

The question whether Friedrich Hayek conveyed a different message than Adam Smith appears difficult to answer, as the circumstances under which their works were originally published vary dramatically.

Adam Smith lived during the 18th century. He became famous for his works as a political economist (main publication: "Inquiry into the Nature and Causes of the Wealth of Nations", 1776) and as a moral philosopher (main publication: "The Theory of Moral Sentiments", 1759). Smith is recognized not only as one of the fathers of modern economy, but also as an important influence for the social sciences. The economy of Smith's days can be described as agricultural and pre-capitalist. Corporations, as a regular economic organizational form, were limited and had to be granted a charter by the crown (e.g. the East India Company). Mercantilism was widespread.

Friedrich Hayek instead lived during the 20th century and became one of the leading economic theorists in the early 1940s. Main publications include "The Road to Serfdom" (1944) or "The Use of Knowledge in Society" (1945). In 1974 he was awarded the Nobel Prize. Due to his extremely liberal doctrines, Hayek can be classified as an ideologist.

Even though both writers obviously wrote under extremely different circumstances, they are often quoted simultaneously in the context of individualism as a politico-economic principle resulting in market liberalism (Pettman). Even though both advocate comparable assumptions about a preferable state of economic affairs, their writings actually differ more than one would assume upon seeing them quoted simultaneously in the name of the same general concept.

One main difference are the recipients of both ideologies. During Adam Smith's days, mercantilism dominated the economic sphere. The benefits of an efficient division of labour – a concept generally known and practiced throughout human history – lead to dramatic increases in efficiency, as Adam Smith portrayed with clear examples such as the pin production. A great increase in the quantity of work follows the worker's limitation to few, specialized operations, constituting the sole, highly efficient employment of his life. Other famous example such as the "woollen coat" illustrate to the reader how interdependent "civilized" life and even basic consumption had become, just as the possibility of water-carriage had made trade more efficient or even global trade rational in the first place. Throughout Smith's "The Wealth of Nations", Smith tries to underpin his ideology by such examples, as he probably assumes that his readers have to be convinced of his new ideology and understanding of the wealth of nations.

Hayek, of course, has no reason to illustrate such basic concepts of trade or division of labor, as capitalism is no longer the new kid on the block, but an ideology under pressure by alternatives such as socialism or moderate liberalism, e.g. Keynesian economics. Additionally, Hayek's ideology is also threatened by new interpretations of his academic field, such as macro-economics based on assumptions such as perfect markets. In the spotlight of economical alternatives or differing analytical means, Hayek holds his ground and consequently says something different than Adam Smith did, as Adam Smith never had to prove his ideology in the light of a rival one such as socialism. A good part of Hayek's "The Fatal Conceit" is therefore devoted to the mere justification of trade, profit and the competition of knowledge in imperfect markets. Smith never had to stand up for the idea of trade in commodities or even currencies, but Hayek feels confronted with a "dark dislike" by those he considers "socialists" or "primitives".

Smith and Hayek also differ when it comes to their understanding of price-mechanisms. As social justice and the human feature of sympathy ought to dominate human behaviour (Smith), everybody would pay others what their labor is worth, for the good of everyone's maximised contribution to the social product. Hayek, on the other hand, attributes prices to the concept of marginal utility. This illustrates that whereas Smith was just as much of a moral philosopher as an early economist, Hayek is nothing but an extreme liberalist. Considering the lives and times of both writers, these different interpretations are self-explaining: Adam Smith envisioned a free market with millions of individual buyers and sellers whereas Hayek is aware of the reality of capitalism in an economy controlled by large corporations, oligopolies or quasi-monopolies. For the one, profit-driven shareholders or investors juggle their capital around the globe for a maximised return on investment and the ensuing benefit of all (no contradiction for Hayek), for the other, everybody holds a tiny share of the economy and trades his share equally and fair for the benefit of all within the economy.

Another major difference between Smith's and Hayek's writing is the pattern of investment following a profit gain. Based on his moral beliefs that individuals would try to maximise the social product of their domestic industry, Smith believed that the risks of exportation and thus the safer character of geographically closer investments in addition to each individual's inclination to give a maximum revenue and employment to the people of his country would result in strong domestic industries. Smith thus advocates economic nationalism. Hayek, on the other hand, would probably agree that safe investments are preferable, but that an increasingly globalized and borderless world would offer numerous opportunities to maximize profits – without any regard to domestic obligations. Also, if global conditions would allow the free and unlimited reign of smart entrepreneurs, everybody, even those exploited by getting paid just a tiny fraction of what their work is worth to the recipient, e.g. a global society of shareholders, would benefit.

Consequently, the government is nothing but an abuser of the naturally self-ordering and globally beneficial processes an unleashed global economy would create, Hayek believes. The preferable political involvement in the economy is thus no involvement at all. Adam Smith could never have come to such a conclusion during his days, as the history of economic thought had not yet separated itself from political thought and Smith can thus be classified as a writer of "political economy". Even though Smith advocated a "laissez-faire" approach to the economy, he nevertheless had moral reservations to practices possible under such conditions, especially by the emphasis on capital at the expense of labour, with contradicts his moral beliefs. For Smith, the government was to provide the defence of the state, ensure the justice and protection from oppression by other members of society for its population and provide certain public works and institutions (natural monopolies) that the economy would not be able to provide efficiently. With his high moral expectations towards the economies' ability to spread the wealth, it could be assumed that unjust practices, e.g. the consequent exploitation of cheap labor or the increasing "tragedy of the commons", would have to be regulated by the government. Hayek, of course, would never agree, as all government intervention into the economy would be a small stepping stone on the "Road to Serfdom".

In conclusion, it can be stated that even though both writers "said the same", they meant and addressed it different. Smith introduced the subject of a liberal economy, Hayek had to defend and justify his extremely liberal doctrine after the partially unforeseeable results of Smith's early teaching had been tested by and questioned through almost two centuries of reality.