

RULES FOR A GLOBALISED WORLD

IDEAS FROM HAYEKIAN THOUGHTS ON CULTURAL EVOLUTION AND EPISTEMOLOGY

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I. INTRODUCTION

The question of the Mont Pelerin Society Essay Contest refers to the origin and to the role of abstract and formal rules of just conduct for the peaceful intercourse of culturally different people, the relation of such rules to protected domains such as private property and, furthermore, to the question of why private property is an indispensable condition for the mentioned abstract rules. Appreciating the history of the Mont Pelerin Society I will answer this extensive question with Hayekian ideas. Particularly, I will refer to his theory of cultural evolution and to his epistemology. Not only to mark the boundaries of the answer but also to refer to an actual political task of this century, I will focus on the *global* dimension of the subject.

At the end of the 20th century mankind had completed many preconditions for a globalised world. Aircraft-transportation, satellite-communication and the internet had been invented and advanced. Even a single language had succeeded to be accepted as an international standard. Now the most important political tasks of the 21st century will be to facilitate this process of internationalisation by establishing an international political framework so that globalisation will be mutually beneficial for all people.

However, the last century gave birth not only to technological prerequisites for the process of globalisation but it has also brought out considerable intellectual work concerning the global dimension of the development of world history. As one of the leading thinkers of the last century, Friedrich August von Hayek also had important ideas which not only addressed the task of an order of freedom and prosperity, but he furthermore gave remarkable intellectual contribution to the possibilities and conditions of a *globalised* world of peace and mutual benefit.

II. HAYEK'S TWO ARGUMENTS ON GLOBAL ORDER

Although the problem of an international order was not the principal topic of Hayek's diversified intellectual work, his ideas on social phenomena can give important insight in to this problem. Altogether he wrote very little explicitly about the requirements of an international order but, as Michael Wohlgemuth points out (Wohlgemuth/Sideras 2002:3), there are two early and interesting writings on this issue: A paper on 'Economic Conditions of International Federalism' (Hayek 1939) and chapter XV of his 'Road to Serfdom' (Hayek 1944). According to Wohlgemuth, one finds in these writings both ar-

guments that still today characterise the discussion of globalisation and international political governance: *Firstly* the need for proscriptive, general 'rules of the game' in order to preserve peace and facilitate international economic interaction and *secondly* a need to limit the purpose of international rules and authorities to fields where true agreement can be reached.

The second Hayekian requirement for international rules is that they be limited to fields where true agreement can be reached. Communication and agreement always depend on shared goals, values and mental concepts. Facing the immense global differences in political traditions as well as in philosophical and religious ideas, the efficiency of an international order depends on the range of globally shared values. Therefore the size and the intensity of globally organised political entities are dependent on the size of the globally shared values and viewpoints. One instruction to a social scientist, who has come to this second realisation, can be interpreted as to identify and maximise the range of known correspondence between different cultures. But the problem here, as we will see, is to choose an adequate theoretical approach to challenge this non-classical economic issue.

Therefore we will discuss Hayek's two main arguments concerning an international order. Such an order has to rely on general rules of just conduct *and* it can only rely on the range of domains in which one can find agreement between cultures. Section III is related to his first argument; there we will address Hayek's ideas of the principles of the evolution of rules and a problem which certainly arises by an application of his theory of cultural evolution at a global level. The section IV is related to his second argument. There we will have a look at the connections between the structure of the human mind, the range of intercultural agreement and the political delimiting of protected domains where the concept of private property will serve us as a 'visual aid'. Section V summarises what has been said.

III. ABSTRACT RULES FOR A GLOBALISED WORLD

The first Hayekian requirement to international rules, which Wohlgemuth recognises, is that purpose-independent, *general rules* have to be further specified. The kind of rules that Hayek has in mind when he thinks of an international order have to fulfil basically three conditions. *Firstly* such rules have to be related to individual conduct and not to social states. *Secondly* they have to ban unjust behaviour instead of prescribing specific actions. And *thirdly* they have to create protected domains of individual responsibility such

as private property. As Wohlgemuth shows, an international framework which is able to coordinate the politics of the different nations in a federal way can only work if its rules can pass this test.

