The Use of Knowledge in Society

In The Use of Knowledge in Society Hayek focused many of his thoughts on the idea that the real problem society faces is not a question of how resources can be used best, but how we know the optimal use for a particular resource. He continued by expanding his analysis to several subtopics including planning, types of knowledge, decentralization, and prices.

Planning was one of the main considerations of the article, and mostly helps us to contemplate more questions including: How does a planner obtain knowledge? Who gets to plan? And should planning be central or divided? We can conclude the most efficient system will be the one that gives planners the most knowledge, but how do we know which approach that is?

Another key part of Hayek’s analysis is a definition of the different types of knowledge. “Scientific” knowledge is often given a lot of weight because as a society we tend to consider individuals to be experts in their given field. On the other hand we have knowledge that individuals gain by experience. Experience can give and individual more knowledge than an expert would have, but it’s difficult to make experiential knowledge widely available. Hayek also made the point that movement toward efficiency is caused by deliberate changes as a result of knowledge gained.

Next we consider decentralization, which is necessary because and individual that is capable of using knowledge from experience and connect past knowledge to present situations will be able to react faster and make better use of knowledge than central planners.

Hayek also recognized the value of having an open market for goods. Prices are able to simultaneously maximize individual and general interest. They convey information that came from many individuals, and no central planning committee could have compiled.

In conclusion I can find no reason to disagree with the points Hayek made. Different economic structures have been tried over time, and none has been as successful as free markets. I remember learning that central planning boards tend to be unable to give individuals the right incentives. In a perfect world, with perfect individuals a central planning board and expert knowledge may be able to assemble a reasonable assortment of goods at reasonable prices, but in the world we live in I doubt we will find anything that works better than the market system.

Returning to the question we began with: How can resources best be used, and how do we know their optimal use? I think that Hayek correctly observed the necessity of decentralization and a free market to determine prices. The combined knowledge of many individuals is best used when the market is used to indicate the value of a good or resource to each individual. The market is able to continually shift as supply and demand adjust and we move toward situations of optimal prices.