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Review: Knowledge and Coordination ? A Liberal Interpretation [1]

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There?s a contradiction at the heart of much modern classical liberalism. Since Adam Smith, successive generations of classical liberals (particularly in economics) have tried to build a systematic science of man to demonstrate the value of liberty. In contrast to Smith?s vision of economics and moral philosophy as a messy, *ad hoc* pursuit, modern classical liberals and libertarians have generally proposed a vision of economics and the social sciences as foundational sciences. In different ways, this is apparent in both the deductive praxeology of Ludwig von Mises and Murray Rothbard, and the neoclassical economics of George Stigler, Milton Friedman and most modern classical liberal economists.

Daniel B. Klein?s new book, *Knowledge and Coordination: A Liberal Interpretation* [3](you can read parts of ithere [4]), tells us to throw out this worldview and embrace a concept of spontaneous order rooted in the work of Adam Smith and FA Hayek. Klein is a professor of economics at George Mason University who, like Smith, has a background in philosophy. In *Knowledge and Coordination*, he argues that we should try to understand society not by building a series of upward steps derived from axiomatic principles, but by viewing society as a complex web of spontaneous interactions.

Knowledge and Coordination is divided into several parts, which initially seem disparate, including a detailed discussion of entrepreneurship, surprises, and coordination, detailed discussions of the political economy of urban transit and safety regulations, and a philosophical discussion of the value of the ?impartial spectator? perspective in moral philosophy and economic analysis.

Klein?s discussion coordination is, by itself, a valuable contribution to the study of spontaneous order. He delineates mutual coordination (conscious ?mutually intermeshing behaviour? between two or more parties) and concatenate coordination, a broader ?invisible hand?-like coordination that that comes from system-wide harmonious coordination.

Think of Leonard E. Read?s story of the complexities of making a pencil [5]: most of the people are cooperating mutually with their buyers and sellers, but on a whole they are creating a complex mesh of coordination which ultimately leads to the creation of the pencil. The result of human action, but not (necessarily) of human design ? this concatenate coordination is usually what classical liberals mean when they talk about the coordinative benefits of a free market system.

One of Klein?s most interesting points is that this concatenate coordination only makes sense from the

point of view of an impartial spectator. In this he draws on Adam Smith?s *Theory of Moral Sentiments*, in which Smith argued that moral philosophy was best interpreted through the eyes of a spectoral viewer ? as Klein says, not your conscience, but your ?conscience?s conscience?s conscience?s ... conscience?.

But Klein takes Smith?s allegory further. The whole realm of human action (Klein focuses on economics), he says, is best understood by taking this allegorical spectator?s view, to appreciate the aesthetics and efficiencies of system-wide coordinations that would otherwise be ignored from a rigidly individualistic point of view.

On discovery and knowledge, Klein makes a convincing case against ?flattening? knowledge into ?information? in order to fit it into the confines of economic modelling. He uses an example of a man recently put out of work who feels like a cigarette but can?t find a tobacconist. Sensing an opportunity, he sets up his own tobacconist and rises to own a successful chain of shops. This surprise discovery is central to entrepreneurship and innovation, but is almost completely discounted by economic modelling. Klein argues that ?freedom causes prosperity principally because freedom generates discovery?, but this point depends on Klein?s ?thick? view of knowledge and discovery.

Three chapters on different areas of public policy ? urban transport, safety regulations and technologically-enhanced central planning ? apply his web perspective with success. Though he discusses these areas in considerable detail, he does not attempt to recommend specific recommendations. His aim is to show that the web of coordination is no less complex when we drill down into specific areas than when we look at society and the economy as a whole. The Smith-Hayek perspective allows us to grasp around certain areas of human interaction, only really appreciating the limits of our ability to improve them. These parts are an analytical complement to historical case against government schemes to improve the human condition like James C. Scott's *Seeing Like a State* [6] and Jane Jacobs's *The Death and Life of Great American Cities* [7].

Klein hopes to develop a Smith-Hayek argument for liberty, favouring a ?by and large? liberty *maxim* over an absolute liberty *axiom*. The liberty maxim is much more robust than the absolutist axiom in providing a defence of liberty. Instead of having to prove itself in every single make-or-break hypothetical example, the liberty maxim is more modest and realistic, and embeds the case for liberty in the Smith-Hayek view of spontaneous orders.

This mirrors Smith?s moral philosophy. When presented with the choice between the utilitarian maximization of happiness or the categorical imperative of natural rights, Smith and Klein shrug. Don?t try to build morality up from first principles, they say, but treat it as an ?aesthetics of human agency?. Whatever works, works. Don?t try to reduce morality to a rule, model or mathematical formula.

Klein?s vision is radically humble. Throw out your models and accept life?s complicated messiness. Early on, Klein says his aim is to provide a new ?by and large? presumption of liberty rooted in the Scottish Enlightenment. He does far more than this. Knowledge and Coordination is a profound, brilliant book that returns Adam Smith to the centre of the classical liberal worldview. It should provoke a paradigm shift among classical liberals and libertarians. Embrace the illegible world we live in. The virtues of liberty are clearest when we take the view of the impartial spectator, and most robust when we realize just how disjointed and spontaneous the orders that we exist in really are.

Dan Klein will be speaking on his paper Mere Libertarianism: Blending Hayek and Rothbard [8] at the Adam Smith Institute on the 20th of March [9].

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