

## DEMOCRACY AS A SPONTANEOUS ORDER

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Liberal democracy, science, and the market constitute Western modernity's finest flowers. Each has transformed the world, and together they created a decisive break with all preceding societies. Today even cultures with no understanding of the principles underlying these institutions rhetorically appropriate their names. Governments almost everywhere claim to be democratic, or at best provide long-winded excuses as to why they are not (yet). Countries worldwide attempt to incorporate science into their cultures. With the failure of socialism now admitted by all but the most devout believers, the market (or at least market rhetoric) is triumphant intellectually and politically.

At first glance democracy, science, and the market appear quite disparate. A closer look reveals an underlying similarity. Democracy, science, and the market are characterized by remarkably similar underlying values and ordering principles. All are rooted in the principle of voluntary consent. The rules generating these institutions are the outgrowth of seeking *different kinds of consent*. The market is rooted in consent concerning the terms of contractual exchange. Science is rooted in consent as to the character of scientific reality and the means for understanding it. (See Ziman 1968, 1978; Toulmin 1972). And democracy, as we shall see, is based upon consent over community values and practices.

The rules of conduct which generate these institutions are rules of spontaneous orders, not instrumental organizations. Instrumental organization is nothing new in human history. Neither is the spontaneous order of society as a whole, although the discovery that this was so had to await the work of the Scottish Enlightenment. Science, the market, and liberal democracy constitute three conceptually distinct spontaneous orders, or self-organizing systems, which arose within the larger spontaneous order of society as a whole. They mutually influence one another yet are distinct enough to be able to be considered separately. Indeed, they usually are. Their growth to social dominance is simultaneous with the rise of Western liberalism. What is perhaps most unique about the West compared to other civilizations is the power and independence allowed the different spontaneous orders within society as a whole.

Only a few scientists have clearly perceived this. F. A. Hayek is perhaps the most noted of them; more than any other contemporary scholar, he has deepened our understanding of the role spontaneous orders play in social life. Any future work along these lines will owe a great debt to Professor Hayek's contributions.

Having said this, I must acknowledge that Hayek himself has not included political democracy as an example of spontaneous order. Many readers will be inclined to agree with him, granting that science and the market are spontaneous orders, but drawing the line at democracy. The modern democratic state is at least as rooted in coercion as consent; possibly more so. Most legislation relies upon coercion to get people to do or pay for what they otherwise would not. Much contemporary legislation deliberately benefits some elements of the community at the expense of others. Frequently the democratic state interferes with the spontaneous order of the market.

How, then, is it possible to say that consent is the fundamental principle underlying democracy except in the trivial sense in which it underlies most governments? And how can a plethora of

special interest legislation be considered part of a spontaneous order? This paper addresses these questions.

While historically classical liberals have been democracy's most effective proponents, the relationship between liberalism and political democracy has been strained. Many classical liberals are ready to give democracy two cheers, but withhold the third. For example, Professor Hayek has consistently praised democracy as the best form of government, yet nonetheless has warned that neither liberalism nor democracy "necessarily excludes the opposite of the other: a democracy may wield totalitarian powers, and it is conceivable that authoritarian government may act on liberal principles." The reason, he writes, is that liberalism "is concerned mainly with limiting the coercive powers of all government . . . whereas the dogmatic democrat knows only one limit to government—current majority opinion" (1960, 103).

Nevertheless, the relationship of democracy to liberalism is a good deal more intimate than many classical liberals admit. Hayek's conception of a spontaneous order is crucial in understanding this relationship. In the process of comprehending how democracy is a spontaneous order, we shall also grasp in what ways egalitarian and majoritarian political models are theoretically inadequate and even misleading tools for helping us understand both democracy's strengths and weaknesses.

### **Instrumental and Self-Organizing Orders**

The most important preliminary distinction one can make when analyzing social institutions is to distinguish organizations from spontaneous orders or, to put the same point in different words, instrumental organizations from self-organizing systems (Hayek 1979). While other social scientists have been aware of this distinction's importance, Hayek more than any other has argued that it is the linchpin for understanding social institutions.

An instrumental organization is established to do some particular thing. Instrumental organizations seek to order their human and non human components so as more easily to attain some specific end. This end is concrete, supplying a clear criterion for judging the organization's success or failure. For example, political parties exist to win elections or influence public policy, profit-oriented joint stock corporations exist to make money, labor unions seek to further their members' interests, research teams pursue particular problems or hypotheses, and so on. Organizations vary in their capacity to organize their resources effectively and to manipulate their environment. Those which are most efficient will be the most successful. Efficiency in the economizing sense of employing minimum means to attain maximum ends is a value intrinsic to instrumental organizations.

Of course the people within an instrumental organization may have joined for reasons having nothing to do with its goals. Although this complicates my point, it does not undermine it. An organization which consistently fails in its tasks, and is perceived to do so, will not long survive, since a minimal success on its part is necessary for it to be a means for its members to attain their own ends.

Spontaneous orders, or self-organizing systems, do not exist to attain any particular end (Hayek 1973, 38). They do not order their components, human or otherwise, according to any predetermined concrete plan or goal. Nevertheless, they are orderly, not in the sense of efficiently utilizing resources to attain a particular goal, but rather in providing a framework which potentially maximizes the likelihood that participants will attain their own chosen ends, so long as those ends are congruent with the abstract procedural rules which generate the system itself (Hayek 1976,144).

Such an order is abstract in the sense that the rules participants follow while pursuing their purposes refer only to a limited number of relevant conditions. These rules are not concerned with the particular circumstances in which they may be employed in any given instance. Such rules therefore simplify the framework within which people may act (Hayek 1973, 86). We can see this clearly when considering the rules of scientific procedure and the laws of property, tort, and contract which generate the market order.

While those acting within the framework of a self-organizing system will act purposively, it does not follow that the system itself will do so. Of course, we can say a spontaneous order exists to serve some extremely general purpose. The market, for example, exists to facilitate exchanges among people, the better to supply their economic needs. But this purpose tells us nothing about the particular elements within a market order, or how needs will be met within its confines. Hayek observes that "only when it is clearly recognized that the order of actions is a factual state of affairs distinct from the rules which contribute to its formation can it be understood that such *an abstract order can be the aim of the rules of conduct*" (1973, 113-14).

What characterizes all spontaneous orders in social life is their *polycentricity*, wherein participants pursue their own purposes and interact through a system of mutual adjustments rather than by being coordinated in terms of a specifiable goal (Polanyi 1951, 184). Having many independent centers for decision-making requires that some impersonal means exist for coordinating activities if people are not to get in one another's way more often than they assist in one another's purposes. The market, and self-organizing systems generally, coordinate information, enabling the harmonization (as much as possible) of people's independent pursuit of varied and unpredictable goals. This coordination process may be impeded or assisted by changes in the procedural rules generating the order, but those participating within it cannot be regarded as resources to be used efficiently if the order is truly spontaneous. Efficient economizing is an inappropriate standard by which to evaluate a spontaneous order since such an order does not pursue any specifiable set of concrete goals.

It follows that the character of rules regulating action within instrumental organizations differs from that of rules regulating action within self-organizing systems. Because an instrumental organization pursues a goal, its rules for participants will reflect and be subordinate to that end. Such rules need not be commands, but all will be oriented towards assisting that organization in attaining its goals (a classic study of bureaucratic organization which beautifully illustrates this point is Kaufman 1960, 91-200). Such rules will generally assign different responsibilities to different people. By so doing, organizational rules create status differences between different participants within the enterprise. Status differences are a direct outgrowth of organizational rules, for people are resources vis-a-vis instrumental organizations, and to be used effectively resources must be differentiated.

