scientific approach to all things invisible – such as prices, inflation rates, values... This is an important consideration when it comes to giving economics a 'hard' scientific basis, as was Alfred Marshall's intention, although this is usually sought through reliance on mathematics.

#### *Distinct economic governance*

At the close of World War I, Steiner (1977 [1919]) published *The Threefold Social Order*, in which he described in detail how, in his analysis, society should be conceived as having three aspects – cultural life, rights life and economic life. Steiner's thesis is therefore also one of triple governance, although here we dwell more on the economic aspect of things. *The Threefold Social Order* is part sociology, part economics in that it dealt with both social issues and monetary ones. Three years later, Steiner (1996 [1922]) gave a series of lectures on economics in which he outlined his understanding of the evolution of modern economic life out of private economies into world economy. We cite some lengthy extracts from Lecture 11, so that one gets the flavour of Steiner's image and its resonance with the lost pondering of Hayek.

*...the nature of the evolution of economic life [is such that] earlier stages continue to exist side by side with the later... The more primitive forms of economic life must be conceived as private agricultural economies on a larger scale. Their magnitude is relative, of course; but we must understand that if the private agricultural economy is self-contained, it includes within it other aspects of the social organism. It has its own administration,*

*possibly even its own defence force, its own police, and moreover its own cultural life...*

*Now if we trace the further course of evolution, we see how private economies gradually passed over into national economies, which again at a certain time – at the beginning of the modern period – tended to become state-economies. The way it happens is characteristic: Private economy – initiative in private business – gradually passes over into the hands of government departments, and thus the fiscal administration grows increasingly into industrial organisation. We see economies passing over into the life of the state, absorbing cultural life in the process...*

*...when single economies join together for the sake of mutual exchange (the essential thing in all economic life) they profit by doing so. Single economies, single businesses, gain an advantage by joining together. They profit by it simply because they can now exchange one with another... Each party gains an advantage, and the gain of each and all becomes significant for the entire national economy...*

*When today's economics was founded, that particular stage had already been reached. National economies had developed out of the private economies. This must be borne in mind if we wish to understand the economic ideas of Ricardo or Smith, for then we can understand the thoughts they evolved about 'political economy', as they called it...*

*Now already at this early stage there is sure to arise a kind of leadership. In effect, the most powerful of the private economies which have merged into a larger complex will naturally assume the leadership; and this would undoubtedly have happened at the transition from the stage of private economy into that of national economy. But it was masked and hidden; it did not come fully to expression, because the state undertook the leadership. If this had not happened, one private economy – the most powerful of them – would naturally have been the leader. So in effect it happened that the single private economies actually passed imperceptibly into the form, not of national, but of state-economy...*

*It was different, however, at the next stage, when in the further course of modern history the mutual exchange between national economies – world trade, in other words – became more and more comprehensive. Then, indeed, such a leadership emerged quite obviously. It happened, as an absolute matter of course, in the further progress of economic life, that England's national economy became the dominating one...*

*Now with the last third of the nineteenth century, there was a transition from world trade to world economy – a very remarkable process. Definitions are of course inexact, for these transitions tend to take place in successive stages; but if we want a definition we must say: At the stage of world trade the economic life of the world is characterized by single national economies exchanging with one another. This traffic quickens the whole process of*

*exchange and thus essentially alters prices – alters the whole structure of economic life. But in all other respects economic life is carried on within the several territories. As against this it may be called ‘world economy’ when the single economic units not only exchange their products one with another, but when they actually work together industrially: When, for example, half-manufactured products are sent from one country to another, for their manufacture to be continued there...*

*...when all production, all distribution, all consumption – not merely production alone or consumption alone – are fed from the entire world; when all things are intricately interwoven and fed from the entire world – then we have world economy...*

There are many themes in these passages that provide a context for Hayek’s thoughts, and it is to be wondered if he did not know of Steiner’s ideas, as his sociological book was a best seller in those days and Steiner was well known in Vienna and on the German ‘lecture circuit.’

