

PHILOSOPHY, POLITICS, AND
AUSTRIAN ECONOMICS

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PHILOSOPHY, POLITICS, AND AUSTRIAN
ECONOMICS VOLUME 25

PHILOSOPHY, POLITICS, AND AUSTRIAN ECONOMICS

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CONTENTS

Introduction: Philosophy, Politics, and Austrian Economics <i>Daniel J. D'Amico and Adam G. Martin</i>	vii
Chapter 1 Is the Concept of “Spontaneous Order” Simply Libertarian Fairy Dust? <i>James Johnson</i>	1
Chapter 2 Hayek and His Socialist Friends <i>Peter J. Boettke</i>	25
Chapter 3 Is Socialism Atavistic? <i>Joseph Heath</i>	49
Chapter 4 Despotism or Dynamic? Hayek on Democracy and Expertise <i>Gianna Englert</i>	67
Chapter 5 Asymmetric Idealization and the Market Process <i>Brian Kogelmann</i>	85
Chapter 6 Rothbard’s Account of the Axiom of Human Action: A Neo-Aristotelian-Thomistic Defense <i>Douglas B. Rasmussen</i>	103
Chapter 7 A PPE Approach to Adam Smith on Spectatorship and the Social Origins of Property Rights <i>Michelle A. Schwarze</i>	121
Chapter 8 Policing Without Politics: Why Liberal Egalitarians Should Rethink the Role of the State in Criminal Justice <i>Christopher Freiman</i>	135
Chapter 9 The Wealth and Poverty of Self-governing Communities <i>Jennifer Brick Murtazashvili and Ilia Murtazashvili</i>	153
Chapter 10 Constitutionalism, Liberalism, and Political Entrepreneurship <i>Alexander William Salter</i>	173

**Chapter 11 Institutional Entrepreneurship and Evolution:
Making Sense of the American Judiciary**

A. K. Shauku

191

INTRODUCTION: PHILOSOPHY, POLITICS, AND AUSTRIAN ECONOMICS

Daniel J. D’Amico and Adam G. Martin

“Nobody can be a great economist who is only an economist – and I am even tempted to add that the economist who is only an economist is likely to become a nuisance if not a positive danger.” F. A. Hayek, “The Dilemma of Specialization.”

For many decades, the University of Oxford has been home to a prestigious course in Philosophy, Politics, and Economics (PPE). The focus of that program has always been to train practical statesmen and civil servants, a goal borne out in the large number of alumni that hold parliamentary seats in the United Kingdom.¹ On their homepage, Oxford explains the merits of each of the three academic fields and argues that citizens and leaders in the modern world benefit from a working knowledge of each.²

In recent years, PPE has taken off. New university degree programs, academic journals,³ and professional associations dedicated have sprung up.⁴ Some are attempts to replicate and build on the Oxford model, in which students study all three subjects as distinct fields in preparation for a career in public policy. But there is a newer, more substantively interdisciplinary approach as well.

The new PPE uses the tools of economic explanation and philosophical justification to investigate questions about political institutions and policy. The University of Pennsylvania’s PPE program links, on its program description page,⁵ to an American Philosophical Association blog post that distinguishes between politics as a field of study and economics and philosophy as toolkits.⁶ The University of Maryland presents PPE as a model for resolving normative social issues with the theoretical and empirical toolkits of the social sciences.⁷ Duke University in collaboration with UNC Chapel Hill, offers a minor in PPE that includes not only classes across the three fields, but also introductory and capstone classes that are explicitly interdisciplinary.

The newer style of PPE draws on thinkers such as John Rawls, Amartya Sen, David Gauthier, and Robert Nozick. These thinkers pioneered answering questions raised in political philosophy using rational choice theory or game theory as the engine of analysis. This shared set of tools allows for scholars from these and related disciplines to discuss, contest, and collaborate on a wide range of topics both foundational and applied. PPE mixes economic models and philosophical

concepts with questions from political science and political theory. This combination has led to an even broader range of research topics than those covered by the most ardent economic imperialists, with rational choice serving as the connective tissue that ties so many threads together.

