Critical Review

A Journal of Politics and Society

ISSN: (Print) (Online) Journal homepage: www.tandfonline.com/journals/rcri20

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To cite this article: Robert Reamer (2024) Markets and *Metis*: Reading Hayek with Scott, Critical Review, 36:1-2, 162-182, DOI: 10.1080/08913811.2024.2354648

To link to this article: https://doi.org/10.1080/08913811.2024.2354648

Published online: 07 Jun 2024.

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MARKETS AND *METIS*: READING HAYEK WITH SCOTT

ABSTRACT: *Both James C. Scott and Friedrich Hayek articulate critiques of centralised state planning that are fundamentally epistemological in character. In particular, both emphasize the loss of knowledge resulting from attempts to achieve synoptic legibility of complex social practices. Yet while Hayek's critique of central planning leads to an emphasis on the indispensability of the price system, Scott argues that capitalist markets are also mechanisms of perverse simplification. This paper explores the roots of this disagreement and seeks to articulate the insights that emerge from reading Hayek and Scott together on questions of markets, knowledge, and the state.*

Keywords: *Hayek; Scott; prices; knowledge; markets.*

Since the publication of James C. Scott's *Seeing Like a State*, scholars have noted similarities between Scott's critique of high-modernist state

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Critical Review 36(1-2): 162–182 ISSN 0891-3811 print, 1933-8007 online

https://doi.org/10.1080/08913811.2024.2354648

planning and Austrian defenses of the price system. Scott himself was aware of this resemblance and included a disclaimer of sorts in the introduction to this seminal work. "Put bluntly," Scott states, "my bill of particulars against [the high-modernist, centrally-planning] state is by no means a case for politically unfettered market coordination as urged by Friedrich Hayek or Milton Friedman. As we shall see, *the conclusions that can be drawn from the failures of modern projects of social engineering are as applicable to market-driven standardization as they are to bureaucratic homogeneity*" (Scott 1998, 8; emphasis added). On the same page, Scott observes: "large-scale capitalism is just as much an agency of homogenization, uniformity, grids, and heroic simplification as the state is, with the difference being that, for capitalists, simplification must pay. A market necessarily reduces quality to quantity via the price mechanism and promotes standardization … Today, global capitalism is perhaps the most powerful force for homogenization" (ibid.).

Throughout *Seeing Like a State*, Scott skillfully exposes the shortcomings of "high modernist" thinking, which reduces the complexity of vibrant human and non-human orders to the legibility of a synoptic gaze. Such a gaze is attentive only to what is relevant to the state's institutional goals and thus screens out much of what makes human social life (or natural ecosystems) healthy and sustainable.

While Scott's critique centers on the state's quest for synoptic legibility, and thus bears resemblance to Austrian critiques of central planning, Scott is careful to distinguish his anti-state perspective from an endorsement of free-market capitalism. As noted above, he clarifies that markets also produce the kind of widespread homogenization that his work links to high-modernist pretensions. While Scott does not elaborate on this theme in the book's central chapters, the final section reiterates the claim that the destruction of local, practical knowledge (*metis*) can be attributed to "the activities of both the state and large-scale bureaucratic capitalism" (ibid., 335).

Though Scott here articulates clear reasons for resisting the assimilation of his critique to the Hayekian one, the justification for this resistance is largely suggestive. While Scott subsequently elaborated on this position in a helpful exchange with libertarians (see Scott 2010a and 2010b, discussed further below), many questions remain. This paper aims to gain some clarity on Scott's position and its relation to Hayek's. What are the similarities between the Hayekian critique of central planning and Scott's critique of high-modernist rationalism? Why does Hayek see the price system as the antidote to rationalist hubris, while Scott sees capitalist markets as another expression of it? By carefully examining the respective positions of Scott and Hayek on markets, information, knowledge, and the state, I hope to shed some light on this abiding puzzle.

The rest of this paper proceeds as follows. First, Scott's account of scientific forestry is summarized in order to highlight key features of his critique of state planning. Hayek's defense of the price system is then presented. This leads to a discussion of the nature of the information incorporated into prices and its relation to the forms of knowledge that Hayek and Scott foreground. The paper then discusses the role of tradition, the concept of efficiency, and the nature of the corporation. While no attempt is made fully to adjudicate the "debate" that is staged between Hayek and Scott, I suggest that Scott's position usefully highlights issues that Hayek's analysis potentially obscures. I close by gesturing towards some future lines of inquiry suggested by the paper's analysis.

