Marx was an evolutionist who believed that unguided unfolding would lead inevitably to collective betterment. So was Hayek, who argued in effect that ‘basic institutional change will somehow spontaneously evolve in the direction of structural efficiency’ (CW X, 166n). Such thinking, in Buchanan’s words, has done ‘great damage’: ‘Hayek is so distrustful of man’s explicit attempts at reforming institutions that he accepts uncritically the evolutionary alternative. We may share much of Hayek’s skepticism about social and institutional reform, however, without elevating the evolutionary process to an ideal role. Reform may, indeed, be difficult, but this is no argument that its alternative is ideal’ (LL, 194n).

Hayek treated Menger on the unplanned evolution of currency and language as a demonstration that unfettered homeostasis can generate functioning outcomes. Unintended accommodation is the source of culturally transmitted rules that empower a unique collectivity to adjust non-rationally to unanticipated challenges. Evolution is more than biological instinct and genetically programmed impulse. Natural selection is the learned. It is not just the innate.

Hayek treats rules as tools that will reliably produce patterned regularities without the dominance of a central planning agency. Buchanan is more hesitant, more open-minded. On the one hand there has been the collapse of authoritarian centralisation in the socialist East in response to a ‘near-universal recognition’ that ‘the performance of a market economy is superior to that of an economy subject to command and control’ (CW XVIII, 90). On the other hand there has been interest-group politics, Keynesian economics, perceived powerlessness, disembedded egotism, road congestion and student activism in the democratic West. All things considered, automaticity and spontaneity are not a safe pair
of hands: ‘I have no faith in the efficacy of social evolutionary process. The institutions that survive and prosper need not be those that maximize man’s potential. Evolution may produce social dilemma as readily as social paradise’ (CW VII, 211).

This chapter is about two libertarians divided by natural selection. Hayek believes that evolution on balance is socially beneficent. Buchanan is quizzically look-and-see. Roses grow. Weeds grow too. In both cases the objective standard of physical survival and genetic reproduction is being met. The subjective standard of perceived success is another matter: ‘Institutions evolve, but those that survive and prosper need not be those which are “best”, as evaluated by the men who live under them’ (CW VII, xvi). It is the task of the contractarian constructivist to separate the roses from the weeds. Where nature breeds illness and not good health, it is the task of the contractarian constructivist to reject automaticity and to play the doctor who puts things right.

This chapter is divided into three sections. Section 5.1, ‘Market as discovery’, shows the link in Hayek’s thought between good processes and good outcomes. Section 5.2, ‘Conventions and heuristics’, establishes that the past guides the present and shapes its trajectory. Section 5.3, ‘The visible hand’, argues that Buchanan supports prudent intervention whereas Hayek is more inclined to let history have the final say.

5.1 Market as discovery

No single unit has an adequate overview of ‘all the particular facts on which the overall order of the activities in a Great Society is based’ (Hayek, 1976 [2013]: 176). Such information as stumbling individuals may possess is not only scarce but dispersed. Each face in the crowd holds a tiny proportion of the stock. That is the attraction of factored-down exchange. A process of exploration and discovery, the market allows individuals within the confines of the rules to experiment with whatever pieces of information each atom may possess.

The decentralised market is the archetype of non-directed development. It is efficient precisely because it coordinates the remote and synthesises the fragmentary. Competition makes comparison possible. Markets cannot be assumed to be frictionless, flexible and fully informed. Groping is the way that they work. What is called market failure would better be termed market success. The market enlists imagination and search. It has little to do with the neoclassical caricature of maximisation subject to a scarcity constraint.