Enter Austrian economics. From the marginal revolution to today, Austrian economics has always afforded human reason and intentionality a central place in economic science. Whether you interpret the Austrian approach as one branch of neoclassical economics or as a parallel approach, the affinity between Austrians and other rational choice scholars is undeniable. This is not to deny the distinctiveness of the Austrian approach, including its emphasis on spontaneous order, entrepreneurship, knowledge problems, and understanding competition as a dynamic process. But whereas some heterodox economic approaches want to jettison rational choice entirely, Austrians embrace methodological individualism, marginalism, and a framework that understands changes in behavior as responses to changing incentives.⁸

In fact, Austrian economists were ahead of the curve – at least theoretically – when it came to broadly applying rational choice outside of economics.⁹ Mises's early methodological work is a primary inspiration for Lionel Robbins's argument that economics applied to any situation in which agents confront scarcity.¹⁰ Mises himself distinguishes between praxeology—literally the logic of action – and catallactics.¹¹ Praxeology is the master discipline on which all social sciences draw. Catallactics, or economics proper, applies praxeological insights to the study of exchange, markets, money, and related social configurations. Austrians are on the same page as PPE scholars who wish to apply a broadly rational choice approach to a wide variety of issues. Our understanding of how humans make choices outside of the marketplace ought to be consistent and compatible with our understanding of how humans make choices inside the marketplace without ad hoc revisions of basic presumptions.

Moreover, scholars in the Austrian tradition are more likely than the modal economist to engage with philosophy and broader currents in social thought. Menger, Mises, Hayek, and many other Austrians have written extensively on economic methodology. There are also strong links between Austrian economics and the political theory literatures on classical liberalism, libertarianism, and social evolution more broadly. Hayek himself has two collections of essays entitled *Studies in Philosophy, Politics and Economics* and *New Studies in Philosophy, Politics, and Economics*.

Given these parallels between the newer approach to PPE and Austrian economics, this volume seeks to ask whether there are gains from trade between these two fields. What is the existing relationship between distinctively Austrian ideas and the questions that PPE scholars grapple with? What are the pitfalls and benefits of applying Austrian theories to these questions? Where has contemporary PPE produced work that complements, undermines, or supersedes Austrian ideas?

The chapters collected here were workshopped at Brown University's Political Theory Project in June 2019, at a colloquium co-sponsored by the Free Market

Institute at Texas Tech University. This colloquium was the first of six that are part of the “Austrian Economics in the 21st Century” project funded by the John Templeton Foundation. The authors’ backgrounds include politics, philosophy, and economics, and they range from highly sympathetic to deeply suspicious of key Austrian ideas. In addition to the authors, we wholeheartedly thank the John Templeton Foundation for their financial support, as well as Alythea Laughlin, Katie Bonadies, Justin Callais, and Ferris Lupino for their invaluable help organizing and running the colloquium.

This volume touches on a variety of contact points between Austrian economics and PPE. We have organized our chapters into three subsections. First, as the call to interdisciplinary work is so well-articulated by F. A. Hayek, we begin with direct engagements with Hayek’s works. James Johnson argues that the theoretical idea of spontaneous order, while useful for explaining many social phenomena, is often leveraged as an all too convenient ideological cudgel. Peter J. Boettke examines the formal reviews and responses to Hayek’s most popular tome, *The Road to Serfdom*. Joseph Heath critically examines Hayek’s claim that socialism is atavistic in light of contemporary developments in evolutionary psychology. Last in this opening section, Gianna Englert’s contribution dives into Hayek’s comments surrounding the institutional dynamics of democracy as a means to understand his hostility toward embracing the ideological label of conservatism.