Seeing Like a (Revenue-Seeking) State

Scott's account of German "scientific forestry" (Scott 1998, ch. 1) offers a persuasive illustration of the pitfalls of the kind of synoptic legibility that concerns him. Scott documents the way that the state, in an attempt to make forestry more "scientific" and "efficient," engaged in a radical simplification of the forest ecosystem, with ultimately devastating consequences. The commitment to standardization, control, and economic efficiency led to simplified, schematic reduction of living trees and ecosystems to a few basic attributes: those most readily legible to a centralized gaze and relevant to revenue maximization. Foregrounding only those elements that made trees and their lumber predictable, uniform (the *Normalbaum* ["normal tree"] was developed as part of the system), and measurable, scientific forestry radically reshaped the forests on which it trained its vision. Once the forests were seen not as flourishing and complex ecosystems, but as sources of timber to be efficiently managed in line with a rational plan, reductive simplification was a necessity.

Over time, the forest came to resemble the high-modernist vision of the planners. The unruliness of nature was replaced with standardized trees growing in manageable rows. "[F]orest science and geometry, backed by state power, had the capacity to transform the real, diverse, and chaotic old-growth forest into a new, more uniform forest that closely resembled the administrative grid of its techniques" (ibid., 15).

The vision of "efficiency" devised by state planners became embodied in the very structure of the forest. While efficiency of a kind was thus achieved, the long-term result was catastrophic. The simplifications undertaken in the name of efficiency, Scott suggests, neglected the complex relations that made the forest ecosystem sustainable.

While doing away with the unmanageably messy ecosystem of the forest answered the needs of large-scale scientific management, it also gradually undermined the forest's natural productivity (ibid., 15-21). The forest, once subjected to scientific management, synoptic legibility, and the constraints of financial efficiency, ceased to be the same "forest" at all. Reductive conceptions of the forest ecosystem embodied in the gaze of central planners led to a transformation in, and ultimately the death of, the forest itself. The synoptic gaze of the forest managers screened out and eliminated an immense number of "nuisances" that turned out to be essential to forest health. Thus scientific forestry and the forest death to which it eventually led stand as a warning, on Scott's view, about the pretensions of high-modernist planning. To attempt to impose an abstract logic of "efficiency" on a natural ecosystem, without understanding the complex set of conditions on which this ecosystem relies, is to set oneself up for failure and disappointment. The short-term results may be impressive, but they come at the cost of long-run sustainability.

Scott's subsequent chapters illustrate how similar pathologies can arise when the high-modernist, planning gaze is trained on complex social systems. "Radically simplified designs for social organization seem to court the same risks of failure courted by radically simplified designs for natural environments" (ibid., 7). In any domain, the state's quest for legibility necessitates schematic simplification. "Designed or planned social order is necessarily schematic; it always ignores essential features of any real, functioning social order" (ibid., 6). This means, Scott clarifies, that a planned social order is necessarily "parasitic" on informal, practical knowledge, which it may inadvertently undermine. While schematic and formal knowledge are of great value in many contexts, Scott highlights the pitfalls of "an imperial or hegemonic planning mentality that excludes the necessary role of local knowledge and know-how" (ibid.). For Scott, the central lesson to be learned from these observations is clear: "I am making a case for the resilience of both social and natural diversity and a strong case about the limits, in principle, of what we are likely to know about complex, functioning order" (ibid., 7).

Hayek on the Use of Knowledge

Scott's account, with its emphasis on ignorance, complexity, and the indispensable role of local knowledge, clearly has Hayekian resonances. Hayek's influential critique of the deficiencies of central planning likewise turns on distinctions between the kind of knowledge attainable by planners and the kind of knowledge necessary for efficient economic production. Hayek's central argument in favor of market coordination emphasizes how market prices facilitate the utilization of knowledge that is widely distributed throughout society (Hayek 1948). Central planners attempting to achieve synoptic control over a national economy would find it impossible adequately to take account of this heterogeneous knowledge, which exists only in "fragmentary" and dispersed form in the minds of individuals (ibid., 77). For Hayek, such informational problems make centralized bureaucratic control of the economy woefully inefficient. It is the price system, he suggests, that allows dispersed actors advantageously to use their particular and local knowledge. By aggregating such dispersed information, the price system performs a crucial signaling function: allowing decentralized coordination of activity among diverse actors who can mutually adjust their plans based on the information communicated in price signals, even if they remain ignorant of the particular conditions affecting one another's choices (ibid., 84-6). Market competition and the price signals it generates are, for Hayek, the antidote to the informational deficits inherent in efforts to achieve synoptic legibility with respect to economic production.

It is worth exploring in more detail, however, the nature of the "information" that prices transmit. Hayek persuasively highlights the fact that the knowledge required for successful utilization of scarce resources is, by its very nature, particular and fleeting. This implies a significant loss of relevant knowledge if centralization is attempted. Interestingly, what Hayek praises in the price system is precisely its ability to provide a *form* of legibility by means of informational condensation. Hayek explicitly argues that the price system's great virtue is that it communicates only the information relevant for entrepreneurial activity. So long as actors respond to these changing signals, economic coordination can be achieved.