By contrast, *rules generating a spontaneous order are intrinsically equalitarian* in that all people who participate within the order are formally equal in relationship to those rules. However, formal equality of this sort in no way implies substantive equality; in fact it implies the opposite (diZerega 1987). The street vendor and the tycoon are equally subject to the rules of the market. The new Ph.D. and the Nobel laureate are equally subject to the discipline of the scientific community. In both cases differences in their formal status are considered, rightly, as imperfections and shortcomings in the rules.

The rules generating a self-organizing system do not themselves need to arise out of a self-organizing process, although they can. Such rules can be deliberately adopted or changed. In this sense, no self-organizing social institution need be completely self-organizing. Science may be

the most completely spontaneous in this sense, democracy and the market less so. While we can construct rules to generate or facilitate the emergence of a market order, they give us no control over its specific character.

The abstract character of rules governing self-organizing systems leads to another basic difference between such systems and instrumental organizations: the complexity of relationships that can be coordinated within a self-organizing framework is essentially unlimited. By contrast, an instrumental organization depends upon its leaders' capacity to sub-ordinate enough of its members' secondary purposes to common goals that the organization's strength in resources is not outweighed by the difficulty of their successful coordination. An organization's dependence upon conscious direction limits the complexity of tasks with which it can successfully cope.

While a self-organizing system can successfully coordinate a far greater amount of information and knowledge among people than could ever be deliberately organized, it necessarily gives up control over specific details. Each person acting within the framework of abstract rules which help to constitute such an order does so entirely by his or her own lights. And since each acts with no certain knowledge of how others will act, the specific details of their various interactions are in principle uncontrollable. Again in Hayek's words: "The market order in particular will regularly secure only a certain probability that the expected relations will prevail, but it is, nevertheless, the only way in which so many activities depending on dispersed knowledge can be effectively integrated into a single order" (1973, 42). His point applies not only to markets, but to all self-organizing systems.

Not just any set of abstract rules is capable of generating a self-organizing order. For example, if we were to replace the law of contract with a law maximizing uncertainty for every person seeking to make an exchange, the result would not be an order. It would be chaos. The abstract rules must serve to coordinate *cooperation and agreement* between unknown parties pursuing unknown purposes in order for a spontaneous order to arise. This is why the value of consent is *intrinsic* to all social spontaneous orders. Indeed, Jurgen Habermas has argued convincingly that the value of voluntary consent is fundamental to the very existence of language, perhaps the most fundamental of spontaneous orders (Habermas 1979).

Similarly, although a spontaneous order serves no *single* end, *spontaneous orders are not neutral with respect to the values they promote*. Different self-organizing systems are biased in favor of actualizing different values. It is in terms of these values that the rules can be modified and improved. However, we cannot determine the specific manifestations of these values. I shall return to this matter below.

Rules able to generate a self-organizing order must coordinate all the particular instances in which they are applied so that each person can develop a set of reasonable expectations which assist him or her in planning for the future. Change is perpetual in such an order, and in its specifics cannot be foreseen. But the general characteristics of such change must be relatively predictable or there will be nothing enabling participants to form reasonable expectations.

Hayek thus observes that a market order will be a "multi-purpose instrument which at no particular moment may be the one best adapted to the particular circumstances, but which will be the best for the greater variety of circumstances likely to occur" (1976, 115). It is therefore misleading to evaluate a market order at a particular point in time by the organizational criterion of whether the same distribution of resources could have been more efficiently achieved if it had been deliberately organized. As another Austrian-school economist, Israel Kirzner, has pointed out, "our focus of interest is never the optimality of an existing pattern of decisions; it is always

the desirability of the direction in which this pattern of decisions is changing" (Kirzner 1973, 232-33). Hayek's and Kirzner's points apply equally well to other self-organizing systems.

### **Democracy as a Self-Organizing Order**

Political democracies are minimally constituted by certain abstract procedural criteria. In a pure democracy all adult citizens possess equal votes in choosing representatives or policies. They also enjoy freedom of speech, the press, and assembly in order to discuss, advocate, and choose public policies. These criteria are silent on how each citizen will employ his or her political rights. As with the rules governing market transactions, the rules governing political democracy are purely procedural and abstract. The criteria for democratic citizenship and participation are divorced completely from citizens' substantive views and values. They do not favor particular people or purposes other than by maintaining the political framework itself (Polanyi 1951, 196; Polsby 1980, 209). Contemporary liberal democracies closely approximate these criteria. Other states do not.

A democracy is not established to pursue any particular purpose at all. (When it arises in a largely unplanned fashion, as in the case of England, this is obvious.) Democracy allows an indefinite and unpredictable number of positions to compete for public support. In this respect, political democracies are very different from democratic *organizations*.

A democratic organization, such as a producers' cooperative or a political party, exists to achieve a specific end. To be sure, very often the practice of democratic procedures is a part of that purpose. Nevertheless, a specific task also exists along with maintaining democratic procedures. In the case of producers' cooperatives, this end is successful marketing. In the case of democratic political parties, it is winning elections or influencing public policy.

A tension usually exists between maintaining viable democratic procedures within the organization and efficiently attaining its concrete goals (Mansbridge 1983). This tension is generally resolved by democratic procedures being subordinated to the leadership's ideas of how best to attain those goals. Under such circumstances the goals of the leadership and those of the organization become increasingly indistinguishable, leading to a self-perpetuating elite dominating most democratic organizations.

The reason is fairly straightforward. Very often democratic procedures are not efficient. In particular, they are not efficient when people have different ideas about what should be done. But when most people agree about what is to be done in the sense of attaining a concrete goal, they tend to acquiesce in the leadership's judgment, so long as it appears successful in attaining that goal. Combined with the elite's greater access to organizational resources, this results in Michels's "iron law" of oligarchy (Michels 1962). Democratic organizations' inherent tendency towards oligarchy is, however, offset by the limiting cases discussed by Seymour Martin Lipset (1956). (The contemporary German Green party is an interesting example of the difficulties encountered when an organization seeks to preserve a vital internal democratic life and still be efficient [Spretnak and Capra 1981].)

Democracies are different from democratic organizations. Typically there is a low level of agreement as to what public policy in a democracy should be, compared with that existing within democratic organizations. Only during wartime, and not always then, is there anything approaching a general political consensus. Democracies do possess elites—many of them (Sartori 1987, 147-48, 151). These elites compete for public influence. A democratic organization would be crippled by the variety of competing interests and factions typical of democracies. This is why

democratic procedures are often curtailed during wartime: they interfere with organizational goals. It is not accidental that this curtailment occurs when widespread consensus exists as to the nation's goals.

An organization can be effectively democratic to the extent a consensus exists as to the specific ends it intends to pursue. But ironically, under such circumstances it usually makes little use of democratic procedures. On the other hand, because it normally does not exist to pursue any particular end, a democracy makes continual and effective use of its democratic procedures. That is why democratic procedures are most useful in challenging the existing state of affairs: in a democracy even a long-term consensus survives only while continually being vulnerable to challenges (and overcoming them).

Attempts to combine democratic procedures with organizational goals are inherently unstable. They last only so long as the bulk of politically involved people are in agreement with the priorities established. The antebellum American South sought to provide fairly democratic procedures for one group while safeguarding the issue of slavery against political discussion. For example, South Carolina required that state representatives possess five hundred acres of land *and ten slaves* or possess land of sufficient value that it would require slave labor to be rendered profitable (Anonymous 1864, 21). Even so, before the Civil War the South had to constrict the civil liberties of its white population with regard to the slavery issue. More recently South Africa has steadily whittled away the white population's political liberty to debate the issue of apartheid. Israel will face a similar dilemma regarding the Palestinians in its midst as long as its organizational goal defines it as a Jewish democratic state.