Our second section changes gears to focus upon the microfoundations of Austrian theory within the PPE paradigm. Brian Koglemann’s chapter exemplifies the mission of the Maryland PPE program from which he hails as it methodically leverages Austrian insights regarding imperfections and incompleteness of information, knowledge, and discovery to engage philosophical debates and questions regarding idealization and motivating assumptions. Douglas B. Rasmussen’s chapter elaborates upon a relatively unique feature of Austrianism apart from other economic traditions: the role of axiomatic reasoning and in particular the action axiom. Michelle A. Schwarze examines Smith’s microfoundations of property rights, examining the role of behavioral assumptions in spontaneous order accounts of social institutions.

Our final section includes chapters wherein Austrian insights are applied to analyze real-world governance arrangements. Christopher Freiman argues that liberal egalitarians ought to embrace competition in the provision of policing services. Jennifer Brick Murtazashvili and Ilia Murtazashvili examine some under-appreciated limitations of self-governance in supporting wealth creation. Alexander William Salter brings an Austrian perspective to bear on questions from constitutional political economy, arguing that political entrepreneurship poses distinct problems for contractarian political philosophy. Lastly, A. K. Shauku uses entrepreneurial theory to examine the gradual evolution of the American judicial system.

We hope that these chapters provide a useful and engaging overview of the theoretical substance of an Austrian-inspired PPE program as well as a practical resource for future work.

NOTES

1. Beckett, PPE: The Oxford Degree that Runs Britain.
2. See <http://www.ox.ac.uk/admissions/undergraduate/courses-listing/philosophy-politics-and-economics>, accessed May 10, 2020.
3. The homepage for the *Journal of Politics, Philosophy and Economics* (founded in 2002) describes the outlet as “a unique forum for the interchange of methods and concepts among political scientists, philosophers and economists interested in the analysis and evaluation of political and economic institutions and practices.” See <https://journals.sagepub.com/description/PPE>, accessed May 10, 2020. Similarly, The New Thinking in Political Economy Book Series, edited by Peter Boettke and published by Edward Elgar aims “to encourage scholarship in the intersection of the disciplines of politics, philosophy and economics ... [as] during the 20th century, the process of disciplinary specialization reduced the intersection between economics, philosophy and politics and impoverished our understanding of society.” See <https://www.e-elgar.com/shop/gbp/book-series/economics-and-finance/new-thinking-in-political-economy-series.html>, accessed May 10, 2020.
4. “The Philosophy, Politics and Economics Society’s inaugural event was held at the Eastern Division Meetings of the American Philosophical Association ... [in] 2016.” It has since held events in conjunction with the Southern Economics Association Annual Meetings, the American Philosophical Association and begun, its own independent annual academic conference. See <https://ppesociety.org/a-history-of-events/>, accessed May 10, 2020.
5. See <https://ppe.sas.upenn.edu/study/curriculum>, accessed May 10, 2020.
6. Anomaly, Why PPE?
7. See <https://www.philosophy.umd.edu/ppe>, accessed May 10, 2020.
8. See Martin, Critical Realism and the Austrian Paradox.
9. Unfortunately, with the exception of monetary economics, applied work in Austrian economics largely lagged until the 1990’s. See the chapters collected in our previous volume, D’Amico and Martin, *Assessing Austrian Economics*.
10. Robbins, *The Nature and Significance of Economic Science*, p. ix.
11. Mises, *Human Action*, Introduction.

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CHAPTER 1

IS THE CONCEPT OF “SPONTANEOUS ORDER” SIMPLY LIBERTARIAN FAIRY DUST?