In fact, Hayek (1948, 86-7) describes the functioning of the price system with the following image:

> It is more than a metaphor to describe the price system as a kind of machinery for registering change, or a system of telecommunications which enables individual producers to watch merely the movement of a few pointers, as an engineer might watch the hands of a few dials, in order to adjust their activities to changes of which they may never know more than is reflected in the price movement.

The beauty of the price system, on this view, is that it reduces the blooming, buzzing confusion of the economic world to a few numerical figures that can be easily observed. This works, Hayek claims, because "[i]n abbreviated form, by a kind of symbol, *only the most essential information is passed on and passed on only to those concerned*" (ibid., 86; emphasis added). Thus, on Hayek's account, prices do not avoid informational reduction; their great virtue is that they *perform* such reduction. By stripping away "non-essential" information and condensing current market conditions into simple numerical indices, they enable economic coordination without central direction. Seen from one angle, price signals relieve us of the need to attempt synoptic legibility of the economy. Seen from another angle, however, they appear to be a form of such legibility (as made clear in the metaphor of the engineer's dial).

This observation might go some way towards clarifying the differences between Scott and Hayek. Scott's critique, it seems, highlights the risks associated with *any* form of informational reduction. Consider in this light the following passage, which opens his chapter on scientific forestry:

> Certain forms of knowledge and control require a narrowing of vision. The great advantage of such tunnel vision is that it brings into sharp focus certain limited aspects of an otherwise far more complex and unwieldy reality. This very simplification, in turn, makes the phenomenon at the center of the field of vision more legible and hence more susceptible to careful measurement and calculation. Combined with similar observations, an overall, aggregate, synoptic view of a selective reality is achieved, making possible a high degree of schematic knowledge, control, and manipulation. (Scott 1998, 11)

Both Scott and Hayek agree that attempts to create legible, synoptic accounts of any complex practice will necessarily involve a significant deterioration in informational richness, meaning that much that might be of consequence is screened out or suppressed—potentially with catastrophic results. Hayek, concerned with centralized economic planning, correctly notes that the price mechanism facilitates economic coordination by allowing decentralized actors to take advantage of information incorporated into price signals while acting on local, tacit, and practical knowledge. Conversely, Scott suggests that Hayek may have been insufficiently attentive to the possible consequences of the informational reductions that the price mechanism itself effects. On Hayek's account, prices effectively communicate essential information regarding the relative demand for (and/or supply of) finite resources. They tell us nothing, however, about other kinds of information that might be relevant to evaluating tradeoffs associated with resource use.[1] In other words, prices perform a remarkable function, but only by generating a kind of legibility which, Scott suggests, always carries risks.

Prices, Scale, and Informational Richness

It thus seems worthwhile to consider in more detail the nature of the information incorporated into and transmitted by prices. On Hayek's view, price signals communicate what individuals desire to do with available resources. They offer no information about the nature (or wisdom) of these desires. For Hayek, this is a feature, not a bug. Prices work so well precisely because they communicate only the "most essential" information, stripping away that which is, from the perspective of entrepreneurial activity, irrelevant. So understood, Hayek's defense of the price system and Scott's worries about it are two sides of the same epistemic coin. The conviction that market coordination is superior to central planning is fully compatible with worries about the possible consequences of the informational reduction inherent in prices.

One thing to note about these informational deficiencies is that they are not fixed. They vary across multiple dimensions, the most obvious of which is distance. If I purchase eggs from a neighbor, I have a fairly good idea of how her chickens are treated and what they're fed. I probably have a reasonably good idea of the fairness of her labor practices, if any. If I have questions, I can simply ask (or observe). The costs of obtaining reliable information here are relatively low. If I care about animal welfare, I might be willing to pay a premium for my neighbor's eggs, as I value the assurance that they are being ethically raised. As a generalization, local production and exchange make information comparatively abundant, and such information will generally be incorporated into local prices. Relatedly, local businesses may have a greater incentive to care about reputation, making them more likely to engage in honest dealing.

Contrast this situation with one of complete market anonymity. If I buy eggs at a grocery store, I have rather limited information as to the practices that were incorporated into their production. Even if I scour the label for designations such as "free range," I likely have little idea what this means for the lives of the actual animals, and I might still be appalled were I to visit the production facility in person. Constant attempts by animal welfare activists to expose the conditions on factory farms and constant attempts by agricultural producers to keep these conditions hidden seem to confirm this. The longer the supply chain, the more difficult it is to obtain reliable information about ethical or quality issues that might concern me, such as how the animals live, how employees are treated, what forms of pollution are created, etc. Such issues lead Kevin Elliott (2019, 13) to claim that "prices do not convey all the information necessary for making a fully rational choice" as a consumer, because "they exclude a wealth of information that might be relevant to making a fully informed buying decision."