Ten years on, and we find Churchill (1930), who had had close-to experience of macroeconomic management as Britain’s Chancellor of the Exchequer (1924-1929), also pondering the need for and possibility of separate economic governance.<sup>1</sup> In June 1930, he gave a lecture in Oxford, from which the following is extracted:

*It would seem therefore that if new light is to be thrown upon this grave and clamant problem, it must in the first instance receive examination from a non-political body free altogether from party exigencies, and composed of persons possessing special qualifications in economic matters. Parliament would therefore be well advised to create such a body subordinate to itself and assist its deliberations to the utmost.*

*The spectacle of an economic sub-parliament debating day to day with fearless detachment from public opinion all the most disputed questions of finance and trade, and reaching conclusions by voting, would be an innovation easily embraced by our flexible constitutional system.*

*I see no reason why the political parliament should not choose in proportion to its party groupings a subordinate economic parliament of say one fifth of its members, and composed of persons of high technical and business qualifications. I see no reason why such an assembly should not debate in the open light of day and without caring a halfpenny who won the General Election or who had the best slogan for curing unemployment, all the graves issues by which we are afflicted. I see no reason why the economic parliament should not for the time being command a greater interest than the Political Parliament; nor why the Political Parliament should not assist it with its training and experience in methods of debate and procedure.*

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<sup>1</sup> Whether he also thought in terms of cultural government we do not know.

*What is required is a new personnel adapted to the task, which has to be done, and pursuing that task without fear, favor or affection. The conclusions of such a body although themselves devoid of legal force might well, if they command a consensus of opinion, supply us with a comprehensive and unified view of high expert authority, which could then be remitted in its integrity to the political sphere.<sup>2</sup>*

### *Of culture and economics*

It seems, therefore, that Hayek was not alone, although in this essay he naturally takes center-stage. In terms, now, not of political schema but of sociological reasoning, a starting clue as to the nature of the different aspects of threefold governance implicit in Hayek's idea is already given by him – cultural *diversity* and economic *commonality*. From this clue one can derive another: What then happens to money? More precisely, how would money be defined and/or covered in a non-unitary state? Hayek (1990) answers this question later in life in *The Denationalization of Money*, but at the level of sociological reasoning one can anticipate this by imagining that, whatever its technical ground becomes, the bank notes and coins of that country's money could be used to illustrate 'double governance' by depicting cultural diversity on the one side and economic commonality on the other; what is unique in a country contrasted to what it has in common.<sup>3</sup>

That said, in this exercise as in real life, one has always to remember that a third element is also active and also undergoing transformation, namely, the very basis of national governance. For example, if cultural life (meaning education, the arts, religion) is to be set free, so that each citizen follows the culture of his own choosing, then the chances are that these choices will have universal, non-national qualities, such as being Christian or playing football – for such things are not national affairs, even if they have their origins in a particular country, or if particular individuals of a country or its population as a whole shows prowess in them.

By contrast, a common economy implies sharing – sharing resources, sharing the roads, sharing the money. One says 'sharing the money,' but that in itself conceals a further clue. The unitary state is such largely through the devices of centralized taxation and fiat currency linked to a monopoly on legal tender. In other words, in a unitary state money is political and undifferentiated, but it is unlikely and does not stand to sociological reason, that this circumstance would survive a shift to double governance. Indeed, giving notes and coins a cultural side that alludes to the capacities of a country's people – things that tend to be unique – and an economic side that refers to goods and their exchange, could well illumine and guide such a development.<sup>4</sup>

In *The Denationalization of Money*, Hayek's (1990) argument is that, while money might be emitted by anyone, anarchy of emission would be democratized by the fact that money

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<sup>2</sup> See also Churchill's 1931 evidence before the Select Committee on Parliamentary Procedure (15.6.1931.)

<sup>3</sup> The writer speaks from his experience of teaching finance to young people, where one exercise is to design a world money with a world hero on one side and the earth's resources on the other.