James Johnson

1. PRELIMINARIES: AUSTRIANS, PPE, AND THINKING ABOUT THE EMERGENCE OF INSTITUTIONS

As I understand it, our remit here is to try to establish fruitful connections between the Austrian tradition in political economy and the interdisciplinary concerns raised under the umbrella of philosophy, politics, and economics (PPE). This is an impossibly broad task, at least for a single chapter. So, I adopt a narrower focus. On the one hand, I take the work of F. A. Hayek as an exemplar of the Austrian tradition. Moreover, I focus on just one aspect of his work, namely his claim that social orders evolve spontaneously via processes of group selection.¹ On the other hand, I pursue only two of the themes that, I think, have emerged as central to the interdisciplinary undertaking known as PPE.² Specifically, I focus on the recognition that at the intellectual intersection marked by PPE, normative, explanatory, and analytical concerns are thoroughly entangled and that we can most usefully approach that tangle by keeping in clear view the centrality of mechanisms and models in political-economic inquiry.³

In this regard, ironically, my critical approach to Hayek's libertarianism has affinities with his own criticism of “socialists” insofar as it represents less a direct challenge to the normative values central to his case than a challenge to the analytical apparatus on which his defense of liberty hinges.⁴ I hope to shift what elsewhere I refer to as “the burden of justification.”⁵ This burden is defined by showing how the ways a theorist or school of thought approaches their analytical and explanatory tasks enables or constrains the options available as they pursue

their normative tasks. Hayek appears to believe that such a burden falls, in an impossibly heavy manner, on socialists. Without launching a defense of any version of socialism, I hope to establish that Hayek and those who follow him bear considerably more of a burden of justification than he or they allow.

As I proceed, I hope to avoid what I think are facile criticisms. Consider this relevant example from John Gray:

Hayek came to believe that a process of social evolution would impel humankind in the direction of the values he favoured. His legacy to liberal thinking has been a type of scientism – the mistaken attempt to apply the methods of the natural sciences when examining the human world. It's an ironical outcome, given that he was a forceful critic of scientism in economics. In his speech on receiving the Nobel Prize in 1974, Hayek described the efforts of economists to mimic the methods of the natural sciences as having produced a "pretence of knowledge."⁶

Gray makes at least two mis-steps here. The first is that his complaint borders on simply charging Hayek with bad faith, treating him as little more than an ideologue who constructed an elaborate and unpersuasive social theory simply to rationalize his presumably suspect normative commitments. Like Gray, I find Hayek's theory of cultural evolution unpersuasive. But, precisely because the normative, explanatory, and analytical tasks of political theory always are entangled, the critical task is to try to disentangle why and how Hayek (or whoever) weaves those tasks together as he does. I see Hayek's account of cultural evolution via group selection as an attempt to identify what would have to have been the case (and what he clearly thought *had been the case*) for his brief for classical liberalism to be persuasive.

Gray's further mis-step is that Hayek preempts the charge that he bequeaths "scientism" to contemporary liberals. He does so in at least two ways. First, Hayek explicitly denies that the evolutionary account he advances aims to identify "laws of evolution" that might underwrite "predictions about the future." Instead, he remarks: "We are in consequence confined to 'explanations of the principle' or to predictions merely of the abstract pattern the process will follow."⁷ This is important for the argument I advance in what follows. I take Hayek's aim to be conceptual – his brief for cultural evolution aims to identify and model the mechanisms that animate the emergence of institutions he deems essential to a "free society." He is, in other words, articulating what, in his account, "spontaneous order" means. Second, and perhaps more importantly, Hayek insists that, as a matter of historical fact, theories of evolution migrated from the social into the natural sciences and that his aim was to recover and revive earlier, pre-Darwinian, currents of thinking about evolution.⁸ I do not aim to adjudicate Hayek's historical claim and instead will grant it for purposes of argument. That said, these two claims render Gray's complaint moot or nearly so.

By contrast, I hope only to suggest that Hayek's effort at retrieval is unpersuasive as it stands. To this end, I argue that Hayek's argument for cultural evolution is both insufficient and unnecessary. It is *insufficient* because, even if Hayek takes inspiration from the work of "Darwinians before Darwin,"⁹ that in no way absolves him or his followers of the task of clearly identifying the mechanisms that animate his evolutionary account. Hayek largely fails at this task.

As other critics have pointed out, remedying his failure while retaining his other explanatory and normative commitments is a daunting undertaking. It is *unnecessary* because we have at hand game-theoretic models that show the decentralized emergence of social institutions without recourse to the sort of contentious claims on which Hayek's argument depends.