This aspect of the informational content of market prices can be seen in the contemporary American food system. As agrarian theorist Wendell Berry has argued, many features of the industrial food system would be unlikely to survive if they were sufficiently well known: animal cruelty and environmental degradation being the two most obvious and least controversial instances (Berry 2003). A variety of potentially relevant factors, such as animal welfare, pesticide use, soil erosion, water pollution, and labor exploitation, are not reflected in the prices of industrial food. Philosopher-farmer Joel Salatin, an advocate of local, biodynamic agriculture, is quoted by Michael Pollan (2006, 243) as responding in the following way to customers who balk at the (comparatively high) price of the food sold on his Virginia farm: "I tell them it's actually the cheapest food you can buy. That always gets their attention. Then I explain that with our food all of the costs are figured into the price. Society is not bearing the cost of water pollution, of antibiotic resistance, of food-borne illnesses, of crop subsidies, of subsidized oil and water—of all the hidden costs to the environment and the taxpayer that make cheap food seem cheap."

The conclusion to be drawn from the above considerations is straightforward. If we accept the informational virtues of prices and their ability to facilitate economic coordination, we encounter further questions regarding the conditions influencing what we might call their informational richness. If price signals function through informational condensation, such that they often need to be supplemented or corrected by the infusion of information that would otherwise be absent, then price signals themselves—and the nature of the information that they transmit—should be seen as objects of political contestation and concern. In particular, this analysis suggests that Hayek's claim that prices communicate only the "most essential" information is worryingly question-begging. Which information should be considered "essential" might itself be a contestable, political issue.

The Varieties of Knowledge

Leaving aside considerations regarding the informational content of price signals for a moment, it is also worth contrasting the differing conceptions of "knowledge" underlying Hayek's and Scott's accounts. At a general level, both thinkers appear concerned with the preservation and utilization of tacit, local, and practical knowledge. Upon closer inspection, however, the types of knowledge on which they focus are largely distinct.

To see this, consider again Hayek's account of the price system. When discussing the kind of knowledge that cannot be centralized, Hayek emphasizes knowledge that is "local" and "fleeting." Examples are such things as knowing about half-empty shipping containers or the location of "surplus stock" (Hayek 1948, 80). The forms of knowledge Hayek emphasizes here are not "tacit" and would be fairly easy to articulate. They are simply local and temporary. One scholar suggests that such knowledge might best be termed "subjectively held objective information" (Oguz 2010, 159). Such "circumstances of time and place" are simply facts that are particular to a given moment and/or location.[2] In fact, Hayek himself sometimes describes market coordination as "a system in which the knowledge of the relevant facts is dispersed among many people" (Hayek 1948, 85).[3]

To the degree that this is true, Scott's emphasis on *metis*, practical know-how and embodied skill, has a focus quite different from Hayek's. Scott's account highlights forms of practical knowledge that have developed experimentally over time. Scott is not focused primarily on factual knowledge, but on local, practical knowledge about doing specific things; sailing and farming are characteristic examples. Such practical knowledge differs from that emphasized by Hayek in an important way. As noted, Hayek's focus is primarily on knowledge *of* the particulars of time and place. Scott's *metis*, however, is local in a more fundamental sense; it is fundamentally about knowing how to farm in *this* environment, knowing how to navigate *this* river, etc. *Metis* is not so much knowledge *about* the local environment as it is knowledge *of how to do* specific things *in* the local environment.

While these differences may seem subtle, they have practical implications. It is easy to see how the use of the kind of local knowledge Hayek emphasizes is facilitated by the price system. By providing signals about changes in supply and demand of scarce resources, prices give dispersed actors the additional information that they need to decide which local opportunities may be worth taking advantage of. It is less clear, however, how the forms of *metis* emphasized by Scott relate to this kind of signaling. While *metis* is inherently flexible, it is also inherently particular and often involves the simultaneous pursuit of a complex set of ends that are not reducible to a singular goal (such as profit maximization). While price signals might effectively help people adapt their practices over time (as resources become more or less abundant), it also seems clear that market competition might eliminate many traditional practices in favor of standardized and "modernized" methods of production. Though such elimination is not the same as forcible state imposition, it might well have similar effects. In fact, Hayek (1978, 189) describes market competition as generating "a kind of impersonal compulsion which makes it necessary for numerous individuals to adjust their way of life."

The importance of this can be seen by highlighting the role played by the notion of "tradition" in each thinker. As Scott shows, practices that have evolved over time to deal with specific problems (unique regional conditions, climates, migration patterns, etc.) often have features that appear inefficient or irrational to the modernist gaze. Such practices embody ways of doing things that are sensitive to complex interdependencies; they thus appear disorderly and unsystematic from a rationalist standpoint.