The same contradiction characterizes the realm of egalitarian political theory. Robert Dahl, for example, writes that citizens act "undemocratically" when they reject his particular organizational criterion of "democracy": the steady enhancement of substantive equality in political resources (Dahl 1982, 119-20). For Professor Dahl this is a "dilemma" of democratic practice. In my view it is a sign of his inadequate theoretical model. There is no compelling reason why democratic procedures should result in Dahl's egalitarian end state. Indeed, there are compelling reasons why his ideal is fundamentally inappropriate for democratic governments. Perfect substantive equality would destroy a democracy's ability to be responsive to new citizen initiatives and interests (diZerega 1988). Dahl supports democratic procedures but still believes they can only *properly* be used to further a particular end. He does not appreciate that a community can be self-governing only if its specific activities are in principle unpredictable.

Democracies are distinct from undemocratic governments precisely because dictatorships, oligarchies and the like are organized to serve specifiable private interests within society. Opposing interests are excluded. A totalitarian state is in this sense the direct antithesis of democracy, for in the former all social and political elements are organized to serve a specific plan, and any dissent is prohibited. The notion of "totalitarian democracy" is misleading since a single plebiscite does not a democracy make. It consists rather of democratic procedures exercised over time. It is an ongoing process. The political liberties which facilitate that process are as fundamental to democracy as is voting among competing candidates or issues. *Political totalitarianism is as opposed to democracy as its economic equivalent, the planned economy, is to the market, and for the same reasons.* Both substitute the conscious plans of a few for the freely arrived-at and independent initiatives of many individuals acting in accordance with their own wishes. Totalitarianism, far from being qualitatively different from authoritarianism, is simply its most extreme and through going form. Authoritarianism organizes government to serve its leaders' aims. Totalitarianism organizes all social institutions to serve the leaders' aims.

Hayek's most critical comments upon democracy are concerned with those who simply-mindedly

equate it with unrestricted majority rule. But the ideal of simple majority rule is a misleading myth. Liberal democratic political processes are far more intricate and complicated than the majority-rule standard suggests. In reality democratic political power is exercised most directly by competing elites seeking majority support. Nor can it be otherwise. The day-to-day stuff of political decision-making is far too complex and time-consuming to be accessible to the average citizen, even if s/he had the time and inclination to pursue it energetically, which most do not (diZerega 1988).

Hayek himself comes close to the formulation I am suggesting when he notes that

We may admit that democracy does not put power in the hands of the wisest and best informed and that at any given moment the decision of a government of the elite may be more beneficial to the whole; but this need not prevent us from still giving democracy the preference. It is in its dynamic, rather than in its static, aspects that the value of democracy proves itself. As is true of liberty, the benefits of democracy will show themselves only in the long run, while its more immediate achievements may well be inferior to those of other forms of government. (1960, 108-9)

Nevertheless, there is a deficiency in Hayek's comments. The "democracy" to which he refers is a *government* organized democratically. In this sense it is an organization, although a fairly loose and even "disorganized" one. However, democracy is more than this; it includes citizens and institutions which in no very meaningful sense constitute the government. Voters, especially those who support losing candidates and issues, and the news media are not part of the government, but are essential elements of a democracy.

As a spontaneous order, democracy refers to *the entire ensemble of citizens and their interactions when they observe the basic rules of democratic politics*: free elections, one-person-one-vote, freedom of speech and of organization, and the like. Democratic government in its various forms arises out of these rules being observed. But so also do many other institutions and practices. Democracy encompasses all of society *insofar as it is a political community*. It is not coterminous with society, but it is equally the case that no part of a democratic society is in principle removed from being subject to political discussion and, possibly, action.

## **Constitutional Rules**

The role of constitutional rules in a democratic order is worthy of extended analysis. Here I diverge from Hayek's treatment, which considers only the organizational aspects of constitutions (1973, 134-136). "Constitution" possesses more than one meaning. Aristotle refers to the constitution of a polity as its political way of life, the principles underlying its political structure as well as the structure itself (Aristotle, 118-20). In this sense all political societies have constitutions. From the perspective I am developing here, such constitutions can be either the rules of an instrumental organization or, in democracies, the rules of a spontaneous order along with subordinate organizational rules.

The Constitution of the United States does not constitute that country's entire constitution in the first sense. Important parts of the U.S. government cannot be understood from reading the Constitution, yet are clearly constitutional in even the narrowest sense of the term. For example, the Electoral College has never worked as intended: to give the House of Representatives a major say in selecting the President (Lowi 1985, 33-34). Other aspects of the American constitution in the Aristotelian sense include political parties and the media as transmission belts from elected officials to the citizenry and vice versa.

*Insofar as the unwritten constitution is concerned with a citizen's relationship to any particular government, it is democratic to the extent that it is purely procedural and not organizational.* It establishes abstract, self-organizing principles which citizens can use insofar as they desire to influence politics. However, parts of the unwritten constitution which deal with government, not citizens, can be organizational. The rules of cabinet formation in Great Britain are of this nature.

The written U.S. Constitution also possesses elements of both organizational and spontaneous ordering rules. But the organizational rules are clearly subordinate to the spontaneous ordering rules. The detailed relationships between the various branches of government established by the Constitution are intended to keep the governing organization subservient to the democracy's general self-organizing principles. The Bill of Rights expresses this aspect of the Constitution most clearly. The Bill of Rights does not organize the government; rather, it establishes the government's subservience to the democratic process, conceived as a system of abstract rules common to all citizens.

Additionally, in a break from earlier political thinking about constitutions which advocated representing the different "orders" of society, the American Constitution attempts to represent the fundamental aspects of the community as a whole (MacDonald 1967, 193; Wood 1972, 453). For example, considered as an ongoing entity the community possesses both short- and long-term interests. The House of Representatives, in which all members are subject to election every two years, was intended to represent the most short-term aspect of the community's interests. Thus, revenue bills originate there. The Senate, by contrast, was constituted so that at least two-thirds of its membership would always have been members for at least two years and one-third for at least four years. Thus, every Senator serves a minimum of six years. The Senate was charged with responsibility for those actions bearing most heavily on the country's long-term interests: treaties and appointments to the judiciary. It is here that experience and continuity were thought to count for more than immediate responsiveness.

Instrumental organizations are primarily oriented towards action. By contrast, the House and Senate are primarily oriented towards deliberation; they are ongoing forums in which present and proposed actions of government will be perpetually open to challenge and consideration. The executive branch was given the bulk of the organizational responsibility. As the Founders realized, what is a virtue in one branch is a vice in the other (Madison 1961, 426-27 [*Federalist* 70]). This is because a significant portion of Congressional responsibilities were not organizational. (This is partly why when Congress passes corrupt legislation to serve private interests, it often results in a hodge-podge of mutually contradictory rules. By itself, Congress cannot take an overall coherent view of public policy). Of course, some of what Congress does *is* explicitly organizational, such as passing the budget.

Except when there is a clear emergency, organizational principles are kept firmly subservient to those which generate a spontaneous order. During an emergency a widespread consensus will already exist as to the task to be done. In such case the principles of spontaneous order can be dispensed with temporarily, because for the duration of the emergency general agreement will exist as to the task to be accomplished.

