

May 13, 1985

Mrn Arthur Seldon
The Institute of Economic Affairs
2 Lord North Street
London SW1P 3LB

Dear Arthur,,

I do indeed regard the abandonment of the whole macroeconomics nonsense as very important, but it is for me a very delicate matter and I have for some time avoided stating my views too bluntly and would not have time to state them adequately. The source of the difficulty is the constant danger that the Mont Pelerin society might split into a Friedmanite and a Hayekian wing. I have long regretted my failure to take time to criticize Friedman's Positive Economics almost as much as my failure to return to the critique of Keynes General Theory after I had dealt with his Treatise. It still seems to me paradoxical that Keynes, who was rather contemptuous of econometrics, should have become the main source of the revival of macroeconomics - which incidentally was also the reason why Milton was for a time a Keynesian. I believe a good and detailed critical analysis of macroeconomics would be very desirable, but at the moment I do not know whom to suggest as the person who could do it really well, possibly Lachmann, although I fear he may also be aging, though not as much as Hutt of whom I would have thought in this connection ten years ago. Victor Vanberg might be another possibility. I will let you know if another name occurs to me.

With best regards,
cordially yours,

(F. A. Hayek)

From: Arthur Seldon, CBE
The Thatched Cottage
Godden Green
near Sevenoaks, Kent
Tel: Sevenoaks 61499

The Institute of Economic Affairs
2 Lord North Street
London SW1P 3LB
Tel: 01-799 3745

Professor P A Hayek

7 May 1985

Dear Frederick

Please forgive this long-hand: my secretary is absent.

I am glad you found Hayek's Selection revisited, and thank you for your kind words on my introductory 'Recollections'. (Your letter of 21 April.)

The book would have been sent to you when it was first published in September 1984. (You may remember I presented a copy to you 'officially' at the opening dinner of the Cambridge Mass. Econ. Conference.)

I last saw Mr. Heinen in the USA. I was trying to discover what happened to him.

I will send a copy of Hayek's Selection at Stanford

At Harvard you may remember you made a 'handwritten' statement on the revival of micro-economics as essential for the ^{future} ~~revival~~ of liberalism - or something on these lines - after the discussion on "empirical testing". Now Hayek will have it on his tapes, but if my recollection is correct would it be timely to open up the whole question of micro and macro? I think the macro-dimension has been something of a blind alley for economists, it has certainly distracted us from refining micro-theory. We could have yielded more good than macro-economics. What do you think? Kindest regards

Arthur Seldon