TYPES AND ORIGIN OF RULES

At the very outset we have to notice that the addressed 'rules for a beneficial order' could be subdivided in two different classes of rules. Firstly we could think about the kind of universal rules of just conduct which form the basis of the spontaneous order, thereby limiting or restricting the range of permitted action for any member of the society (Vanberg 1994c:199, Hayek 1979:97-125). Such rules are usually enacted by national political legislators to regulate the mutual behaviour of the *citizens* of that jurisdiction, for example the rules of the civil law. Secondly we could think about abstract formulated and universal rules which form the framework of the mutual behaviour of *nations* or political entities to one another. Such rules could only be enacted by some meta-national organisation or agreement, like WTO or GATT. In the following discussion I will not always explicitly distinguish between these 'layers' of order because firstly at least all rules affect the behaviour of individuals, secondly all rules have to pass the above mentioned test and thirdly the need for abstract rules as a requirement for a mutual beneficial international order refers equally to both layers of rules. Nevertheless, the distinction will be important with respect to the following critique on Hayek's theory of cultural evolution. While his theory of cultural evolution – which is closely related to his concepts of the market as a spontaneous order (Vanberg 1994a:78) – without doubt has scientifically widened our view concerning the origin and the spreading of beneficial rules of just conduct, especially on the meta-constitutional level, we have to think about the problems of this theory.

CULTURAL EVOLUTION IN A GLOBALISED WORLD

As a classical liberal, Hayek clearly stands in the tradition of methodological individualism. According to this guiding principle, aggregate social phenomena can and should be explained in terms of the single actions of individual human beings (Vanberg 1974:5-29). According to Vanberg, the strict application of this methodological approach connects Hayek with the Scottish moral philosophers as well as with Charles Darwin, whose explanation of the evolvement of species is based on selective forces which affect *single* individuals. Adam Smith's notion of the 'invisible hand' also follows this methodological approach in the same way as Adam Ferguson's concept of social institutions as the 'result of

human action but not of human design'. But although Hayek draws attention to the processes of generation and change of cultural rules, in this methodological aspect Hayek neither elaborates nor consistently pursues a consistently individualistic and evolutionary approach to the question of the evolution of rules.

Vanberg shows that there are in principle only two ways to explain how the beneficial *effects* of rules can account for the *existence* of those rules. On the one hand one can assume some feedback mechanisms which implement new beneficial institutions individually or collectively on the basis of *individual recognition*, or one can postulate on the other hand a feedback mechanism on the *group level* which is independent from individual choices. In spite of its invisible-hand-touch, the former points our attention to the political processes of deliberate institutional design while the direction of Hayek's *general* arguing wants exactly to show the *limits* of such a processes. As a 'collectivist functionalistic' approach, the latter is not only incompatible with invisible-hand explanations, it explicitly rejects the idea that social processes can be explained in terms of individual actions. But apparently and strangely enough, as Vanberg points out, Hayek appeals exactly to such a collectivist functionalist notion with his theory of cultural evolution. By doing so, that is by trying to establish a "*direct* link between the social beneficial effects of cultural rules and their emergence and persistence" (Vanberg 1994a:85), he seems to stand in contrast to the classical methodological individualism. His collectivist arguing seems to be influenced by the theory of group selection, which tries to explain the spreading of beneficial rules via the growth of the groups which adopt these rules. But to complete such a line of reasoning one would have also to state a theory about the group-internal mechanisms which are able to enforce presumed beneficial rules. And such a theory might easily explain the origin of institutions which give guidance in cases of – spoken in terms of game theory – so called *Co-ordination games*. This means rules which govern behaviour in situations in which all parties are not interested in cheating, e. g. self-enforcing rules like 'always drive on the right side of the road'. However, in so called *Prisoners' Dilemma-Situations*, that is for social problems in which all parties would *individually* choose the *socially* disadvantageous strategy, the problem of free-riding leads us to the question of how behavioural regularities could be expected to emerge, especially in PD-cases.