During a crisis, the accomplishment of a particular task commands overwhelming and passionate agreement. Thus, it is precisely the existence of widespread agreement, often taken to be a hallmark of democracy, which threatens to override democratic procedures. The reason is that in such instances external necessity compels actions fairly obvious to all. The freedom to decide what to do is replaced by the need to react to the threat. *Self-government is concerned with the realm of freedom, not with political necessity in this sense* (Arendt 1963).

Self-government is set aside when a polity becomes an instrumental organization. To that extent it ceases to be a democracy. Coercion is a normal and necessary element in polities attempting to ensure that all follow a single line. When democracies experience consensus-inducing crises, this coercion falls on relatively few people, but it does so with fearsome energy.

The general principles of democratic representation and the customary and spontaneously developed means by which citizens seek to influence their government constitute those aspects of democracy which make it a spontaneous order. This has been hidden from even so perceptive a commentator as Hayek because democracy has historically been integrated with a monopolistic and coercive organization that can be easily employed to exploit some citizens for the benefit of others. I will elaborate on this point below.

### **Democracy as a Coordination System**

One of any spontaneous order's advantages is its capacity to coordinate far more information than can any consciously directed organization. This capacity stems from its ability to maximize the likelihood that people will be able to find useful information without having to deal with information that does not meet their needs (O'Driscoll 1977; Lachmann 1986). What is irrelevant to one person may be highly relevant to another. Thus, in a spontaneous order an information-filtering process must take place even though no one knows for certain what information will be relevant to any randomly selected participant. In the market economy, prices and advertising serve this filtering function.

A democratic filtering and coordinating process must provide the means by which those who believe they can contribute to public debate have a reasonable opportunity to convince others of their views. In this respect the democratic spontaneous order shares more with the scientific than with the economic order. In science, as Stephen Toulmin notes, "the overall 'rationality' of the existing procedures or institutions depends on the scope that exists for criticizing and changing them from within the enterprise itself" (1972, 168). This openness to public challenge is not characteristic of market orders, in part because the only agreement needed is on the terms of exchange between two people. Once those terms are agreed upon, they are not subject to challenge. (Advertising raises some additional issues I will address when discussing the differences between the consumer and the citizen).

A democratic process has two specific informational requirements. On the one hand, everyone should have a reasonable opportunity to expand their influence indefinitely so long as their arguments are found convincing. On the other hand, policies should only be adopted which have been previously subjected to widespread debate by relevant publics. At a minimum, then, a democratic information-filtering process must: (i) make generally available knowledge that alternative perspectives exist over an issue; (2) make easily available representative alternative perspectives to those wishing to investigate further; and (3) provide a means by which those arguing for alternative views can continue reaching others who are interested.

Within a democracy, as within any spontaneous order, the filtering process will not be completely the result of deliberately organized institutions and practices. While it is possible that some will be deliberately set up, as with parts of the written U.S. Constitution, consciously designed procedures will by no means encompass this process as a whole. Many other avenues will have grown up spontaneously in the course of political practice.

This coordination process will probably appear quite disorganized and chaotic to the eye of one who sees things solely in organizational terms. As with the newcomer looking at a natural

ecosystem, the unpracticed and naive observer will see only disorder. In both cases the sense of disorder is a quality imposed by the observer. Tocqueville's observation of American local democracy illustrates this point in a political context:

The want of . . . regulations is severely felt, and is frequently observed by Europeans. The appearance of disorder which prevails on the surface, leads him at first to imagine that society is in a state of anarchy; nor does he perceive his mistake until he has gone deeper into the subject. . . .

It is undeniable, that the want of those uniform regulations which control the conduct of every inhabitant of France are not infrequently felt in the United States. . . . In America the power which conducts the Government is far less regular, less enlightened, and less learned, but a hundredfold more authoritative than in Europe. In no country in the world do the citizens make such exertions for the common weal: and I am acquainted with no people which has established schools as numerous and as efficacious, places of public worship better suited to the wants of the inhabitants, or roads kept in better repair. (1961, 89-90, 92)

Tocqueville's observations suggest that there is indeed a coherent order within the seeming chaos of independent political activity, or at least that there was during the time when he wrote. We now turn to a brief examination of this coordination process as it exists today.

### **Intellectual Hierarchy or Spontaneous Order?**

Like market orders, democracies make use of the price system and (political) advertising. But democratic coordination is much more complicated and uncertain than is that of the market. Most information for coordinating action in the market can be put in terms of money prices. In politics the equivalent is not true. As in the scientific community, political agreement must be more specific than simple concord over price. But unlike the scientific community, the political process operates within significant time constraints. In a political context doing nothing is itself a policy. Further, politics concerns itself with values even more fundamentally than it is concerned with technique.

Giovanni Sartori has developed an excellent framework with which to make sense of the democratic coordination process. He begins by elaborating upon Karl Deutsch's "cascade model" for public opinion formation. In Professor Deutsch's model, "opinions flow downward in a multi-step fashion, as in a cascade broken by a series of pools" (Sartori 1987, 93). These "pools" consist, beginning at the top, of first the economic and social elites, second the political and governmental elites, next the mass media, then the opinion leaders and finally the mass public (Deutsch 1968, 101-110).

Professor Sartori emphasizes two aspects of this model not developed by Deutsch. In the process he transforms it from an organization into a spontaneous order, to the extent that coherence and not chaos is generated. First, he claims that "each pool adversarially reshuffles, independently from the other basins and in its own peculiar manner, the messages that enter it." Second, he holds that while it is "doubtful that trends of opinion are really conceived and originated by socio-economic and political elites, they are generally ignited by *idea groups*" (Sartori 1987, 99). Idea groups are found throughout society, although they are concentrated in institutions of higher education, think tanks, and the media (Derthick and Quirk 1985, 237-258; Polsby 1984; Page, Shapiro, and Dempsey 1987). Thus each "pool" of the cascade is capable of generating its own interpretations of politically relevant information, and of responding more or less independently from the others. Among the possibilities is a "bubbling up" of opinions, ideas, and political demands from the general public in opposition to most elites within society. The California tax revolt culminating in Proposition 13 and the recent popular revolt against the U.S. Congressional pay raise are

examples of such "bubbling up."

In another revealing modification, Sartori notes that within contemporary democracies the cascade has become "increasingly flattened." Indeed, "frequently enough, the cascade actually begins with the media" along with the "bubbling up" of opinion from "below" (Sartori, 99). In addition, the top pools identified by Deutsch as the socioeconomic and political elites and the media are continually in communication, thereby influencing one another.

We now have a strange sort of cascade. Its strangeness comes from using hierarchical and organizational models to try to describe a process which in vital respects is neither. What Sartori describes is a network. The democratic coordination task is performed within this network. No single node is adequate to coordinate politically relevant information so as to make it available to those who might find it important. The entire network is required for that.

A closer analysis will discover that even many of these nodes are themselves differentiated. For example, if we look at the influence of the media, analyses of "the press" are inadequate to appreciate how it coordinates information within a democratic system. A suggestive study analyzes press coverage during the New Hampshire Presidential primary. The national press covered the primary like a horse race, constantly reporting who was ahead in the opinion polls. Comparatively little attention to discussing the issues separating the candidates. The *local* press, however, devoted considerable space to issue coverage, even though it by no means neglected the horse-race aspect of the contest. Attentive local voters received different information from equally attentive audiences outside New Hampshire, with the information most relevant to voters going to those who did vote (Buell 1987). Moreover, among voters, those who were opinion leaders again filtered the information while influencing the public at large. (On opinion leaders see Huckfeldt and Sprague 1987, 1197-1216; Mills 1963, 577-98.)