<sup>4</sup> Not entirely tongue in cheek and notwithstanding the next paragraph, one could, for example, wonder whether, if the obverse of a bank note is culture and the reverse is economics, the paper it is printed on or the emitter might represent the third, political or national, dimension.

is ultimately used to acquire what human beings need in order to exist – in short, a typical basket of goods. Again, in terms of sociological reasoning rather than political probability, this is an argument that can be readily acceded to, *provided that capital is not seen as a good but as an expression of capacities.*

### *The evolution of economic life*

To follow, therefore, what would happen to a nation were it to embark on triple governance, one needs to figure out what would happen to its money. But thereby hangs an important tale; therein lies another clue as to where Hayek's mind (or pen) might have led him had he elaborated his opening statement. Were his remarks merely a statement, or did they embody an intuition? Are they a seed awaiting the warmth and rain of some later, more propitious moment in history? More propitious, for example, than the nadir of human relationships represented by World War I but also by the post-Versailles treatment of Germany, and by extension the demise of Austro-Hungary, which followed the cessation (or should that be metamorphosis?) of hostilities.

The clue here is to ask whether a country's economic borders are coterminous with those of its nationhood. Before World War I, the separate countries of the world – whose typical if bizarre modality was that of national empires, not just nations – were in fact linked altogether by trade and by specie flow, ultimately the gold standard. This however had reached its heyday by the dawn of the 20th century and became the first casualty of the Great War, 'dying' when war was declared and before any shots had been fired, excepting those of Gavrilo Prinzip on 28 June 1914.

Economically speaking, national empires had given way to world economy. As Keynes (1919, 11) famously put it:

*The inhabitant of London could order by telephone, sipping his morning tea in bed, the various products of the whole earth, in such quantity as he might see fit, and reasonably expect their early delivery upon his doorstep; he could at the same moment and by the same means adventure his wealth in the natural resources and new enterprises of any quarter of the world, and share, without exertion or even trouble, in their prospective fruits and advantages; or he could decide to couple the security of his fortunes with the good faith of the townspeople of any substantial municipality in any continent that fancy or information might recommend...*

This description resonates remarkably with that of Steiner, suggesting that, however radical, world economy was in fact a somewhat commonplace observation. Indeed, it is the development of world economy that led to Keynes's (1923, 89) later *Tract on Monetary Reform*, an in-depth discussion on how monetary affairs could be conceived and managed in a post-gold standard world, in which, as he felicitously put it, we move in a world in which "the point about which the exchanges fluctuate, and at which they must ultimately come to rest ... is not itself a fixed point..."<sup>5</sup>

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<sup>5</sup> Keynes spoke of 'a barbarous relic', which, as James Turk (2006) is at pains to point out, refers to the gold standard not to gold itself.

A central consideration of this chapter is likewise the question of what is the appropriate way to govern economic life once its underlying nature has become that of a single, one-world economy. The outer sign of this step change from the 19th century modality of national imperialism was the outgrowing of the gold standard, but what led to the sloughing off of this particular skin?

Views vary as to what brought this about, but the basis of our view is the little-known economic historical analysis of Rudolf Steiner already outlined, with its conception of an evolution from small private economies, through national economies, to a single world economy. Space does not allow corroboration of Steiner's thesis, but the basic process of economic evolution, albeit hi-jacked by the state, is obvious enough – and Steiner's version of events shows well how confusion set in between the nation state and economic life, with a consequent conflation of their remits, such that the state came to have an economic role for which, arguably, it is not apt. In this regard, both Rudolf Steiner and neo-liberalism argue that the state should let go economic life, that the economy should be grounded on economic facts, not political or cultural ones.