Having sketched the broad contours of my argument, as well as the tone I hope to strike, I acknowledge that the title to this chapter is a rhetorical provocation. My answer to the question I pose is complicated. It requires that I ask two more specific questions. First, "Do libertarians, in practice, deploy 'spontaneous order' as fairy dust?" And, second, "Is this unavoidable?" My answers to these questions, respectively, are "Yes" and "Perhaps not."

It no doubt will help if I indicate what I mean first by "libertarian" and then by "fairy dust." Libertarianism is not a homogenous view but rather "a family of related theories" that accord priority to liberty and mechanisms deemed necessary to safeguard it.¹⁰ I use the label in that capacious way. Regardless, it certainly seems clear that the brand of classical liberalism Hayek endorses is libertarian in this broad sense. After all, Hayek situates himself in a lineage constituted most recently by "the leading liberal thinkers of the nineteenth century" who understood that "freedom can be preserved only if it is treated as a supreme principle which must not be sacrificed for particular advantage." He insists that the continuation of this lineage must be unwavering and resolute. Those who advocate "classical liberalism" not only "must ... be dogmatic and make no concessions to expedience" but must treat freedom "as a general principle whose application to particular instances requires no justification."¹¹ It is difficult to imagine a more forthright embrace of libertarianism than that.

What, then, do I mean by "fairy dust"? With this idea I hope to capture a sort of sleight of hand that social and political theorists rely on in hopes of diverting attention from the weak points or lapses in their arguments. Fairy dust consists in concepts sprinkled liberally throughout one's argument in a way that conveys the impression that some analytical, explanatory, or normative matter or other is settled (and so can be set aside) when, in actuality, that is far from being the case. It is, I suspect, used as much to shore up confidence among the faithful as to convince critics. When addressed to critics, those who deploy fairy dust apparently intend it as a conversation stopper.¹² By contrast, I believe the concept of spontaneous order is considerably more valuable as a way of opening conversation rather than foreclosing it. The risk, of course, is that the conversation will not turn out as libertarians might wish.

As I use the phrase here, "fairy dust" does not so much characterize Hayek as challenge those who invoke his work. And, of course, not every theorist who invokes spontaneous order does so in such an egregious way. An example here is a provocative essay by Jacob Levy entitled "Social Injustice and Spontaneous Orders." There is much to admire in this essay. Part of Levy's aim is to deflate the common view that Hayek's work is "marginal" to the last half century of work on social justice by liberal political theorists. He thinks that because of his focus on rules of just conduct that apply to individual actions, Hayek offers a corrective to the preoccupation with institutions in most contemporary work on distributive

justice. And specifically, he thinks that the idea of spontaneous order provides the conceptual leverage needed to reintegrate a traditional concern for individual action into discussions of justice.¹³ I pursue neither the particulars of Levy's argument nor his conclusion. What is important here is that he takes the concept of spontaneous order as a premise in his argument and proceeds as though it is relatively settled and unproblematic. Obviously the problem is not simply that Levy bases his argument on un-argued premises. All arguments do so. But a premise, especially one as crucial to an argument as "spontaneous order" is to Levy's, basically amounts to a promissory note. It invites readers to examine the premise and, if need be, call the note due. At that point, the cogency of the overall argument depends on the cogency of the defense the theorist is able to offer for the premise. In this case, the task Levy faces is daunting. Hayek's concept of spontaneous order, as we shall see, hardly is settled and unproblematic.¹⁴

To be clear, I do not think Hayek was engaged in sleight of hand as he advanced his case for spontaneous order. Quite the contrary. I think he saw precisely why some such analysis of the emergence of institutions was necessary to his broader theoretical project and sought to elaborate that argument. As already noted, I think his attempt fails. But given that it has been three decades since Hayek published his final remarks on spontaneous order, his followers have had ample time to remedy the various shortcomings in his account. They have, I believe, largely failed to do so. I find his claim that "spontaneous order" emerges from processes of "cultural evolution" animated by "group selection" unpersuasive and hope those who invoke it will either remedy its flaws or cease treating it as a coherent concept.¹⁵

