

“The Use of Knowledge in Society”

F. A. Hayek

Discussion Questions

1. “The peculiar character of the problem of a rational economic order is determined precisely by the fact that the knowledge of the circumstances of which we must make use never exists in concentrated or integrated form, but solely as the dispersed bits of incomplete and frequently contradictory knowledge which all the separate individuals possess (p. 519)”
 - a. What does Hayek mean by a “rational economic order”?
 - b. What does Hayek mean by “dispersed bits of incomplete and frequently contradictory knowledge”?
 - c. Why is Hayek critical of the common assumptions in economic analysis that buyers, sellers, producers and the economist all know every relevant thing about the economy?
 - d. What, in summary, does Hayek mean by the quoted statement?

2. What, according to Hayek, is the information needed to operate effectively in a complex market economy?
 - a. What does Hayek mean by “planning”?
 - b. What is the minimum information needed by economic planners and individuals?
 - c. Does the minimum differ for planners and for individuals? How? Why?
 - d. What happens when some individuals possess more information than other individuals?
 - e. What does Hayek mean when he says (p. 524) “...the sort of knowledge with which I have been concerned is knowledge of the kind which by its nature cannot enter into statistics and therefore cannot be conveyed to any central authority in statistical form”?
 - f. Why, according to Hayek, can the “information problem” be solved by “the price system”?

3. Why, according to Hayek, is the true function of the price system the communication of information?
 - a. Why does Hayek use the term ‘marvel’ in his discussion of the economy of knowledge?
 - b. What does Hayek mean when he says (p. 528) “...man has been able to develop that division of labor on which our civilization is based because he happened to stumble upon a method which made it possible”?