Hayek's conceptions of tradition and cultural evolution bear striking resemblance to this view. Hayek, too, commends the wisdom potentially embodied in inherited practices and prefers trial-and-error, bottom-up revision to top-down, rationalist reform. When Hayek cites Polanyi on knowing more than we can articulate, it is usually in the context of such rule-following (e.g., Hayek 1973, 76-77). To this extent, Hayek and Scott share an appreciation of change that occurs organically, experimentally, and gradually through tinkering and *bricolage*.

Additionally, Hayek's defense of traditional rules of conduct applies even (perhaps especially) when their utility cannot be proved: "the evolutionary view is based on the insight that the result of the experimentation of many generations may embody more experience than any one man possesses … Such beliefs will also be based on some past experience but not on experience for which anyone can produce the evidence (Hayek 2011 [1960], 122, 125). We do well, on Hayek's evolutionary account, to recall that rules for behavior have evolved through a process of "trial and error" (ibid., 118). Indeed, to insist on proof for the benefits of our existing rules would be foolhardy. "We would destroy the foundations of much successful action if we disdained to rely on ways of doing things evolved by the process of trial and error simply because the reason for their adoption has not been handed down to us" (ibid., 125-6).

Hayek also emphasizes the flexibility of traditional rules, which allow for "piecemeal" experimentation over time. Similarly, Scott cites Oakeshott's claim that "[t]he big mistake of the rationalist—though it is not inherent in the method—is to assume that 'tradition,' or what is better called 'practical knowledge,' is rigid, fixed and unchanging—in fact it is 'preeminently fluid'" (Scott 1998, 332, quoting Oakeshott 1962). Scott holds that "*Metis*, far from being rigid and monolithic, is plastic, local, and divergent" (ibid.). He also emphasizes the tacit dimension of practical skills, stating that the knowledge embodied in *metis* "is often so implicit and automatic that its bearer is at a loss to explain it" (ibid., 329). Crucially, Scott's examples are not limited to "traditional" practices. He emphasizes the practical skills developed in the performance of any complex task (such as modern manufacturing), suggesting that any "formally designed" form of order will always be "parasitic" on the practical know-how of those who actually keep things running (ibid., 310).

These accounts of tradition seem to occupy nearly identical ground. Their understandings of organically evolved practices as adaptations to complex and changing environments, preserving the accumulated experience of many generations of trial-and-error experimentation, seem to be cut from the same cloth. The key difference, it would seem, is that Hayek's account of tradition and cultural evolution focuses primarily on what he calls "moral rules." He is keen to articulate the importance of retaining fidelity to such rules (even going so far as to suggest a "reverence" for the traditional – see Hayek 2011 [1960]), which should be obeyed as a matter of course even when we aren't certain what function they serve. This focus becomes especially important in Hayek's later work, where the evolution of morality from particular commands to abstract rules marks the difference between the closed and the open society (see Hayek 1976). However, Hayek seems less concerned with the possibility that other evolved practices that might embody collective experience or wisdom.

Scott's observations highlight a possible tension in Hayek's view here. As seen above, Scott notes that the profit motive that drives corporate practice can operate with rather limited definitions of efficiency. As seen in the case of scientific forestry, the profit motive imposes a kind of "tunnel vision": a simplifying gaze that is bound to lead to distortions of any practice or object on which it is trained. Where traditional forms of productive organization take long-run sustainability into account, for instance, the superior "efficiency" of corporate "best practices" might prove illusory. Today's "efficiencies" might embody short-sighted practices whose deficiencies won't make themselves apparent until long after alternative methods have succumbed to competitive pressure.[4]

This might be something that Hayek himself would on reflection concede. As theorists like Nassim Taleb have emphasized, evolutionary "rules of thumb" often appear inefficient to those operating from a rationalist perspective (see Taleb 2012). Evolutionarily resilient practices will, on this view, incorporate redundancies that make them resistant to shocks (acting, in effect, as built-in insurance policies). Such practices will thus appear inefficient to one operating with relatively short time horizons. This is the root of Taleb's disdain for business professionals who "optimize" (and thus "fragilize") evolved practices by eliminating redundancies that in fact secure long-run survival. Here, market competition seems to reward actions which undermine the long-run viability of the kinds of practices that a Hayekian would, in principle, want to preserve. From this angle, market competition, especially when it pits corporate forms of organization against smaller-scale and local alternatives, would seem to exhibit the form of rationalist hubris that Hayek is famous for opposing. Under these circumstances, market competition might replace practices that *appear* inefficient, neglecting the possibility that they may embody evolved wisdom whose presence is only apparent in the long run.