This is the point at which the *lack* of interaction between PPE and Austrian economics seems a mostly missed opportunity. Questions regarding how social and political-economic institutions emerge and operate surely must be a core concern for PPE. Such questions clearly have normative, explanatory, and analytical dimensions. And, having granted that, one would expect those same people to have attended in a sustained way to Hayek's views on "spontaneous order." This expectation does not simply reflect Hayek's deserved intellectual stature.¹⁶ It also is an acknowledgement that his views raise a whole set of methodological and substantive questions central to how we think about the ways institutions emerge and operate and, beyond that, regarding the conduct of political-economic inquiry more generally. Even if one were to conclude that Hayek's approach to those matters falls short and that his followers have likewise failed to remedy his shortcomings, we could learn from those failures. Oddly, this reasonable expectation seems largely unfulfilled.¹⁷ I hope in what follows to take steps toward remedying this state of affairs.

2. *An Aside on Mechanisms and Models*

This section is labeled "an aside." Do not be misled. The matters I address here are absolutely central both for PPE and for Hayek. They also are absolutely central to my larger argument. Yet it is not possible here to address, let alone adjudicate, the many contested issues involved in thinking about mechanisms and models.

I therefore simply offer a set of assertions as initial warrant for my larger argument. Having done that, I summarize in the next section Hayek’s case for spontaneous order and then, in the following section, sketch the critical reception of his argument. I use there the views I assert here to order and shape the presentations in those sections. And I rely on them in subsequent sections as I offer my own criticisms of Hayek’s views and sketch an alternative to the way he characterizes spontaneous order.

2.1. *The Tasks of Social and Political Theory*

I approach Hayek less as an economist than as a social and political theorist. I assume that theorists confront at least three tasks – analytical, explanatory, and normative.¹⁸ These tasks are entangled in complicated ways.¹⁹ Among the difficulties for theorists is taking care that those entanglements do not assume one or another illicit form.²⁰ The analytical task consists in modeling the interactions among interdependent individuals and the institutions they inhabit in hopes of identifying stable outcomes and the conditions under which they will remain so. The explanatory task emerges, in part, from the analytical one. It involves specifying the mechanisms (and the conditions required for those mechanisms to operate in expected ways) that might account for why we expect one among a large number of possible stable outcomes to emerge. Finally, the normative task involves critically assessing such outcomes in terms both of how they are generated and of their consequences. Importantly, none of these three tasks are directly empirical even though each is important to the way we conduct empirical inquiry.

2.2. *Mechanisms*

As is well known, Hayek presents his account of spontaneous order as a species of invisible-hand explanation. Order is, in his account, the product of human action but not of human design. In a now-classic essay, Edna Ullmann-Margalit identifies the essential issue for any such account:

To recapitulate: An invisible-hand explanation explains a well-structured social pattern or institution. It typically replaces an easily forthcoming and initially plausible explanation according to which the explanandum phenomenon is the product of intentional design with a rival account according to which it is brought about through a process involving the separate actions of many individuals who are supposed to be minding their own business unaware of and *a fortiori* not intending to produce the ultimate overall outcome.

It seems to me to be quite clear at this point that the onus of the explanation lies on the process, or mechanism, that aggregates the dispersed individual actions into the patterned outcome: it is the degree to which this mechanism is explicit, complex, sophisticated – and, indeed, in a sense unexpected – that determines the success and interest of the invisible-hand explanation in question.²¹