The bigger and the more open communities are, the more such mentioned PD-cases could be expected because conflicts between parties who don't share common values then become increasingly preassigned. Hayek for himself recognises this fact already in his *Road to Serfdom*: "In a small community common views on the relative importance of the main task, agreed standards of value, will exist on a great many subjects. But their number will become less and less the wider we throw the net; and, as there are less community of views, the necessity to rely on force and coercion increases." (1944:243). And the biggest imaginable community could be a globalised world. While the solution of this problem could be the evolvement of abstract rules of just conduct within such a global community, in the mentioned PD-cases invisible-hand processes for themselves all the more cannot be expected to create such rules. Therefore we have to think about opportunities of deliberate *political enforcement* of abstract rules on an international level. As Vanberg concludes with respect to the origin of rules on a constitutional level, "we have no reason to assume that there is some general spontaneous process at work on which we could blindly rely for the generation of appropriate rules." (1994a:93). Rather we need, according to Vanberg, a *constrained* socio-cultural evolution; constrained by rules on a constitutional level which are designed so that they could generate rules that are responsive to human needs. And these constraints (the 'constitution', the rules of the political process) also have to be improved on their part. Furthermore, following this logic, this development of the constitutional level has to be guided by some constraints on a meta-constitutional level. Since this above-national level is the highest conceivable, namely the *global* order, the development of the rules at that level cannot be guided by any 'higher' constraints. And since, additionally, the highest level of 'meta'-orders has to remain *alone*, and consequently there are no alternative social experiments possible (as it is the case in competing sub-units within a political federation), at the level of international order intelligent and deliberate enforcement with careful consideration of the desires of the people affected will be necessary.

Hayek realised early the necessity of purpose-independent rules for a global order, although his theory of cultural evolution provides us with no exhaustive explanation of how such rules can be found and implemented on a global level. However, he has also

stated a second problem in conjunctions with a feasible international order which also should be discussed here: the need for domains of intercultural agreement.

IV. DOMAINS OF AGREEMENT AS A BASIS FOR FORMAL RULES

We have already discussed the origin and the evolvement of rules and we have stated that the universability and transparency of such rules are necessary features of rules in an international context. But all rules, no matter if they are more or less general, have to refer to definite *objects* of regulation. And these objects, as the rules themselves, are, in an *epistemological* point of view a product of an evolutionary process. Therefore, as a result of the different possible paths of evolution, rules as well as their objects may be culturally different.

One example of such objects to which rules can refer are the *protected domains* of single individuals, for instance that domain which we call 'private property'. In a *wider* sense such protected domains can include not only material things, but, as John Locke has defined, also life, freedom and all kinds of holdings. The demarcation of protected domains for every individual, that is the institution of private property, is undoubtedly a socially beneficial advancement. Nowadays the importance of such specific objects of modern legal systems, especially the importance for the people living in so called 'developing countries' has been accentuated by the work of Hernando de Soto (de Soto 2000). Every society that goes beyond the level of small group (and in which all society members share the same definite ends) has to define such domains. In the words of Hayek, everything that we call 'civilisation' is based on such protected domains (1979:111). Furthermore, Svetozar Pejovic shows that there are great differences in the degree of individuality – that is the size of the protected domain of the single individual – between the western civilisations and those so called eastern 'transformations economies' (Pejovic 2003). In these differences Pejovic identifies the reason for the missing economic improvements of many of these latter countries.

The epistemological dimension of concepts such as 'property' becomes more obvious if we, in a *narrower* sense, regard specific cases of property. To handle, for instance, *intellectual* property, one has to be able to recognise purely mental objects as a juridical delimitable object. In Popper's words, we have firstly to accept the existence of *world three* (Popper/Eccles 1977:61-72), an independent world of cultural 'products' with its own objects, and we secondly have to assign specific objects of that world to a person. If we

envison the fact that in many known languages no equivalent word for 'property' exists and if we look at the political disagreements concerning intellectual property rights (e. g. the dispute concerning AIDS drugs for African countries or the dispute on the TRIPS agreement), the resulting problems of the task of establishing international rules concerning this field becomes obvious. Therefore the subject of private property clearly shows the epistemological dimension of domains of agreement between cultures and it shows the dependency of such objects on culture. Because the causes of differences in the degree of individuality could be understood from an epistemological point of view, we will have a short look to the Hayekian ideas of theoretical psychology in the following section. Since, however, this perspective is not suitable for finding the political solutions of the problem, we want to refer after that excursion to a new scientific discipline which probably could help to give adequate answers.

