

Individual flourishing and spontaneous order

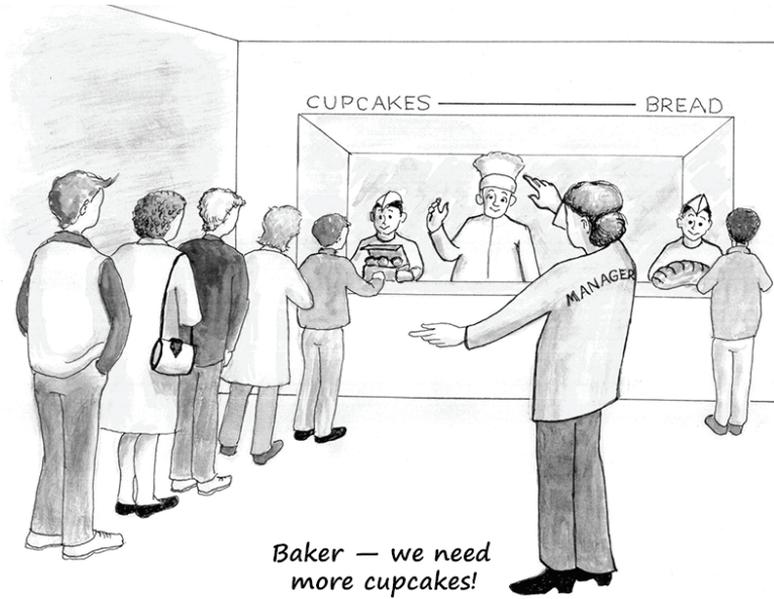
[T]he individuals should be allowed, within defined limits, to follow their own values and preferences rather than somebody else's; that within these spheres the individual's system of ends should be supreme and not subject to any dictation by others. It is this recognition of the individual as the ultimate judge of his ends, the belief that as far as possible his own views ought to govern his actions, that forms the essence of the individualist position.

Friedrich Hayek (1944). *The Road to Serfdom*.

In Bruce Caldwell (ed.), *The Road to Serfdom*, II
(Liberty Fund Library, 2007): 102.

If Betty the baker notices that the price of cupcakes is rising relative to the price of white bread, she will shift some of her effort—along with some of her flour, yeast, and space in her oven—from baking white bread to baking cupcakes.

From Betty's point of view, the higher price that she can now fetch for her cupcakes is a signal that she can earn more profits by baking and selling more cupcakes. From the economist's point of view, the higher price of cupcakes means that consumers now want additional cupcakes more intensely than they did yesterday. An extra cupcake produced and sold today creates more consumer satisfaction—or, to use economists' preferred term, more "utility"—than did an extra cupcake produced yesterday. The rising price of cupcakes reflects an important change in consumer wants. This rising price also motivates suppliers to respond in ways that meet those changing consumer wants.



A market economy, then, achieves two important goals simultaneously. (By “market economy” I mean an economy in which there are no legal restraints on how far and in what direction prices can move; in which private property rights are secure; and in which people are largely free both to earn their incomes as they individually choose and to spend their incomes as they individually choose).

First, a market economy permits self-interested people to prosper economically only by serving the interests of others. The greediest businessman can profit only by offering consumers deals that consumers value. Likewise, the greediest consumer can get what he or she wants only by paying suppliers amounts that suppliers find attractive. Adam Smith, the Scottish philosopher who is the acknowledged founder of modern economics, famously described this process: “It is not from the benevolence of the butcher, the brewer, or the baker, that we expect our dinner, but from their regard to their own interest. We address ourselves, not to their humanity but to their self-love, and never talk to them of our own necessities but of their advantages.”

Second, prices set in market economies “tell” people just *how* they can best serve others’ interests. Prices are the single most important sources of information for producers and consumers on what they can expect from others in market economies.

As George Mason University economists Tyler Cowen and Alex Tabarrok describe it, “A price is a signal wrapped up in an incentive.”

A market economy, therefore, expands the ability of each of us to pursue our own goals by harnessing the cooperation of others. Try as you might on your own, you could never get yourself from, say, Montreal to Vancouver in a mere five hours without the help of countless others. From the pilot who flew the jetliner, to the oil-field worker who helped produce the aviation fuel, to the engineer who assisted in designing the jet’s engines, to millions of other specialized producers. Their efforts expand your range of choices; their unique knowledge and skills give you options to do that which you would never in a million years be able to do without them.

Clearly, this expansion by market economies of the range of options open to each of us is a central and marvelous feature of modern life. (Again, ask yourself how much of what you consume daily could you, personally, produce with only your own knowledge and your own hands.) But this option-expanding role of market economies serves more than narrow materialistic purposes. It also expands the range of our “higher” options.

With greater wealth, each of us can better afford—if we choose—to take more leisure. Likewise with education: markets (to the extent that governments allow them to operate) make education both more affordable and better over time. We denizens of modern market economies have access not only to more brands of beer and larger flat-screen TVs but also to sublime recordings of Bach cantatas and Verdi operas, to affordable volumes of Shakespeare and Tolstoy and Hemingway, to safe travel to historically significant cities such as Athens and Rome, and to medical and dental care that the likes of King Louis XIV, Queen Victoria, and even John D. Rockefeller never dreamed of.

Yet the market expands our range of individual choices in an even more profound way: by its very nature, a market economy is one in which individuals are not herded together and assigned tasks under a single plan. Unlike in a firm or other organization that pursues a single goal—such as “make as much profit as possible by producing and selling automobiles”—a market economy is not aimed at attaining one unitary goal to which everyone in society must subordinate her own desires and plans.

In a market economy only basic and abstract rules are enforced—chiefly, the laws of property, contract, and tort, along with criminal sanctions against the initiation of violence, theft, and fraud. And these rules are almost

all negative, in that they do not tell individuals what to do but, rather, only what *not* to do. The result is that each individual has wide scope to formulate his or her own plans—and wide scope in choosing just how to pursue those plans—without having first to secure permission from some authority.

The laws and norms of what Hayek called “the Great Society” are not designed to maneuver individuals into particular places to achieve some overall, grand, concrete social outcome. Nor are these laws and norms judged by how well they do any such maneuvering. The reason is that the Great Society is one that gives each person maximum possible scope to formulate and pursue his own *individual* plans; it is not a society in which people are treated as the means to some higher ends.

That the Great Society gives to each individual maximum possible scope to live as he or she sees fit is, perhaps ironically, one reason that many people dislike it. The Great Society itself offers no higher purpose to which people can commit themselves. The Great Society doesn’t ask individuals to consciously come together in any thrilling collective endeavour.

Yet this fact doesn’t mean that there are no higher purposes for individuals to pursue. In the Great Society each individual can choose and pursue his own purposes—including high and noble ones. And the individual can do so in league with as many other people as he can persuade to join him. Contrary to a popular assumption, therefore, higher purposes need not be supplied by “society.” These purposes can be chosen and defined by individuals interacting peacefully with each other within the Great Society. And among the beautiful features of this fact is that no one is forced to work for goals that he finds disagreeable, offensive, unworthy, or unobtainable.

Perhaps ironically, by allowing the maximum possible freedom for each person to pursue his or her own chosen goals, the result is an overall social order that very much deserves to be described as “Great.”