Ullmann-Margalit then identifies two broad categories of invisible-hand explanation – *aggregate* and *functional evolutionary* – in terms of the mechanisms each embodies and the explanatory question each addresses. Explanations of the aggregate sort start from the decentralized, uncoordinated actions of individuals

and demonstrate how some specific structured or patterned outcome emerges from their interactions in ways that the relevant individuals do not intend. Such explanations address the question of how an institution or practice (the outcome) emerges or comes about (or how it could come about). Explanations of the functional-evolutionary sort demonstrate, via mechanisms of variation and selection, how some specific structured or patterned outcome contributes to the survival of a specified population or practice. They address the question of why an institution or practice persists without accounting for how it emerges.²²

2.3. Models

The difficulty with discussing mechanisms in social and political theory (as well as in political economy) is that they often are not directly observable. This is perhaps most obvious in the case of the beliefs and desires that to a large extent constitute individual preferences.²³ But it is equally true of the “institutions” that constitute any political-economic “order.”²⁴ The formal models we use in political-economic inquiry are, on the view I defend, tools for communicating, in particular for communicating about such unobservable mechanisms.²⁵ In this sense, we use models less as representational devices than as interpretive ones.²⁶ We use them, in other words, to do conceptual rather than directly empirical work.²⁷ Models allow us to say, “*This* is what I mean by ‘rationality,’ or ‘power,’ or ‘justice’” or, in the case at hand, “*This* is what I mean by ‘institution’ or ‘spontaneous order.’” And, as is the case with explanatory accounts more generally, this means that when we assess any particular invisible-hand explanation, we are concerned more about whether the way the analyst models its central features is *cogent* than we are about whether the model is *true*.²⁸

Such tools – models – are especially important in the current context just insofar as central components of any invisible-hand account of spontaneous order consist of unobservable mechanisms. Hayek was notoriously skeptical of mathematical models. He is hardly alone in this regard – an obvious comparison is to Coase and his disdain for “blackboard economics.” I think this sort of skepticism reflects two forgivable mistakes. The first mistake is to focus unduly on the sort of general-equilibrium analysis that was emerging as Hayek (and Coase) came of age intellectually. Such analysis precisely leaves out the sort of consideration for how markets and other institutions operate with which Hayek (and Coase) was preoccupied. But in the intervening years, classes of models, especially game-theoretic models, have been developed that should deflate such skepticism. The second mistake stems from a critical stance with respect to positivism. The latter philosophical view places a premium on prediction and, when it considers models at all, treats them as tools for generating testable predictions. But on the view I gesture toward here, models are useful for conceptual rather than directly empirical purposes. And from this perspective, models can prove useful in precisely the ways needed if one hopes to make sense of Hayek’s case for spontaneous order. After all, “order” is conceptually central to his broad intellectual enterprise.²⁹ And models are a way of disciplining highly abstract concepts.³⁰ Indeed, it is plausible to hold that the domain of any concept is only as expansive as the models we can

create of it allow.³¹ In fact, in the account I sketch here, for any abstract concept, models allow us to elaborate relatively concrete conceptions that allow us to grasp what, in some particular setting (established by the assumptions and parameters of the model), the concept means.³²

2.4. Mechanisms and Models

For the matters at hand, specifically exploring the plausibility of Hayek’s case for spontaneous order, formal modeling seems essential. Consider two passages from Hayek. I find the juxtaposition clarifying.

First, he insightfully characterizes any order as “abstract”:

For the moment we are concerned only with the fact that an order not made by man does exist and with the reasons why this is not more readily recognized. The main reason is that such orders as the market do not obtrude themselves on our senses but have to be traced by our intellect. We cannot see, or otherwise intuitively perceive, this order of meaningful actions, but are only able mentally to reconstruct it by tracing the relations that exist between its elements. We shall describe this feature by saying that it is an abstract and not a concrete order.³³

Just so. Tracing the relations between the elements of an order requires constructing a model. And that is an exercise of rendering an abstract concept (order) relatively concrete and hence more easily graspable.