However, such a social conception is nigh on unthinkable today because humanity took a very different path. Instead of finding a new basis for national existence, it reinforced the unitary state by adopting Wilson's 14 Points, the doctrine of self-determination and the Rooseveltian notions that came to inform the League of Nations and then the United Nations. And yet in regard to these institutions – all American 'exports' – the US to this day remains aloof because for America the path ahead post 1919 was not global commonwealth but replacing the hegemony of Great Britain with its own.

### *Austro-Hungary*

The above discussion may strike one as a digression, but without it one cannot reconstruct the context of Hayek's formative years in the Vienna of then Austro-Hungary when, aged only 20, he wrote his forgotten thesis. The Austro-Hungarian Empire was a kind of prototype for how the world as a whole could be understood and organized, namely, as one economy alongside cultural diversity. Similar, of course, could be said of the British Empire – that it was a prototype for a world economy, the more so if one envisages such an economy, as regards its many peoples, as a worldwide commonwealth.<sup>6</sup>

Such was the possibility hovering over history at that time: What would happen were the competing empires of the 19th century to realize that, rather than vie for control of the world, they should coalesce and share it?

If one is to enter in a living way into what Hayek seems to have intuited, one needs to go back to that moment, that potential version of history – for which Austro-Hungary provided a dress rehearsal – but then chart a different course in human affairs, hopping over the subsequent developments. Counterfactual though such a remark may be, even fanciful, intuitions are by intuition found, and this is an essay in intuition, not a statement of fact. It is an exercise in the imagination, an endeavor to guess at what was coming into Hayek's mind before he lost his paper.

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<sup>6</sup> See an elaboration of this idea in *Finance at the Threshold, Rethinking the real and financial economics* (Gower 2011), where it is discussed in terms of a choir of peoples or cultures.

Hayek was a teenager at the end of World War I, witnessing the demise of the world he grew up in. He belonged to a large area of Europe that embraced many ethnic groups (who for the most part were intermingled, rather than ghettoed), all held together in a single polity. One says single, but in fact it was the Dual Monarchy, a carefully crafted concord between the Austrian Empire and the Hungarian Kingdom – a close conceptual cousin perhaps to double governance.

History may never know where this would have led, for World War I brought an end to the Habsburg scheme of things. What matters is to identify how Austro-Hungary held together. To return to our earlier theme, it did so because its rights life was subject to an on-going concordat, regularly revisited. Thus it was not only a matter of culture and economics, the one diverse, the other unified; the rights context was equally, if not more, important. So much so that when considering Hayek's distinction between culture and economics and the possibility of devising for each its own governance, one needs to imagine that he has forgotten to mention the rights ground on which he is standing when he makes his observation.

The key question here is: How would such a development of governance have taken place out of existing facts, not as an abstract ideal? Moreover, could such a transformation occur today, and if so how?

### *Follow one's light*

Within Austro-Hungarian rights life there was an element of cardinal importance: The hegemonic notion of empire, complete with emperor. So the central question in terms of articulated governance is what happens to hegemony? The answer is that there has to be a kind of sacrifice. Overarching, monolithic governance with a head of state, requires the head of state to preside without power, or to reign without utterance, to hear but not to speak. Then each one of us, as citizens in general, will be able to stand on what is universally human in us and not on its opposite – the tendency to place oneself above all others.<sup>7</sup>

Yet another digression in regard to Hayek's thesis? Not really. For what else does his idea of two governments – one for culture and one for economics – entail, but a sea change in the most essential dynamic of modern democracy? Our hunch is that Hayek was picking up on the events and atmosphere of his youth, during which the idea of double governance seems somehow to have been waiting in the wings of history.

Another intriguing detail of Austro-Hungarian life concerns the Houses of Parliament in Buda, completed in 1904. Unlike those in London from which architecturally they take their cue, Hungary's two houses are symmetrical and of equal size. Although Hungary's parliament is now unicameral, the building could be seen as a metaphor, not for an upper and lower house, but for two subsets of parliament – one to consider what would be the effect of a particular law for the cultural life, the other for the economic life (prices, etc.), leaving parliament to be the legislature, subject, it should be noted, to a hugely reduced workload and therefore need for tax revenues.