The democratic order is apparently responsive. Research indicates that "when Americans' policy preferences change by a substantial amount, without reversal, public policy (if it changes at all) overwhelmingly tends to move in the same direction." Indeed, when a stable opinion shift of 10 percent or more occurs, 87 percent of policy changes within the following year are in harmony with that shift (Page and Shapiro 1983, 180-81). Since in no direct way does the majority "rule," this responsiveness comes from the democratic polity's self-organizing capacity rather than from its organizational character.

### **Citizens and Knowledge**

Much handwringing on the part of democrats and scorn on the part of antidemocrats has been lavished upon the average citizen. The average citizen is rather ignorant about politics. Captivated by the Greek ideal, democracy's advocates wonder how "healthy" a democracy can be with a large majority of ignorant citizens. The model of democracy as a spontaneous order casts this issue in a very different light.

One of a spontaneous order's most important features is its capacity to economize on the knowledge necessary for a participant to act effectively within it. The order's complexity demands it. Within the spontaneous order model of democracy, it is not the average voter's general ignorance which is interesting. It is to be expected, just as is the ignorance of large segments of a given population regarding any other complicated matter. What is interesting is the coordination process which reduces the amount of information citizens *need* in order to participate at whatever level of involvement interests them.

The same situation exists in the market and within the scientific community. Consumers know next to nothing about the market as a whole. They do not even need to know there is such a thing. Producers need know little more than consumers. The average aborigine is far more economically self-sufficient than most members of modern society. Within the scientific community, similarly, most scientists know virtually nothing about fields outside their own narrow specialties, yet are still able to perform important research. And science hangs together without difficulty.

In politics the range of public issues, not to mention their complexity, is too great for *anyone* to cast deeply informed votes about them all. Not even full-time political representatives can do this. If we depended upon active, widely and deeply informed citizens to choose public policy, modern democracy would be impossible.

Those who fail to appreciate the democratic coordination process end up more often than not futilely exhorting citizens to become better informed, overlooking the fact that *no one* can be well enough informed to meet their ideal. Others focus upon misleading exposes of citizen ignorance. All too often they end up arguing that elections are largely symbolic, serving mostly to keep "the masses" happy while elites rule as they do in other political systems. I grant that elites are quite real. But it is a category mistake to confuse the elites within a self-organizing system and the elites in an instrumental organization. To the extent that an order is democratic, it makes no sense to ask "Who rules?" Indeed, equating elites with elite rulership in democracies is the same sort of error as seeing bigness in market firms as evidence of monopoly. It is interesting that those who rightly perceive this error when applied to the market so often make it themselves when examining democratic politics.

### **Political Entrepreneurship**

Entrepreneurial action is the source of equilibrating and disequilibrating tendencies within the market (Hayek 1980, 4; Lachmann 1986, 124; High 1986, 113-19). The same is true of democracy. In both orders, entrepreneurial action is essential for the coordination process to take place. In both cases there are two types of entrepreneurship or, perhaps more accurately, two contrasting aspects of entrepreneurship which vary in any particular instance. At one end of this continuum is what might be called "Austrian" entrepreneurship; at the other end is "Schumpeterian" entrepreneurship (Fehl 1986, 72-86; the earliest discussion of this issue of which I am aware is diZerega 1980).

In most Austrian-school writing, entrepreneurship is seen as the driving force behind the coordination process of the market order. As a consequence, entrepreneurship is the source of what equilibrating tendencies there are in the market. Israel M. Kirzner is perhaps the most sophisticated proponent of this view (Kirzner 1973), which is distinct from Joseph Schumpeter's entrepreneurial theory. According to Schumpeter, entrepreneurial action is a disruptive force, shocking the market out of its equilibrium and thereby requiring that a new equilibrium be established. Thus the incessant activity of entrepreneurs, the driving force of progress, prevents the market from ever settling down into general equilibrium (Schumpeter 1950, 131; 1961, 64).

These two perspectives are less contradictory than they appear. In fact, both coordination and disruption may be found to some degree in any entrepreneurial market action. But the relative proportion of the two will vary. At the "Austrian" end of the continuum, entrepreneurial action will consist of noticing unmet opportunities for making exchanges without, however, requiring buyers to see the product in a new light. At the "Schumpeterian" end a completely new product is marketed, be it a paper clip or a computer. Schumpeterian entrepreneurs market new products. Austrian entrepreneurs notice this, and market the products elsewhere. Left alone, Schumpeterian

entrepreneurs would gain entrepreneurial profits until their products were obsolete. Austrian entrepreneurs gradually whittle those profits away (Fehl 1986, 75-83).

Entrepreneurship is equally necessary for democratic politics (Dahl 1961, 227). The democratic equivalent of Austrian entrepreneurship is found among political leaders who engage in incremental bargaining. This type of entrepreneurship results in a process of continuous piecemeal political adjustments within political parties and coalitions, between parties, and between legislators (Lindblom 1965, 137-52). At the other end of the continuum is the democratic equivalent of Schumpeterian entrepreneurship. Here we find rare but important innovations leading to significant changes in the polity's character. The impact of the Progressive movement in implementing the initiative, referendum, and recall and later that of Roosevelt's New Deal are examples of this type of political entrepreneurship within the United States. In England the present Thatcher government may well signal a similar deep and long term change in the character of British democracy, as Benjamin Disraeli's government did.

From one perspective, political entrepreneurship, like economic entrepreneurship, serves to increase the coordination of knowledge and interests within society. In this way it plays an equilibrating role. From another perspective, any successful entrepreneurial act will disrupt the status quo to some degree, sending ripples throughout the polity (or market order). It is this dual aspect of political entrepreneurship which leads some critics of liberal democracy to complain that even the most extraordinary changes in public policy are actually "conservative." Within any spontaneous order entrepreneurship is both conserving and upsetting. The specific circumstances of the present are upset to better preserve the order as a whole.

### **Equilibrium and the Public Good**

Within the Hayekian model of the market, equilibrium refers to the perfect coordination of individual plans (Hayek 1948). As such, while general equilibrium will never be attained, the role of equilibrating forces is all important for explaining what order there is in market phenomena.

In democratic theory the public good performs the explanatory and analytic role played by general equilibrium in the theory of the market order. Many political theorists from Aristotle to James Madison have described the public good as what would be the case if citizens were to come to a free and uncoerced agreement about public policy. The extensive attention Aristotle and Madison alike paid to constitutional procedures was due to their attempt to devise abstract rules and practices able to generate policies approximating that ideal. They hoped these procedures would promote the public good even if the individuals formulating policy did not always act in accordance with public values, even if decision-making was coercive, and even if decision-making costs were high (for discussion of this perspective in Aristotle and Madison, see diZerega 1984.)

The rules governing the spontaneous order of the market tend to subordinate all other interests to those of the ultimate consumer. Democracy's institutional rules are supposed to subordinate political actors to the public interest, that is, to the interests of people in *their capacity as citizens*. In this political tradition the democratic ideal is not simply majority rule but a polity of self-governing citizens. Any coercion needed is to be limited, ideally, to the punishment of activities directed against their collective interests as citizens. What those interests are, in their concrete sense, is to emerge from the political process itself.

Hayek's description of the general interest is an equally good description of the public interest:

It will not be the interests of particular people but kinds of interests which we shall alone be able to balance against each other, and the classification for this purpose of interests into different kinds possessing different degrees of importance will not be based on the importance of these interests to those directly concerned, but will be made according to the importance to the successful pursuit of certain kinds of interests for the preservation of the overall order. (1976, 3).

