Villanova University ILL

ILLiad TN: 454784

Borrower: RAPID:UUS

Lending String:

Patron:

Journal Title: Logical foundations of constitutional liberty

Volume: **Issue:**
Month/Year: 1999 **Pages:** 244--245

Article Author: James M. Buchanan

Article Title: Order Defined in the Process of Its Emergence

Imprint:

ILL Number: -14753618

Call #: HB33 .B83 1999 v. 1

Location: MAIN

ODYSSEY ENABLED

Charge
Maxcost:

Shipping Address:
NEW: Main Library

Fax:
Ariel: 129.123.124.220
Email:

Notice: This material may be protected by Copyright Copyright Law (Title 17 U.S.C.).

Order Defined in the Process of Its Emergence

Norman Barry states, at one point in his essay, that the patterns of spontaneous order "appear to be a product of some omniscient designing mind" (p. 8). Almost everyone who has tried to explain the central principle of elementary economics has, at one time or another, made some similar statement. In making such statements, however, even the proponents-advocates of spontaneous order may have, inadvertently, "given the game away," and, at the same time, made their didactic task more difficult.

I want to argue that the "order" of the market emerges *only* from the *process* of voluntary exchange among the participating individuals. The "order" is, itself, defined as the outcome of the *process* that generates it. The "it," the allocation-distribution result, does not, and cannot, exist independently of the trading process. Absent this process, there is and can be no "order."

What, then, does Barry mean (and others who make similar statements), when the order generated by market interaction is made comparable to that order which might emerge from an omniscient, designing single mind? If pushed on this question, economists would say that if the designer could somehow know the utility functions of all participants, along with the constraints, such a mind could, by fiat, duplicate precisely the results that would emerge from the process of market adjustment. By implication, individuals are presumed to carry around with them fully-determined utility functions, and, in the market, they act always to maximize utilities subject to the constraints they confront. As I have noted elsewhere, however, in this presumed

From *Literature of Liberty* 5 (Winter 1982): 5. Reprinted by permission of the publisher.

A note stimulated by reading Norman Barry, "The Tradition of Spontaneous Order," *Literature of Liberty* 5 (Summer 1982): 7–58.

setting, there is no genuine choice behavior on the part of anyone. In this model of market process, the relative efficiency of institutional arrangements allowing for spontaneous adjustment stems solely from the *informational* aspects.

This emphasis is misleading. Individuals do not act so as to maximize utilities described in *independently-existing functions.* They confront genuine choices, and the sequence of decisions taken may be conceptualized, *ex post* (after the choices), in terms of "as if" functions that are maximized. But these "as if" functions are, themselves, generated in the choosing process, not separately from such process. If viewed in this perspective, there is no means by which even the most idealized omniscient designer could duplicate the results of voluntary interchange. The potential participants *do not know until they enter the process* what their own choices will be. From this it follows that it is *logically impossible* for an omniscient designer to know, unless, of course, we are to preclude individual freedom of will.

The point I seek to make in this note is at the same time simple and subtle. It reduces to the distinction between *end-state* and *process* criteria, between consequentialist and nonconsequentialist, *teleological* and *deontological* principles. Although they may not agree with my argument, philosophers should recognize and understand the distinction more readily than economists. In economics, even among many of those who remain strong advocates of market and market-like organization, the "efficiency" that such market arrangements produce is independently conceptualized. Market arrangements then become "means," which may or may not be relatively best. Until and unless this teleological element is fully exorcised from basic economic theory, economists are likely to remain confused and their discourse confusing.