

dividual can rarely know the conditions which make it desirable, for him as well as for others, to do one thing rather than another, or to do it in one way rather than another. *It is only through the prices he finds in the market that he can learn what to do and how.* Only they, constantly and unmistakably, can inform him what goods or services he ought to produce in his own interest as well as the general interest of his community or country as a whole. The 'signal' which warns him that he must alter the direction or nature of his effort is frequently the discovery that he can no longer sell the fruits of his efforts at prices which leave a surplus over costs."⁵ Simply, changing relative money prices encode information about people's changing wants, changing technologies, and changing relative scarcities of raw materials, otherwise unavailable.

Why Socialism Fails

This is why economics coordinated by political edicts do fail and must fail, misallocating resources and thereby spawning destitution and the human suffering destitution entails. This is why, as Ludwig von Mises compellingly argues, socialist economies cannot succeed.⁶ This is why, to make the general specific, Tanzania, which once enjoyed thriving agricultural bases but socialized these bases in the name of agrarian reform, is today utterly dependent

upon foreign aid for the most basic of foodstuffs. This is why, in socialist nations, men and women are not able to use what they have to acquire what they want, including food for their bellies and shelter for their bodies.

The point is *not* that their rulers are heartless or evil, deliberately issuing edicts which misallocate resources. Rather, the point is that economic reality has been defied. The most obvious of truths has been forgotten. People are finite, fallible creatures. The only means whereby finite, fallible beings can, in a large and complex society, obtain the information necessary if they are to use what they have to acquire what they want, has been ignored. And the avenging gods, shod with wool, inexorably overtake those who presume to defy reality.

Yet let us not pretend that these gods, slowly and silently, are not pursuing us. We may not totally have abolished a market economy, but we have severely fettered it, thereby distorting the information changing relative money prices encode. Tariffs. Quotas. Subsidies. Minimum wage laws. A plethora of regulations controlling industry. We have not utterly ignored economic reality, but we have infringed its laws. And the consequences are inescapable, their cost to human well-being incalculable. For the avenging gods cannot be deterred from their task.

At the heart of economic reality is the thinking, valuing, choosing and acting being we call "man" or "woman." If we are to discover the law-abiding processes defining economic reality, our focus must therefore be upon this being. Should we pretend otherwise, thinking and writing and acting as though abstract fictions are concretely real, whereas flesh and blood people are irrelevant to our concerns, we invite error and the pursuit of the avenging gods.

The general fallacy informing such a pretense was called by the philosopher A. N. Whitehead "the fallacy of misplaced concreteness."⁷ Contemporary philosophers prefer to see the fallacy as an instance of what they call a "category mistake."⁸ In a paper entitled, "Redigging Old Wells,"⁹ I suggest that social scientists are peculiarly prone to this error. A summary statement of the argument I develop in that paper may, however, here be appropriate, although I urge any person wishing to follow up the point carefully to read Friedrich A. Hayek's volume, *The Counter-Revolution of Science*.¹⁰

The Priority of the Particular

Imagine that ten people are castaways on an island. Innumerable relationships between these people are formed. For some purposes it may be useful to refer to the "community" or the "society" existing on the is-

land, but these expressions do not signify some single existing entity distinct from the ten individuals and the relationships between them. Rather, the expressions are a useful shorthand whereby we refer to the individuals and their relationships. If one of the ten individuals acquires a monopoly of coercive power, and starts ordering his nine companions around and exacting tribute from them, no mysterious eleventh "thing" called the "state" has magically come into existence. All that exists is one bullying ruler, nine bullied victims, and the relationships between these sets of individuals, relationships characterized by coercion.

Admittedly, the term "society" is frequently used to include institutions and customs no living individual created. This indicates, however, that the term "society" can designate the predecessors of an existing generation and the heritage these people passed on to their successors. As G. K. Chesterton somewhere observes, a particular generation is but "the small and arrogant oligarchy of those who merely happen to be walking about." The ten castaways on our imaginary island doubtlessly bring into their present skills and practices inherited from the past. The crucial point, however, still holds. Terms such as "community" and "society" and "state" do not refer to concrete, existing "things" some-