

## **Hayek Defines Catallactics**

Based on the provided text, Hayek defines **catallactics** and its related concepts in the following ways:

### **1. The Science of the Market Order**

Hayek defines **catallactics** as the science that deals with the market order. He posits that it is the science describing the only overall order that is capable of comprehending nearly all of mankind.

### **2. Etymological Roots**

Hayek chooses this term based on its derivation from the Greek verb *katallattein* (or *katallassein*). He emphasizes that this word carries three distinct and significant meanings:

- “To exchange”
- “To admit into the community”
- “To change from enemy into friend”

### **3. Distinction from “Economy”**

Hayek adopts “cata~~l~~lactics” to avoid the “misleading associations” suggested by the standard term “economy”.

- **Economy:** Hayek defines an economy in the strict sense (such as a household, farm, or enterprise) as an organization governed by a unitary plan, where means are allocated according to a single scale or hierarchy of ends.
- **Cata~~l~~lactics:** In contrast, the market order serves no single order of ends. Instead, it serves the multiplicity of separate and incommensurable ends of all its separate members.

#### **4. Catallaxy (The Object of Study)**

From the science of catallactics, Hayek derives the English term **catallaxy** to describe the market order itself. He defines a catallaxy as:

- The order brought about by the mutual adjustment of many individual economies in a market.
- A special kind of spontaneous order produced by people acting within the rules of the law of property, tort, and contract.
- A system that allows for peaceful collaboration without the need for common purposes, utilizing the “game” of exchange to reconcile different knowledge and purposes.

### **Hayek the Frequentist?**

In this chapter, Hayek addresses probability and statistics primarily to distinguish the precise mathematical concepts from the inevitable uncertainty of the market order (catallaxy).

**1. “Chances” vs. “Probabilities”** Hayek explicitly prefers the term “chances” over “probabilities” when discussing the aim of legislation and the market order.

- **The distinction:** He argues that “probability” suggests numerical magnitudes that are not—and cannot be—known in the context of a spontaneous order.
- **The Goal:** Because specific probabilities are unknown, the law can only aim to increase the *likelihood* of favorable opportunities for an unknown person, rather than calculating specific outcomes.

**2. Probability Distributions and Social Position** Hayek acknowledges that, in theory, the range of opportunities in a society could be viewed statistically:

- **Theoretical Distribution:** He states that if the relative position of given persons were precisely known, it “could be represented as a probability distribution”.
- **Complex Chance:** The “chance” of any member occupying a certain position is a complex concept involving both the range of opportunities and the probability of a specific person falling into that range. However, he dismisses the practical utility of this mathematical precision because the “numerical magnitudes” are unknown.

**3. The “Random” Individual** Hayek frequently uses the statistical concept of random selection as a heuristic for justice and policy:

- **The Veil of Ignorance (Precursor):** He suggests the best society is one we would choose if we knew our initial position would be determined “purely by chance” or “by lot”.

- **Policy Aim:** Policy should aim to improve the prospects of “any person picked out at random”.
  - **Statistical Logic:** He uses basic statistical logic to assert that unless incomes are absolutely equal, the chance of a person picked at random being in the bottom 10% “must be one tenth”.
- 4. The Market as a Game of Chance and Skill** Hayek defines the market (catallaxy) as a game where results are a mix of skill and chance.
- **Signal vs. Merit:** He argues the market functions because returns (prices/wages) act as signals for what *ought* to be done, not as rewards for moral merit or past effort.
  - **Information:** Prices convey information about opportunities, but utilizing them involves luck. A central planner could not do better; the outcome would still be a “gamble,” but based on the authority’s limited knowledge rather than the dispersed knowledge of all individuals.