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<sup>7</sup> The example of Britain's constitutional monarchy is obviously in this writer's mind, not because of its specific format, but because of its implied dynamics.

But here we touch on an interesting question: How would the two sides of the legislature relate to one another? Would each seek to prevail over or ignore the other, or would each deliberate on its own grounds until it saw, and reflected, the merit of the other's concerns? Would economic life usurp cultural life by, paradoxically, taking a key principle of diversity, namely competition (in the sense of bettering oneself as a person), as a principle also of economics (instead, as argued below, of cooperation)? Conversely, would cultural life expand without regard for its economic effects, promoting dreams that could not be resourced in a sustainable way, and refusing to be tempered by what the earth, and equitable distribution of her resources, allowed? Or would economic life discover some principle or reflection within itself of cultural life, while cultural governance discovered something economic at its core also?

The expansionist and sub-global economies of imperialist nations never envisaged limits, so they came to fight over the world's resources and markets when these limits were met; when there was not enough room in the sun for everyone. The opposite would have been (and remains) to share them. But sharing is a cultural affair in the midst of economic life. The question is whether it is more effective to mitigate Thomas Malthus's assumed insufficiency of resources by way of competition in the face of abstract markets or to meet the challenge by non-collusive cooperation. This is not a distant or strange prospect, nor does it go against the grain of human nature, as many often opine. Within a national economy its several regions do not compete against each other and none has its own currency, nor does a large corporation or an airline alliance. Why, then, should a single global economy?

What, on the other hand, would be an economic affair in the midst of cultural life? This is a question to which, unwittingly and bizarrely perhaps, Milton Friedman (1966 [1953]) may have provided an answer:

*flexible exchange rates are a means of combining interdependence among countries through trade with a maximum of internal monetary independence; they are a means of permitting each country to seek for monetary stability according to its own lights, without either imposing its mistakes on its neighbors or having their mistakes imposed on it. If all countries succeeded, the result would be a system of reasonably stable exchange rates; the substance of effective harmonization would be attained without the risks of formal but ineffective harmonization.*

Reversed, the statement means that the light of a people or country is at the same time the key to its economic identity, and thus security, in that it represents its contribution to humanity's table – the supreme instance of David Ricardo's notion of comparative advantage, that principle whereby division of labor implies also mutual need.

In other words, would the creation of separate cultural and economic governments lead to some kind of synthesis? An accommodation, moreover, that strengthened national life rather than weakened it, which is what many fear would be the outcome.

And in this process, what of the space between the two – the lobbies<sup>8</sup>? Would this change from a place where, as now, heads butt against each other, into one in which minds met?

These are important considerations of an almost epistemological nature to which we will return after one further digression.

### *Concerning nationhood*

If, as we averred earlier, a prime characteristic of cultural life is that it tends to the universal and is not directly national (for example, when a place of national importance becomes a World Heritage site), then nationhood has to be founded on rights, not culture. The same can be said of economic life. Economic governance may begin at the national level, but its nature is global, worldwide – not national. A country's economic government would become a national instance of a global affair, as when national finance ministers meet at the Bank of International Settlements, or a national central bank becomes a branch of the European Central Bank.

In this sense, it is not hard to imagine that both the Austro-Hungarian case and the lost thesis of Hayek anticipate a one-world economy in which humanity would be united economically, on the one hand by truly free trade between all people of the world, and on the other by the free capitalization of individuals' capacities without discrimination as regards race, color, creed, etc.

But now we come again to Hayek's unspoken conundrum. If economic life and cultural life are to follow their own logics, on what is a nation to be predicated? The answer has to be on something that is neither universal nor global, requiring that matters of right remain national. While cultural life and economic life both extend beyond a country's political borders, its rights life ought not to do so. For then, to allude again to Milton Friedman, 'the economies of the world would become harmonized because each people followed its own light.'