Thus, the general welfare is "that abstract order of the whole which does not aim at the achievement of known particular results but is preserved as a means of assisting in the pursuit of a great variety of individual purposes" (1976, 5). Measures benefiting particular groups will be in the general interest "only so far as all find that the satisfaction of collective interests of particular groups on the basis of some principle of reciprocity will mean for them a gain in excess of the burden they will have to bear" (1976, 6).

The only modification I want to make to Hayek's formulation, if in fact it is a modification, is to say that these gains will not primarily be conceived in monetary terms. Rather, they will be in terms of values which to some degree are *goods in themselves*, and therefore are not purely instrumental.

Bernard Crick notes that "the political process is not tied to any particular doctrine. Genuine political doctrines, rather, are the attempt to find particular and workable solutions to this perpetual and shifting problem of conciliation" (1964, 22). (Interestingly, Crick also to some extent grasps the similarity of the political process to the market and to science on pp. 23 and 146). Madisonian theory is a particularly clear exposition of this perspective. One of Madison's underlying visions was that the various narrow private interests would mutually check one another so that policies which did emerge would have the support of the politically active community as a whole. Madison argued that a large polity consisting of many interests would enable any narrow faction to be stymied by the ambitions of other narrow factions. As a result, he suggested, the public good would emerge in the form of policies which all parties saw to be mutually beneficial. This would be accomplished by a combination of the polity's great size, making narrow regional interests politically harmless, and the filtering processes established by the Constitution and by the state governments. The polity's very complexity would promote policies in harmony with the public good.

Neither the public interest nor general market equilibrium will ever be attained. The particular details (and even general values) of which it consists cannot be known in advance, but must emerge from the coordinating process itself. And, as we have seen above, this process is never completed. Crick notes that "the moral consensus of a free state is not something mysteriously prior to or above politics: it is the activity (the civilizing activity) of politics itself" (1964, 24). I shall discuss this matter further below.

The political process can at best only approximate perfect coordination. What is important is the strength of the forces tending toward successful coordination compared with those disrupting the process. Political agreement is in several respects even more difficult to attain than contractual agreement within a market. Democracy's self-organizing capacity will therefore be less effective than the market's. There are at least five reasons for this:

- 1) In a contractual market relationship only two parties are usually involved. In the case of politics, however, the entire community of voters is at least potentially involved. Decision-making costs are much higher with collective action than market exchange. The higher decision-making costs impede the coordination process within the polity.
- 2) All information about society is potentially politically relevant. This is quite different from

the more circumscribed world of market transactions. In the market only information relevant to the two parties directly involved is of importance in determining whether or not a transaction will take place. Much of this information can be simplified into prices, whereas in political decision-making such simplification is often impossible. Prices are important, but often not determining, factors in political decision-making.

- 3) Most market transactions are purely instrumental in the sense that pure means are exchanged for pure ends or for pure means in order to attain ends yet more distant. While political action is always to some degree instrumental since it focuses upon what we shall do as a community, it is rarely purely so. Costs and benefits can therefore be more easily identified in market transactions than they can in political action.
- 4) Fraud is much more easily uncovered and punished in market than in political transactions. In market relationships particular obligations are assumed by particular parties. In politics the complexity of multi-party negotiations and the necessarily increased difficulties in assigning responsibility for ultimate outcomes makes proof of fraud much more difficult and sometimes impossible. This is more true for democracies incorporating the separation of powers than for parliamentary systems.
- 5) Coercive political institutions make it possible for those benefiting from policies to force others to pay them. This possibility encourages the corrupt to try to influence the political process for their private benefit. As Hayek observes "the universal tendency of politics is to give preferential consideration to (a) few strong and therefore conspicuous effects over the numerous small and therefore neglected ones, and therefore to grant special privileges to groups threatened with the loss of positions they have achieved" (1976, 122). Difficulties in computing costs and benefits make it relatively easy for the organized to victimize the unorganized.

In short, the democratic order faces much more difficult coordinative tasks than does the market order. *These weaknesses are particularly apparent when it tries to serve as a substitute for the market order.*

While self-organizing processes are weaker in a democracy than in the market, this does not mean that democratic decision-making can be fully replaced by market processes. (Nor can economic methodology be appropriately applied to politics without seriously distorting the subject matter. The approach developed here is very different from public choice analysis). The public good includes policies and practices which cannot be provided by markets alone, or which cannot be provided in adequate supply. First, of course, is the provision of adequate public goods or collective consumption goods, whose benefits cannot be withheld from those who do not pay for them. Defense is the most obvious example. Second is protection from those negative externalities which cannot be adequately incorporated into market prices, as with ecological problems such as acid rain. A third aspect of the public good which cannot be reduced to market relationships will require me to tread ground that is familiar to many political theorists, but much less so to economists.

### **Citizen and Consumer**

One of Hayek's most important contributions in applying the insights of economic analysis to politics is his freeing us from dependence upon "economic man." So essential to economic analysis, nevertheless in all its guises economic man is an inappropriate and misleading construct when applied outside the sphere of economic science. This holds even for the most sophisticated version of economic man, that derived from Ludwig von Mises' praxeological approach to economics and since argued for by Murray Rothbard and Israel M. Kirzner. I shall term this construct Misesian man.

Misesian man separates ends and means clearly and distinctly (Mises 1963, 40; but see Lachmann 1977, 110, n. 6). His action seeks to attain an end or goal fundamentally distinct from the action itself. In this sense, for Professor Mises and his followers, all action except that of final consumption is purely instrumental. Instrumental rationality is the rational use of pure means to attain completely separate ends. Instrumental action is always a "cost," for it derives its value solely from the end towards which it is directed, having no value in itself for the actor. In addition, market activities are viewed as costs incurred in order to acquire other values. (This is not the same type of cost as opportunity costs, which exist for all actions.) For Misesian man all means are not only instrumental, they are costs.

For most of us even the briefest introspection shows that many of our actions are neither entirely costs nor entirely means. Consider my decision to walk rather than drive to campus some morning. I need to be there to teach. If I did not need to teach, I would not go. In this sense, my going to campus is an instrumental action. Getting to campus is part of the price I must pay to live where I live and teach where I teach. The most *convenient* way to get there is to drive. Parking is easy and the costs of driving under most circumstances are, for me, negligible. Instead, however, I walk. The morning is beautiful, the air fresh, the spring flowers are bright—it is one of those mornings when life itself seems a blessing. Nevertheless, if I didn't have to be on campus at a certain time, I would not go.

Is my walking to campus under such circumstances a means or an end? A cost or a gain? Clearly it is *both*. Further, the mix of means and ends in any particular action can take a wide range. Mises' logical separation of means and ends simplifies from the fact that most of our actual actions consist of varying proportions of both. The appropriateness of Mises' simplification depends entirely upon how important the characteristics of human life are which are abstracted away. This will depend upon what is studied. (For an alternative, and in my view simplistic, analysis see Rothbard 1962, 66.)

It is not coincidental that economists like Mises start with the simplified situation facing a Robinson Crusoe shipwrecked on a desert island. In such a situation, the need to survive impels the economic agent toward ideal-typical economic behavior: he only undertakes economic activity as a means to other ends (ends related to his survival). Unlike walking to campus, there is no intrinsic value in Crusoe-economic behavior. Thus, such behavior is always instrumental and costly.

There is some justification for extending this model to real-world economies, because impersonal exchange often makes "intrinsic" factors, such as non-materialistic motives for wanting to make a particular transaction, irrelevant. This allows the economist to assume that *all* exchange behavior is purely instrumental. But the danger is that this assumption will be taken too literally as a representation of reality. This is as serious a theoretical deficiency as the fact, often noted by Austrian-school economists, that much economic theory takes economic equilibrium and perfect competition to represent reality.