This observation might be particularly troubling for Hayek, because he granted that market competition often led to forms of "progress" that people disliked. In addition to the statement about "impersonal compulsion" quoted above, consider the following admission:

> For most [people] it [i.e., "progress"] is an involuntary affair which, while bringing them much they strive for, also forces on them many changes they do not want at all. The individual does not have it in his power to choose to take part in progress or not; and always it not only brings new opportunities but deprives many of much they want, much that is dear and important to them. To some it may be sheer tragedy, and to all those who would prefer to live on the fruits of past progress and not take part in its future course, it may seem a curse rather than a blessing. (Hayek 2011 [1960], 103)

A tentative conclusion emerges from this analysis. While both Scott and Hayek are focused on the issue of knowledge and the problems of centralized control, the forms of knowledge they foreground are in fact quite different. Hayek, we might say, is not primarily concerned with the *preservation* of knowledge, but rather with its *utilization*. This emphasis on the utilization of dispersed knowledge in production is consistent with a general indifference to the kinds of practical knowledge Scott highlights. And, as we have seen, the sort of *metis* that Scott emphasizes would seem to be vulnerable to the form of progress that Hayek sees as resulting from market competition. Thus, while there is no *fundamental* incompatibility between their views (they are largely focusing on different issues), Scott's argument does highlight an underexplored tension in Hayek's thought.

Profit, Efficiency, and Control

There is, however, a further reason why Scott sees "market-driven standardization" as another form of rationalist imperialism. As noted above, Scott claims: "the conclusions that can be drawn from the failures of modern projects of social engineering are as applicable to market-driven standardization as they are to bureaucratic homogeneity" (Scott 1998, 8). In discussing the gradual eclipse of *metis* in many domains of modern life, Scott claims that "[t]he destruction of *metis* and its replacement by standardized formulas legible only from the center is virtually inscribed in the activities of both the state and large-scale bureaucratic capitalism" (ibid., 335). Scott's ensuing discussion emphasizes the link between high-modernist forms of knowledge and aspirations to *control*.

For Scott, it is a mistake to equate the mechanization of production and the spread of Taylorist philosophies of work organization with the desire for efficiency. Efficiency and profitability, he suggests, are not always the same thing. "Thus organizational forms which enhance capitalist control may increase profits and find favor with capitalists even if they affect productivity and efficiency adversely. Conversely, more efficient ways of organizing production which reduce capitalist control may end up reducing profits and being rejected by capitalists" (Scott 1998, 336, quoting Marglin 1990; see also Scott 2012, *passim*). Production methods relying on *metis* may well be more efficient than corporate alternatives. However, to the extent that such practices are illegible and not reducible to standardized formulae, they cannot be monitored and controlled from above. In this sense, "large-scale bureaucratic capitalism" is analogous to the state insofar as it involves the forcible subordination of *metis* to abstract, general rules as a means of achieving control.

Scott's position here is helpfully illustrated by anarchist theorist Kevin Carson (2008), whose book on organization theory provides support for Scott's claims. While sympathetic to the Austrian critique of central planning, Carson brings similar considerations to bear in his analysis of the hierarchical corporation. Such corporations are prone to serious inefficiencies and waste, Carson claims, precisely because they remain *dependent* on the practical knowledge of their employees without providing those employees any incentive to channel this knowledge into efficiency gains. While it is employees on the ground who keep an operation in business, any gain in efficiency they might develop would simply increase corporate profits (not their own wages). As a result, the corporate form of organization sacrifices the kind of flexibility and incremental improvement characteristic of practical knowledge in order to maintain a system of hierarchical control and synoptic legibility.

Carson (2008, ch. 8) points out that, in addition to sacrificing the potential gains from the practical knowledge of employees, this approach entails a significant and (as compared to possible alternatives) rather wasteful investment in surveillance technologies. As the structure of the corporate hierarchy gives frontline employees little incentive to work efficiently, workplace discipline needs to be maintained through surveillance and centrally legible metrics. The misaligned incentive structures characteristic of the corporate form, on this view, necessitate large expenditures dedicated to such monitoring. Carson's analysis thus supports Scott's two central claims: that efficiency and corporate profitability are not equivalent, and that corporate forms of organization rely on the kinds of synoptic legibility familiar from state planning.

Inspection of Hayek's view here shows that his account of local and practical knowledge focused almost exclusively on the knowledge of the *entrepreneur*. While Hayek (1948, 80) briefly mentions "how much we have to learn in any occupation after we have completed our theoretical training," this observation plays no role in his subsequent defense of the price system. In fact, when summarizing his account of the price system in *The Road to Serfdom*, Hayek clarifies that it is primarily the knowledge of entrepreneurs that he has in mind: "This is precisely what the price system does under competition, and which no other system even promises to accomplish. It enables entrepreneurs, by watching the movement of comparatively few prices, as an engineer watches the hands of a few dials, to adjust their activities to those of their fellows" (Hayek 2007 [1944], 95).

