

The Use of Knowledge in Society

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- The main problem of to secure the best use of resources known to any of the members of society
- Utilization of knowledge not given to anyone in its totality. Every person have their own personal knowledge of preferences and resources. No one person knows all.
- Neo-classicals' have obscured this problem, not necessarily helped it since they haven't understood the fundamental problem of society
- Who is planning done by? Planning, control and distribution of resources need to be decentralized. We then can use this knowledge to our advantage.
- Many "types" of knowledge are relative, not just scientific knowledge
- "Arbitrageurs" or the set of all people are all performing these signals of knowledge
- Having more knowledge on a certain subject can almost be viewed as dishonest...
- Economic problems always arise from some sort of change.
- We often overlook these small changes for ease and lack of understanding e.g. law of large numbers
- "If we can agree that the economic problem of society is mainly one of rapid adaptation to changes in the particular circumstances of time and place, it would seem to follow that the ultimate decisions must be left to the people who are familiar with these circumstances, who know directly of the relevant changes and of the resources immediately available to meet them"
- People in the market do not need to know everything about the market, all the intricacies of a given market. People in the market just need relative prices/knowledge.
- "All that is significant for him is how much more or less difficult to procure they have become compared with other things with which he is also concerned, or how much more or less urgently wanted are the alternative things he produces or uses. It is always a question of the relative importance of the particular things with which he is concerned, and the causes which alter their relative importance are of no interest to him beyond the effect on those concrete things of his own environment."
- Tin example. Prices are a signal of information. It is really all you need to know.
- The law of one price
- Price systems is a mechanism for communicating information/knowledge about commodities.

Questions:

What is the balance of planning? Should there be any regulation or would that disrupt this whole idea? I feel sometimes when the government is trying to plan, they are conveying some sort of knowledge to the market.

When markets fail, is it because there was a lack of knowledge in the market? Was someone, like a government, withholding information that would've been crucial to the markets survival?