Hayek goes well beyond other economists in his emphasis upon the market order as an autonomous system vis-a-vis any particular action within it. He does not need to rely upon any particular conception of human action except that it have at least some instrumental aspect. The market, viewed as a spontaneous order, is generated by purposeful but not necessarily economic behavior. Since rules coordinate behavior but do not maximize a particular end, Hayek does not need to assume that our actions can be analytically separated into those which are pure means and those which are pure ends. Therefore Hayek makes possible an analysis far more subtle and just to its subject matter than is most economic analysis.

Political action is very different from economic action. To be sure, in a purely formal sense, in both instances we act for the good of ourselves. *But in each case the relevant self is different.* The consumer and the citizen are *both* abstractions from that very complex, subtle, and paradoxical entity we call the human being.

For the *consumer* the self involved either seeks purely personal ends or, if others are involved in determining his or her goals, they are so by virtue of their personal relationships with that consumer, as when a consumer buys a gift. The reason is simple. Because the market is coordinated through money prices, consumers (and producers) need know nothing about others in order to participate effectively. Indeed, it is difficult for consumers to know much about those involved in the production process without making a special, and unusual, effort. Wide horizons of considerations rarely enter into consumer choices.

For the *citizen* it is different. When acting politically in pursuit of the public good, people still act for the good of themselves, but *of themselves as conscious members of a community.* In a democracy the political self is immersed within a network of relationships characterized by formal equality with many people whom s/he will never know personally, but towards whom the citizen recognizes both an ethical commitment and a political obligation, not as individuals but as fellow community members. These people include past and unborn generations, as well as contemporaries. In short, our relation to people in their aspect as fellow-citizens is properly different from our relationship to the *same* people as producers and consumers. A citizen can recognize obligations to one's unknown fellows and to the future and debts to founding fathers, even if a consumer cannot.

Most voters realize that the chances of their vote actually determining an election's outcome are extremely small. They vote anyway. If voting were simply, as many public-choice theorists would have it, a means for getting advantages through politics that voters had failed to obtain in the market, we would have to conclude that they were foolish indeed. If voting were simply a cost, it would never make sense to vote. It is better to be a free rider. Moreover, actual voters are disproportionately among the best educated, most economically successful, and oldest (without being elderly) members of their community. If voting were explainable in terms of voters' ignorance, foolishness, and the like, as an economic analysis would lead us to expect, then voters would be the least educated, least successful, and least experienced members of the polity.

The fact is that voting is rarely a purely instrumental act. Those of us who vote regularly will often attest that we find voting to be both an obligation and a source of satisfaction. It is a pain in the neck that feels good. Voting carries with it a sense of duty or responsibility normally absent when we act as consumers.

The self who votes is different from the self who consumes. Smokers and drinkers may support higher taxes for cigarettes and alcohol, but their support of those taxes need not be a sign of irrationality or inconsistency. Rather, they are the results of *choosing in different contexts:* as consumers in the market and as members of a political community in a democracy (see Rhoads 1985, 163-68). When purchasing for themselves within a market, people seek, *ceteris paribus*, to purchase as cheaply as possible. As citizens the context of choice is broadened. Different questions are asked and different values are relevant to one's choice.

In short, being a citizen involves moral circumstances different from being a consumer, or even being simply a private person. I am *not* arguing that being a citizen is superior to being a private person, only that it is different. It activates and develops (at least potentially) an aspect of the self rendered all but invisible when acting as a consumer. Because the institutional context is different,

as a citizen I can ask what measures and values I think will benefit myself and others in our capacity as equal members of society. Acting as a citizen is purely instrumental only in cases of abject corruption, because it necessarily involves participating in a moral relationship regarded as *intrinsically* valuable. Thus citizenship and politics are not fully reducible to economic analysis, and economic categories of instrumental action are not able to comprehend them. (Neither are such categories able to comprehend a loving relationship or a happy and good life.)

To observe that many citizens fail to live up to their responsibilities, and are too often willing to subordinate the well-being of their community to their own advantage, is not a valid objection to this argument. One can as well argue that romantic love is a myth because in many relationships that love is influenced by very unloving motivations such as fear of loneliness, pride, a need for obtaining self-worth at second hand, and the like. Our failure to attain an ideal should not detract from our recognition of its value, nor from the degree to which we strive to attain it. Worse yet, we should not attempt to *reduce* that moral value to the motivations which undercut our ability fully to attain it. This is the deepest disservice which comes from misuse of the model of human action as purely instrumental. (On the other hand, most human action is not an end in itself, either).

### The Biases of Abstract Rules

Hayek and others in the Austrian school generally have emphasized how the market order itself channels and molds human behavior (1976, 144). It is an active influence upon human action. In fact, Hayek suggests, it is a school for developing rationality because, even if most participants do not act rationally, those who do will tend to benefit far more from its workings than will those who do not. "Mind," Hayek writes, "can exist only as part of another independently existing distinct structure or order, though that order persists and can develop only because millions of minds constantly absorb and modify parts of it. If we are to understand it, we must direct our attention to that process of sifting of practices . . ." (1979, 157; 1976, 148). The market promotes a particular type of mind.

The market order sifts practices in such a way that those which are most serviceable to instrumental rationality prevail over those which are not. Not surprisingly, then, while the business organization is not the only type of organization existing within a market order, it is by far the most common. And it is organized almost exclusively around pecuniary motives. Money, of course, is purely instrumental for most people; its only value is its utility as a means of exchange. Thus markets predispose people to activity which is instrumental to their personal and material self-interest.

Moreover, market anonymity encourages an impersonal brand of behavior. Hence Mises could write about consumers that

They are merciless bosses, full of whims and fancies, changeable and unpredictable. For them nothing counts other than their own satisfaction. They do not care a whit for past merit and vested interests. If something is offered to them that they like better or that is cheaper, they desert their old purveyors. *In their capacity as buyers and consumers they are hard-hearted and callous, without consideration for other people.* (1963, 270 [my emphasis])

The point is not that people feel this way. Thankfully most do not. But in *the context of market decision-making they act as if they feel this way*. This is economic man.

This depersonalizing of relationships is what makes the market so extraordinarily productive of

goods and services. But it also reinforces the already inherent tendency to reward purely instrumental action. In short, the market creates an environment in which those who act purely instrumentally will find their values in harmony with the market order itself. Those who do not will nevertheless have to act in harmony with instrumental values if they expect to do well in terms of the market's criteria of success: the amassing of money and of the goods and services that money will buy. If one does *not* act to maximize monetary values, over time he or she will be at a competitive disadvantage with those who do. Market resources will flow to people who use them most efficiently. It is perhaps significant that the poor devote a higher percentage of their income to charitable purposes than do the wealthy. It is also perhaps significant that recent experiments investigating people's attitudes and action with regard to "public goods" found that most of them happily contributed substantial resources toward their provision—the primary exception being a group of graduate students in economics (Rhoads 1985, 161-62)! More light is shed on the difference between citizens and consumers when we consider the differing roles played by advertising in politics and in markets. It has been suggested that a parallel exists between democratic debate and the *persuasive* aspect of advertising. Advertising not only provides consumers with information about products, it also seeks to persuade them as to the desirability of different consumption values (Friedman 1989). But this parallel cannot be taken too far because of the different institutional contexts of advertising and political debate.

Very little market advertising appeals to our sense of justice, charity, or public values. Much democratic debate does. The difference is due, I believe, to the relatively isolated context within which we make decisions about personal consumption. Advertising need not be selfishly oriented; it often appeals to romance and loving values towards others. But it is overwhelmingly privately oriented. Democratic debate is much less concerned with this aspect of the self (Rhoads 1985, 154-55, 175-77).