In *Rules and Order*, Hayek addresses in a more systematic way the distinction suggested in his earlier work between "organizations" and "spontaneous orders." He clarifies that, even in "organizations" that are structured by commands, room must be left for the initiative of the relevant actors. "Every organization in which the members are not mere tools of the organizer will determine by commands only the function to be performed by each member, the purposes to be achieved, and certain general aspects of the methods to be employed, and will leave the detail to be decided by the individuals on the basis of their respective knowledge and skills" (Hayek 1973, 49). He goes on to acknowledge that any manager faces the fundamental knowledge problem highlighted by Carson: "the organizer must wish the individuals who are to cooperate to make use of knowledge that he himself does not possess" (ibid., 49). This is consistent with Hayek's earlier observations that "the employees of a plant will thus be mostly occupied with the routine of carrying out standing orders, adapting them all the time to particular circumstances and only occasionally receiving specific commands" (Hayek 2011 [1960], 219).

Given these views, one wonders why Hayek seems unconcerned with the parallel between state and corporate planning. At first blush, the answer is straightforward. A state, insofar as it possesses the coercive power of law, is the more significant threat to freedom. Corporations cannot (under normal circumstances) exercise *coercion* according to Hayek, because their employees contract with them freely and retain the right of exit (see Hayek 2011 [1960]). Additionally, corporations that utilize inefficient forms of organization are expected to fail as a result of market competition. "Organization is therefore likely to be beneficial and effective so long as it is voluntary and is imbedded in a free sphere and will either have to adjust itself to circumstances not taken into account in its conception or fail" (Hayek 2011 [1960], 89). Thus one of the benefits of the market order, on Hayek's view, is that it makes room for hierarchical organizations to emerge whenever they are best suited to the task at hand. The presence of competition allows the right mix of the horizontal and the hierarchical to be discovered experimentally.

Important as this observation surely is, Scott's arguments suggest the possibility that Hayek's concern with the state may have caused him to overlook the analogous, though certainly not identical, issues arising from the corporate form. Hayek's argument seems to ignore the possibility suggested by Scott: that what is *profitable* and what is *efficient* may not be the same thing.[5] If corporate capitalism is a system that generates profits in part through disciplining labor and externalizing costs, it is possible that such firms could prove *profitable* (especially in the short run) while not necessarily rewarding efficiency (understood as the amount of production that can be achieved with a given set of inputs). As Carson suggests, it is possible that the corporate form allows a combination of control and (subsidized) waste to produce profit.

This worry becomes more pronounced when considered in light of Scott's further observations about the proliferation of the corporate form. When considering the implications of his views for the analysis of markets, Scott makes the following claim: "The Hayekian case for the petty bourgeoisie, in competitive markets, is a strong one; it looks more like the case of language as sketched above. I am not a Hayek scholar but would ask those who are what he has to say about cases where disparities in power and influence turn choice and mutual coordination into something more akin to 'an offer one can't refuse'" (Scott 2010b). This statement suggests that the dispute is not about "the market" as such, but about the forms of productive organization that will *tend to dominate* in a market environment.

Scott here seems to grant that Hayek's ideal of market coordination is one that both of them have reasons to find congenial. The difference between them must be sought in judgments regarding the likely *consequences* of market organization. Scott, it seems, is of the opinion that decentralized market coordination is *not* the most prominent feature of contemporary global capitalism. It is the corporation, that island of central planning in the sea of market prices, that dominates the economic landscape. While Hayek seems relatively unbothered by the size of corporations, so long as they are required to prove their mettle in a competitive market environment, Scott sees "large-scale, corporate capitalism" as inherently *suppressing* the very features of market order that make it desirable from his (and Hayek's) perspective.

Here, again, there appear to be two separate lines of argument. The first, which Hayek would surely contest, involves the claim that the logic of market competition *as such* leads to eventual concentration in the hands of powerful corporations. The second, with which Hayek would agree (though with regret), is that dominant economic actors seek (often successfully) to use the machinery of the state to insulate themselves from competition, deploying the legal system as a tool for maintaining and/or enhancing their profits. So Scott: "Although they may arise in a competitive setting … capitalist firms are constantly striving through collusion, lobbying, legal maneuvering, and violence to establish monopoly positions. They strive mightily to transform uncertain and often small profits into rents guaranteed by force, law or influence at the enforcement stage (i.e. corruption)" (Scott 2010b). While this is not a part of the "official" picture of capitalism, Scott holds that "the tendency toward the accumulation of these strategic, positional resources by wealth and property holders in mature democracies seems undeniable" (ibid.).