THE HAYEKIAN EPISTEMOLOGY

When Friedrich August von Hayek was a student he was interested in psychological issues and he studied the works of the contemporary leading minds of that field. Nowadays it can be said that Hayek's epistemological notions are compatible and in accordance to modern epistemological viewpoints, especially to the modern Neurosciences (Vanberg 2004:33, Sprich 2003). Although the link between his epistemological and his social ideas was not explicitly worked out by himself, the importance of *knowledge* for his ideas testifies especially his epistemological oriented viewpoint of thinking about social phenomena. Kurt Leube claims that a full comprehension of Hayek's work is possible only by taking his epistemology into account (Leube 1992). I suppose that Leube's claim especially is correct if we want to shape a Hayekian picture of the role of rules for a globalised world. In order to see this we will begin with a closer look at what Hayek thinks about the characteristics of the human mind.

Hayek's epistemological approach, as it is presented in *The Sensory Order* (Hayek 1952), appears like an approach from the natural sciences because he gets his access to mental phenomena through the analysis of basic biological and physiological processes. In principle Hayek discusses the relationship of two completely different kinds of conceivable orders. The first of these two orders he calls the *macrocosm*. This order can be described in terms of natural sciences, it is the Popperian *world one* (Popper 1977:61-72); in other words the physical, touchable or, as Hayek also calls it, the 'external' world. The second world is

the *microcosm*, the phenomenalist world of recognition and perception, the 'internal' world of our human senses which one can only experience through introspection. Popper would say that this is the *world two*. The central problem of Hayek's epistemology is the relation between these two orders (1952:14).

In Hayek's epistemological view the nervous systems serve as a system to classify relevant information (Hayek 1952:48). If we realise that epistemological classes are not more than *rules*, we can see that when Hayek thinks about the mind as an 'instrument of classification' he thinks about the human mind as a program- or rule-based instrument. And we have to pay attention to the fact that the process of rule-guided classification, which he exactly describes in his epistemological writings, is the *only* mechanism of perception, thinking and acting. Here the relevance of *rules* becomes obvious and this importance of rules will point out the role of institutions in the following section.

THE EPISTEMOLOGICAL SIGNIFICANCE RULES

Therefore, returning to our example, the human mind cannot recognise any *intellectual property* 'as such'; at best it can classify some object into the category 'someone's property', but only if such a class is somehow 'defined'. According to Hayek, *all* we know about the world is through the nature of theories and all experience can do is to change these theories (Hayek 1952:143). If we bring us to mind that, for instance, the concept of intellectual property can be seen as a kind of theory which at any time had to be invented and implemented to a specific culture or into a single mind, it follows that such property rights can not even be perceived by someone who does not have the corresponding cognitive facilities. Therefore to quarrel about rules on an international level in the absence of compatible cognitive structures or viewpoints as a basis for such international rules appears to be hopeless.

The change of such theories (which are encoded in forms of rules or classifications) occurs, according to Hayek, in the process of 'reclassification': the formation of new classes or rules which will, for instance, occur in the process of socialisation. As Viktor Vanberg points out, there is a strong relationship between the abstractness of the classes (or rules) which are restricting human senses *and* human behaviour: "Both, our perception and our behaviour, are a matter of classification. Both are guided by rules, by 'rules of perception and rules of action'" (Vanberg 1994b:98). Hence, to bring domains of intercultural agreement into being in order to coordinate actions via abstract rules of just con-

duct, the differences in the *rules of perception* have to be considered as well as the rules of action. But if we want to identify these differences exactly – and we have to do so in order to find fields where 'true agreement can be reached' – we have to ascertain the cognitive structures 'behind' these perceptions. And this, following the Hayekian epistemological insight that only a very small part of our cognitive 'classes' or 'rules' are accessible consciously (1952:167), is not a simple task.