Of course, such a conclusion is hardly neutral or without historical and institutional consequence. It implies that, while there may well be global bodies concerned with liquidity (the International Monetary Fund) and capitalization (the World Bank), they need to be understood as humanity-wide economic institutions and not therefore tethered to Washington. Likewise, the General Agreement on Tariffs and Trade should not have given way to an organization (the World Trade Organization), which is a supra-national world court, but should have extended its multi-lateral modality and remit to become the instrument of a genuine global commonwealth, predicated on independent not united nations. In many respects, this would be the enactment of Keynes's (1943) International Clearing Union concept, insofar as that idea entailed the use of trade and economic fundamentals, not politics, as the ground of economic governance.

What else, however, does the denationalization of money suggest than that money – understood as a means of exchange rather than a tool of power – unshag itself from politics, all the while however remaining consensual, numismatic?

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<sup>8</sup> A term both architectural for Britain's Houses of Parliament and metaphorical in countries where triple governance is not operative.

But how is this to be done? Again, the answer, like Milton Friedman's dictum, seems to be quietly before our eyes in the form of international accounting standards, which act as a form of money in that they rest finance on universally understood economic categories (profit, etc.). In doing so, they render national money secondary, but they also obviate the need for a supra-national or global *fiat* currency, such as the euro or anything requiring a world central bank. This is not to say national currencies are unnecessary. Rather, the function of national monies would switch from being, as it were, a means of invading other economies, to a way of reading and appreciating them. They would become instruments in the orchestra of global economic governance, a metaphor for harmony and working together rather than dissonance and going it alone.

In effect, worldwide accounting standards allow money to become a universal language, albeit spoken using the many dialects or tongues of different currencies. It would then follow that central banks, too, would have to change, becoming nodal points of consciousness in a worldwide economy. Emancipated from both governments and the financial markets, they would become an instrument for perceiving economic life, not for directing it.<sup>9</sup> In other words, the locus of economic governance would become financially literate citizens, what some people in finance simply call being 'astute.'

One writes subjunctively, but what other landscape emerges from such an endeavor as this to surmise the logic of Hayek's seminal comments? Where else does his 1919 momentary reflection lead but to *The Denationalization of Money* 57 years later?

#### *A final musing*

This brings us to our final musing: The consequences of all the above and their reflexive meaning for Hayek's thoughts concerning the nature of knowledge. Halfway between his lost thesis and *The Denationalization of Money*, Hayek (1945) deliberated on the nature and use of knowledge in society, maintaining that no one person can know all the 'data', nor can all persons together: The problem of economics 'is a problem of the utilization of knowledge which is not given to anyone in its totality.' He argued that knowledge of particular circumstances exists only as the widely dispersed, personal possession of a multitude of different individuals, and consequently it is 'practically impossible' to assemble and process all the actual existing knowledge within a single mind. This, the decentralization of the use of knowledge, he saw as capitalism's strength and socialism's weakness, when the latter is understood as centralized economic planning. But he went on to argue that partial knowledge can only be overcome by competition (a rationale that leads eventually to the efficient market hypothesis<sup>10</sup>), even though for Hayek competition was not seen as an end in itself but as a means of discovery.

In this sense, Hayek's epistemology aligns with his ontology. And yet, we could as easily say that our dispersed knowledge can be made whole by sharing it, by each member of humanity supplying a piece of the jigsaw of our joint economic life. Then, too, epistemology and ontology would merge into one another – only the outcome would be very different.

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<sup>9</sup> A theme explored in depth in the author's *Auditorial Central Banking* (2005).

<sup>10</sup> Described by Lord Adair Turner when chairman of London's Financial Services Authority as "a fairly complete train wreck". *Prospect Magazine*, September 2009, No. 162.

To conclude, had Austro-Hungary not been lost to history in the way it was, and had Hayek's brief synopsis also not disappeared, we might all be in a different place to the one we now find ourselves in ten decades on.

Indeed, perhaps we are.

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