Both our private and public selves are inescapable aspects of being human. Both the market and democracy are spontaneous orders that maximize opportunities for attaining our plans, to the extent that these plans are compatible with the system's abstract procedural rules. *But no set of abstract rules is truly neutral with regard to the type of information it most easily transmits.* Since the rules of democracy are different from the rules of the market, the type of information they are able to transmit will differ from that transmitted by the market. Both types of spontaneous order are necessary, but neither is sufficient.

### **Political Values and Market Values**

A market institutionalizes individual freedom of choice within a framework whose rules reward instrumental action. A democracy institutionalizes individual freedom and equality of advocacy within a context more open to non-instrumental action (Barry 1978, 178). It is therefore not a *substitute* for action in the marketplace and cannot be adequately analyzed as if it were.

The criteria for success in serving the general good are much more ambiguous than the criteria for success in serving consumers. As a consequence, there is more leeway within a democratic order in terms of the values and policies which may be effectively advocated than is the case within the market. This is particularly true in the short run, when the ill effects of poorly conceived measures are not clear; if this were all there were to it, the case for democracy would be weak. However, there are also activities which democratic orders can carry on *better* than can market orders because the values underlying these activities are in greater harmony with democratic rules than with market rules. When a person is concerned with community values and issues, the democratic order makes it much easier to address them than does the market order. Cost-benefit analysis is not adequate to decide whether public assistance should be provided for the poor, schooling

should be available for all, or endangered species should be protected—however useful it may be in efficiently implementing policies to achieve these ends once they have been chosen.

As we have seen, citizenship in itself is a good in a way that being a consumer is not. Citizenship embodies a relationship of equality with others which need not exist within a market. A market institutionalizes formally non-coercive relationships between buyers and sellers which are reciprocally instrumental. But instrumental relationships are *never* rooted in a recognition of equality. The other party is always purely a means to an end, to be used as efficiently and with as little personal inconvenience as possible. "Factory farming" is the clearest example of how purely instrumental relationships treat living beings.

### Democracy and Coercion

By contrast, democracy (ideally) institutionalizes noncoercive relationships which are reciprocally rooted in respect for our common membership in a political community. It provides a framework wherein each who wishes may seek to persuade others of what would be in their common good. Ideally the circumstances will be such that the terms of persuasion will address the political community as a whole, rather than a part of it.

To be sure, unlike the market or science, in practice democracies institutionalize physical coercion as a means of prevailing over unwilling minorities. But (theoretically) the democratic grounds for this are the high bargaining costs entailed when a large body must rely upon unanimity, plus its vulnerability to blackmail by corrupt minorities withholding assent unless they are paid off by the community as a whole (Madison 1961, 361 [*Federalist* 58]; Barry 1965, 245-49). Like market transactions, politics is concerned with changes in the existing state of affairs. As a consequence, time is a valuable resource. Unlike markets, the costs of attaining agreement by all concerned can be extraordinarily high even in cases when, after the fact, all would approve the change. Hence the reliance upon coercion.

Nevertheless, democratic practice falls far short of its theoretical ideal. In practice many laws are simply measures whereby some members of the community coercively enrich themselves at the expense of others, or of the community as a whole. From Aristotle to Madison, attempts to combine political equality and self-government with coercive governmental institutions have been at best very mixed successes. Some would argue that they have not been successful at all. (I would not.)

While it may be that such coercion cannot be fully eliminated, the connection between political democracy and the coercive state may be far less intimate than is usually thought. Democracy and the state (in Max Weber's sense) have a historical connection, but is it also a logical one? Hayek's concept of the catallaxy gives us a means for exploring the issue (1976, 107-32).

The catallaxy is a social order predicated upon contractual exchange. Whereas Hayek terms it a market order, it is so in a broader sense than is usually granted. The market order in the narrow sense tends to push exchanges into ever more purely instrumental modes. But the catallaxy is more than this. If we take contract as a voluntary agreement between two or more to do something or bring something into being, we can discover important areas of contract which are not akin to market contracts except in the very narrow sense of being voluntary. Marriage is the most obvious. Marriage is distinguished from market contracts in not being purely instrumental for *either* party. The instrumentalist parallels to spouses are prostitutes, call girls, live-in maids, butlers, and the like. But marriage is not the only realm of contract which cannot be primarily analyzed in market terms (Gary Becker to the contrary notwithstanding).

Consider cities and neighborhoods established as cooperatives in which all inhabitants were shareholders. Needs too large to be met by one such unit could be satisfied by several cooperatives contracting together. Such a network of cooperatives would be a democracy, or at least would potentially be able to perform almost all the activities done by democracies today. They would be coordinated together by the basic institutions of the catallaxy.

Nevertheless they would not, as with market institutions, be biased in favor of maximizing pecuniary values. Democratic cooperatives would be better able to promote publicly oriented action than the market, narrowly conceived. They would interpenetrate with the market, but the biases of their ordering rules would be different. A catallaxy, then, consists of both democracy and the market (in addition to other contractual institutions). This is obviously a complex issue; but if indeed many democratic functions *could* be completely performed within a contractual framework, then the connection between democracy and coercive institutions would appear to be partly historical and partly practical, rather than logically necessary (cf. diZerega 1984).

However, though democracies *might* be better served within an almost completely contractual framework, the achievements of coercive democracies should not be underrated. In such democracies the leaders of the momentary majority do not act permanently to institutionalize their present dominance. Rather they maintain conditions where the views of today's minority may sometime in the future become those of a majority. This underlines the fact that citizenship based on political equality is more than a pure means, but rather is a good in itself, one of sufficient value that a temporary majority will be unwilling to abolish it even at the risk of losing their dominance.

Further, even coercive democracies are responsive to broad values supported by the vast majority of citizens. Universal education, ecological protection, public health, protection for the very unfortunate, and defense are all almost universally supported values. That they are often also means by which certain interests benefit disproportionately in no way detracts from their status as being part of the public good in the sense developed above. That they are sometimes distorted by virtue of the ease with which coercive institutions can be captured by private interests also does not undermine their being a part of the public good. It only suggests that we might *better serve* that good.

Finally, coercive democracies do not act like traditional states in their relations with one another. No two modern democracies have ever warred with one another. Shared democratic boundaries are demilitarized, even when they are not allied (e.g., the Swiss-German and Finnish-Swedish borders). Liberal democracies both initiate and join international organizations far more often than do other states. On two occasions they have even proven willing to give up significant portions of their sovereignty to larger democratic bodies: when the United States and the European Economic Community were formed. In all these respects democracies do not act like traditional states, and in all these respects the differences are both important and advantageous for the average citizen. Liberals should give *three* cheers for democracy.

## **Liberalism and Democracy**

Liberal social thought has emphasized the importance of abstract rules equally applicable to all as a necessary foundation for a free society. The market has been considered the purest and most successful liberal institution in this sense. Hayek has delineated how its self-organizing qualities emerge from action undertaken within a framework of abstract rules that encourage voluntary cooperation.

Democracy is also constituted out of abstract rules which promote cooperation, but the form of cooperation and values it encourages are public and political rather than oriented toward private consumption. A tension exists between public and private values, but this tension is only the social expression of our nature as both individual and social beings. While trouble arises when one type of order seeks to encroach too far into the domain of the other, no clear demarcation can be said to exist between the two. In the nature of things, the (temporary) resolution of this tension is a perpetual political question. This tension is inherent in liberal civilization, for democracy is as much its expression as is the market.

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