

F. A. Hayek's life spanned the twentieth century, and he made his home in some of the great intellectual communities of the period.

Born Friedrich August von Hayek in 1899 to a distinguished family of Viennese intellectuals, Hayek attended the University of Vienna, earning doctorates in 1921 and 1923. Hayek came to the University at age 19 just after World War I, when it was one of the three best places in the world to study economics (the others being Stockholm and Cambridge).

Like many students of economics then and since, Hayek chose the subject not for its own sake, but because he wanted to improve social conditions—the poverty of postwar Vienna serving as a daily reminder of such a need. Socialism seemed to provide a solution. Then in 1922 Mises published his *Die Gemeinwirtschaft*, later translated as *Socialism*. “To none of us young men who read the book when it appeared,” Hayek recalled, “the world was ever the same again.” It was around this time that Hayek began attending Mises's famed *Privatseminar*. For several years the *Privatseminar* was the center of the economics community in Vienna.

Later, Hayek became the first of this group to leave Vienna; most of the others, along with Mises himself, were also gone by the start of World War II.

At the L.S.E. Hayek lectured on Mises's business-cycle theory, which he was refining and which, until Keynes's *General Theory* came out in 1936, was rapidly gaining adherents in Britain and the U.S. and was becoming the preferred explanation of the Depression. Hayek and Keynes had sparred in the early 1930s in the pages of the *Economic Journal*, over Keynes's *Treatise on Money*.

Within a very few years, however, the fortunes of the Austrian School suffered a dramatic reversal. Mises left Vienna in 1934 for Geneva and then New York, where he continued to work in isolation; Hayek remained at the L.S.E. until 1950, when he joined the Committee on Social Thought at the University of Chicago. Other Austrians of Hayek's generation became prominent in the U.S. but their work no longer seemed to show distinct traces of the tradition founded by Carl Menger.

At Chicago Hayek again found himself among a dazzling group. But economic theory, in particular its style of reasoning, was rapidly changing. In addition, Hayek had ceased to work on economic theory, concentrating instead on psychology, philosophy, and politics, and Austrian economics entered a prolonged eclipse.

When the 1974 Nobel Prize in economics went to Hayek, interest in the Austrian School was suddenly and unexpectedly revived. Hayek's writings were taught to new generations, and Hayek himself appeared at the early Institute for Humane Studies conferences in the mid-1970s. He continued to write, producing *The Fatal Conceit* in 1988, at the age of 89.

Hayek died in 1992 in Freiburg, Germany, where he had lived since leaving Chicago in 1961.

Among mainstream economists, he is mainly known for his popular *The Road to Serfdom* (1944) and for his work on knowledge in the 1930s and 1940s. Specialists in businesscycle theory recognize his early work on industrial fluctuations, and modern information theorists often acknowledge Hayek's work on prices as signals, although his conclusions are typically disputed. Hayek's work is also known in political philosophy, legal theory, and psychology.

Within the Austrian School of economics, Hayek's influence, while undeniably immense, has very recently become the subject of some controversy. His emphasis on spontaneous order and his work on complex systems has been widely influential among many Austrians. Others have preferred to stress Hayek's work in technical economics, particularly on capital and the business cycle, citing a tension between some of Hayek's and Mises's views on the social order.

Hayek's writings on capital, money, and the business cycle are widely regarded as his most important contributions to economics. Building on Mises's *Theory of Money and Credit* (1912), Hayek showed how fluctuations in economy-wide output and employment are related to the economy's capital structure. In *Prices and Production* (1931) he introduced the famous “Hayekian triangles” to illustrate the relationship between the value of capital goods and their place in the temporal sequence of production.

In *Monetary Theory and the Trade Cycle* (1933) Hayek showed how monetary injections, by lowering the rate of interest below what Mises (following Wickseil) called its “natural rate,” distort the economy's intertemporal structure of production. Most theories of the effects of money on prices and output (then and since) consider only the effects of the total money supply on the price level and aggregate output or investment.

Hayek's writings on dispersed knowledge and spontaneous order are also widely known, but more controversial. In “*Economics and Knowledge*” (1937) and “*The Use of Knowledge in Society*” (1945)

Hayek argued that the central economic problem facing society is not, as is commonly expressed in textbooks, the allocation of given resources among competing ends.