

Hayek on Cosmos and Taxis

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The Concept of Order

Hayek says:

Order is an *indispensable* concept for the discussion of all complex phenomena, in which it must largely play the role the concept of law plays in the analysis of simpler phenomena.

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What does Hayek mean by *order*?

Order A state of affairs in which a multiplicity of elements of various kinds are so related to each other that we may learn from our acquaintance with some spatial or temporal part of the whole to form correct expectations concerning the rest, or at least expectations which have a good chance of proving correct.

There is *an order* to a state of affairs, then, when it is possible to make more-or-less accurate **predictions** about how it will behave on the basis of “macro”-level information.

Two Different Kinds of Order

Hayek distinguishes between two importantly different kinds of order:

Taxis The *made*, exogenous order. Can be described as a constructed, or artificial order, or as an *organization*.

Kosmos The *grown*, endogenous order. Can be described as a *spontaneous order*.

What are some examples of orders that fall into these different categories?

Kosmos, or Spontaneous Orders

Here are some distinctive features of Kosmos:

1. **Complexity.** Spontaneous orders may achieve any degree of complexity.
2. **Abstractness.** Spontaneous orders will often consist of a system of *abstract relations* between elements that instantiate *abstract properties*.
3. **Purposiveness.** Although the existence of a spontaneous order may serve the individuals enveloped in it, it cannot be said to have a “purpose” (at least, in some sense).

They can be so complex, in fact, that it would be practically impossible to precisely understand and ascertain all of the particular facts that comprise it.

Consequently, orders of this kind cannot be directly perceived, or even recognized, except on the basis of some theory.

We may speak of the “purpose” of a spontaneous order as a ‘*teleological shorthand*’ as a means of saying: “*the elements have acquired regularities of conduct conducive to the maintenance of the order — presumably because those who did act in certain ways had within the resulting order a better chance of survival than those who did not.*”

Three Lessons:

1. **Hard to Understand.** Although we are good at making predictions about how these things work at the 'macro'-level, the systems are too complex for us to understand all the particular details.
2. **Hard to Control.** Because of the above point and the complexity of the systems, it is hard for us to control its behavior in a predictable and reliable way.
3. **Rule-Governed.** These systems are *rule-governed*. But "the rules which govern the actions of the elements of such spontaneous orders need not be rules which are 'known' to these elements; *it is sufficient that the elements actually behave in a manner which can be described by such rules.*"

Examples of Spontaneous Orders that occur in nature:

- (a) The formation of crystals
- (b) The Iron Filings and Magnet Trick

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Applying These Ideas to the Free Market

- **Rules.** Individuals will normally prefer a larger return from their efforts to a smaller one.
- **Taxis and Kosmos.** We organize ourselves into explicit organizations (like clubs, committees, etc.), but we are also spontaneously organized.
- **Rules v Commands.** By guiding the actions of individuals by *rules* rather than by specific *commands* it is possible to make use of knowledge which nobody possess as a whole!

You could call this spontaneous organization: 'Society'

Thesis: It is impossible, both, to

- (i) *replace* the spontaneous order by organization and at the same time to utilize as much of the dispersed knowledge of all its members as possible, and
- (ii) *improve* or *correct* this order by interfering in it with direct commands.

In other words: Given that the Free Market is a spontaneous order, there is a large cost to regulating it.

What Is The Argument?

The reason why such isolated commands requiring specific actions by members of the spontaneous order can never improve but must disrupt that order is that *they will refer to a part of a system of interdependent actions determined by information and guided by purposes known only to the several acting persons but not to the directing authority.*