Just prior to that passage, we find Hayek succinctly characterizing the elements of an order as consisting in the strategic interactions among individuals:

Living as members of society and dependent for the satisfaction of most of our needs on various forms of cooperation with others, we depend for the effective pursuit of our aims clearly on the correspondence of the expectations concerning the actions of others on which our plans are based with what they will really do. This matching of the intentions and expectations that determine the actions of different individuals is the form in which order manifests itself in social life: and it will be the question of how such an order does come about that will be our immediate concern.³⁴

Once again, just so. Social life is characterized by interdependence and requires each individual to think strategically rather than parametrically. She must premise her plans on the expected actions of relevant others who in turn will be premising *their* plans on what they expect that initial individual (and many others) to do.³⁵ Game-theoretic models are useful tools for examining complex interactions between the unobservable mechanisms of preferences and beliefs (expectations).³⁶ Hayek, however, relied on implicit models of an entirely different sort.

3. HAYEK ON SPONTANEOUS ORDER

Here is the predicament. Boettke is surely right to locate “Hayek’s theory of spontaneous order and cultural evolution ... precisely at the core of his effort to develop a genuine institutional economics.”³⁷ But as even champions of Austrian approaches point out, “this theory remains the most controversial part of Hayek’s entire opus and continues to draw criticism for leaving many questions open.”³⁸ Before examining the critical reception of Hayek’s views (in the next section), it is

important to sketch the broad contours of his argument for spontaneous order. That is my task in this section.

It is easy enough to see why the concept of spontaneous order is crucially important to Hayek. I take his general aim to have been defending liberty and the institutional order ("civilization") that he believes best sustains it.³⁹ For him, liberty consists in a state of affairs in which coercion is minimized as effectively as is possible.⁴⁰ Coercion essentially involves a situation in which one individual is compelled to comply with the directives of another for purposes that that other establishes.⁴¹ It is thus particular and concrete and is objectionable because it prevents the coerced from determining and acting upon her or his own purposes.⁴² By contrast, as Hayek understands it, law is a set of general, abstract rules and the order it constitutes represents a sort of technology that amplifies our ability to pursue our own ends.⁴³ Law, in this account, therefore is more or less wholly distinct from coercion.

Given that rough characterization of his argument, it is obvious why Hayek would take pains to differentiate the manner in which law *operates* from "command" generally and "legislation" in particular. But this leaves open the distinct matter of how law *emerges*. As noted above, though, he explicitly claims to be concerned with the emergence of order. And it seems clear that his argument is susceptible to something of an unfortunate regress. Suppose we agree that, once established, law operates in something like the way Hayek indicates, meaning that the rules constitutive of law are not arbitrary insofar as they remain "abstract," are "known and certain," and "apply equally to all."⁴⁴ What if, notwithstanding that, those rules emerge from processes that are themselves more or less thoroughly inflected by coercive threats with the result that the rules are established in ways that ensure that they operate more or less systematically to the advantage of the relatively powerful.⁴⁵ Arbitrariness would enter in the process by which legal orders are formed. It would then be difficult for him to differentiate "grown" order from a "made" arrangement or organization.⁴⁶

The stakes here are high. For Hayek, the concept of spontaneous order operates as a prophylactic. He advances it as a way of keeping arbitrariness at bay, thereby allowing him to inoculate law and other political-economic institutions from the taint of coercive threats. But that presupposes his account of the emergence of spontaneous order is persuasive. And on that score he encounters difficulty. In part this is because his aim is *not* to appropriate a Darwinian conception of cultural evolution. Indeed, he discusses the bastardizations of Darwin in, for instance, "Social Darwinism," and other "abuses of the concept of evolution" in properly derisive tones. By contrast, Hayek refers repeatedly to "the legitimate theory of evolution," which presumably is the conception he endorses.⁴⁷

The evolutionary account Hayek advances has a notable consequence. He observes that evolution generates "morally blind results" and concludes from that that "evolution cannot be just" or therefore, presumably, *unjust*. The implication is to inoculate *any* order against attempts at reform. As he puts it,

The fruitless attempt to render a situation just whose outcome, by its nature, cannot be determined by what anyone does or can know, only damages the functioning of the process itself.⁴⁸