We have seen that the central problem of Hayek's epistemology is the relation between two different orders which are simultaneous concepts to the Popperian world one and world two. And the important relation between these orders, if we consider the mind as an instrument of classifications, consists of rules which could for themselves be considered as part of the Popperian world three. Of course, the rules or 'classes' Hayek is talking about are – as material connections of neurons – first of all a part of the 'macrocosm' or of 'world two'. However, to be once established as neural connections, these classes or rules have to be learned or copied from somewhere via the process of socialisation. And since socialisation means that the individual learns from its culture and since the culture could have an effect on world one (even if it is not material), a science which focuses on cultural issues could reveal relevant discoveries about differences between different mental models. Hence, by considering the fact that a great part of our individual cognitive structures not only exists in one single mind but rather that it is shared socially and could be seen as immaterial elements of the Popperian *world three*, essential economic differences in cognitive structures could possibly be identified by sciences which regard cultural issues (and thereby the 'hidden' immaterial elements) as their subject.

CULTURAL ECONOMICS AND DOMAINS OF AGREEMENT

Even though an epistemological view can show us something about the nature of the second Hayekian task concerning a global order (the fields where true agreement could be reached), such a view concentrates our attention to the single individual while the problem we are facing is that of a social dimension. Therefore the cause of the problems, in achieving intercultural agreement in fields which are economically essential, can be identified and expressed in an epistemological way. However, from Hayek's epistemological arguments, it can be said that *firstly* the nature of our mind consists in rules and that *secondly* the greatest part of these rules are adapted from the specific culture via the process of socialisation. The task of analysing traditions, cultures and habitual senses of justice

and behaviour is neither a matter of classical or of constitutional economics, nor it is a matter of epistemology. Rather it is a matter of other social sciences such as *historian science*, *sociology* etc. Facing the problem of finding fields in which true agreement between cultures could be reached, we can see the necessity of cooperation of the social sciences. Exactly this is the central message of the research program of 'Cultural Economics' (Goldschmidt/Remmele 2004). This new and promising research agenda could contribute substantially to the task of identifying the problems which result, at the least, from the cognitive differences between cultures by enriching classical economic thinking through the methodology of other classical social sciences. Moreover, the success of such a challenge would fulfil Hayek's own desire of a unified social science (Hayek 1969:17).

V. CONCLUSION

The problem that I wanted to address has referred to the origin and to the role of abstract rules of just conduct for peaceful intercourse of culturally different people. I wanted to answer this extensive question with respect to the Hayekian thinking; in particular I wanted to refer to his theory of cultural evolution and to his epistemology. To mark the boundaries of the answer and to refer to an actual political problem I focussed to the *global* dimension of the subject.

We have seen that Hayek emphasises two requirements for an international order. *Firstly* the development of a framework of purpose-independent abstract rules and *secondly* the fields where true agreement between different kinds of 'weltanschauung' could be obtained. By regarding his *first* argument, in search of the *origin* of social rules, a critical examination of Hayek's theory of cultural evolution has shown that in general the evolution of rules needs to be guided by constraining rules of a higher level and that in the special case of rules for an international order such meta-rules could not be presupposed. Concerning the *second* requirement, the fields in which true agreement between cultures could be reached, his own epistemology gave us precious indications to the core of the problem. Hayek's epistemological argument of the boundedness of the human mind has shown us that intercultural agreement concerning specific objects could fail because of the absence of overlapping cognitive structures concerning the basis of those rules. The case of protected domains has served as such an example. Such problems could be theoretically examined by the new research program of the 'Cultural Economics' which combines the knowledge of a diversity of social sciences.

The 'instructions' to politics facing the presented problems are twofold. *Firstly*, because the self-regulating evolutionary mechanisms seem to be somehow deficient on a global level, political actors have to be eminently prudent when designing international rules. There is no higher level of order which could restrict this kind of legislation and there are no competing jurisdictions to discipline legislators. And *secondly* politicians have to adhere not only to the purely economic and the legal differences, but also to the cognitive, or rather to the cultural, differences between people. Failures have already been made by establishing the WTO and GATT regulations. We are still far from the Hayekian ideal of global order: "Neither an omnipotent superstate nor a loose association of 'free nations' but a community of nations of free men must be our goal." (1944:259). But as in the process of creating the technological prerequisites of a unified world, also the task of establishing legal foundations for a peaceful world to the fullest extent will probably require longer than only one century.

VI. LITERATURE

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