Hayek certainly acknowledges this reality, though he abhors it. Arguably, however, he did not give adequate consideration to the degree to which this tendency was avoidable.[6] Putting Scott's observations together, we might worry that it is a *predictable feature* of market economies that industries will tend to be dominated by corporate players that attain considerable power (not least because the state itself provides access to such power on highly unequal terms). To the extent that this is true, Hayek's arguments in favor of markets may need qualification. While Hayek's arguments may explain why markets can't be *replaced* with central planning, they have less to say about the arrangements by means of which the market process might be made enduringly competitive.[7]

This, I think, is the most promising place in which to locate the fundamental disagreements between the two thinkers. As noted, Scott seems to grant that Hayek's *picture* of market coordination fits relatively well with the forms of self-organization they both valorise. But Scott endorses the further *empirical* judgment that such market orders, under the conditions of modern capitalism, tend to collapse into the sorts of captured, rigged, rent-extracting economies that are dominated by politically connected firms who secure their positions of control through the machinery of the state. This would go some way toward explaining Scott's elision, in *Seeing Like a State*, of claims about "markets" and claims about "large-scale, bureaucratic capitalism." Drawing on his reply to the Cato symposium quoted above, it seems clear that the link between these two is understood to be an empirical tendency observable in capitalist economies. From this perspective, the critical claim is that Hayek has not paid adequate attention to the question of how a system of market coordination can avoid this self-undermining tendency. Scott's own answer to this question, to the extent that he has one, might involve looking for more "anarchistic" ways of organizing production.

Conclusion: Two Cheers for (Market) Anarchism?

In conclusion, I would like to summarize what I believe are four key observations that have arisen over the course of this exploration. First, Hayek and Scott share an appreciation for the wisdom of evolved practices and scepticism of high-modernist "rationalism." Second, for Hayek, such appreciation for practical knowledge seems most manifest in his account of cultural evolution. It is less prominent in his defence of the price system, where the "knowledge" on which he focuses is primarily knowledge of particular, factual circumstances (thus, as a corollary, the claim that Hayek is concerned with "tacit" knowledge in the broader sense may be inaccurate). Third, the price system dispenses with the need for centralized economic control by providing a distinct kind of legibility in the form of market prices. Scott sees the informational reduction inherent in this legibility as mirroring the forms of legibility imposed by state bureaucracies. Finally, important differences between the two seem to turn on their respective characterizations of the corporation and on whether pursuit of profit in combination with hierarchical control might lead (for reasons briefly surveyed) to the dominance of forms of organization which replace *metis* with centralized, top-down direction.

There is clearly much more to be said here. In closing, however, I want to note the possible overlap between Scott's position (as I have just reconstructed it) and the views broadly associated with contemporary "left market anarchism." The latter framework attempts to draw on both Hayekian insights about the value of markets and anarchist insights about the pathologies of power. It thus attempts to do justice both to Hayek's defence of market coordination and to Scott's critiques of bureaucratic, hierarchical firms (and their symbiotic relationship with centralized states).

Thinkers in this vein, among whom I count Carson, tend to emphasize many of the features highlighted in the discussion above: the benefits of decentralization, the epistemic advantages of horizontal vs. vertical coordination, and the tendency of the state-corporate nexus to undermine these forms of organization in favor of formal, hierarchical, and bureaucratic alternatives. On this view, the sprawling corporation is to a significant extent a creature of the bureaucratic, administrative state. Contrasting the "strip mall" of state-regulated capitalism with the "bazaar" of more organic, emergent arrangements, this school argues for the possibility of maintaining something that looks more like Scott's "petty-bourgeois" capitalism (with smaller, less hierarchical firms and more self-employment) under anarchistic conditions (e.g. Chartier and Johnson 2011).

There is not room adequately to explore these arguments here. I simply note, in concluding, that they attempt to merge the vision of markets as spontaneous orders (familiar from Hayek's defence of competition) with the anarchistic conception of spontaneous order (as arising from fluid, bottom-up attempts at problem-solving in the absence of centrally imposed authority).[8] This latter vision of spontaneous order clearly informs Scott's anarchism, while the former version is central to Hayek.[9] From the viewpoint articulated in this paper, the market anarchist perspective would seem worth exploring as a possible means of doing justice to both.

NOTES

1. On one level, of course, Hayek was aware of this problem, as he advocated government regulation to address externalities such as pollution (see Hayek 2007 [1944], 86-7). This is a clear admission that markets do not price all that we might find relevant. He did not (to my knowledge), however, consider the extent to which alternative market infrastructures might facilitate the communication of additional information that would otherwise be lost (without compromising the essential coordinating function of the price system).
2. Some scholarship has suggested that the concern with "tacit" knowledge often attributed to Hayek only begins to emerge explicitly in the work of Lavoie (see Oguz 2010). This does not mean, of course, that the emphasis on tacit knowledge is an invalid extension of Hayek's insights. For useful discussions, see Friedman (2013), Lewis (2013), and Pils & Schoenegger (2021).

3. In a later lecture, Hayek states that the "combinations of individual knowledge and skills" relevant to market activity are not limited to "knowledge of facts," but also include "a capacity to find out particular circumstances" that might be relevant in current market conditions. Such a "capacity," however, still seems distinct from *metis*. Such "knowledge" is defined, Hayek clarifies in a footnote, as the ability to find out information (not the ability to *do* specific things). See Hayek (1978).
4. It is worth noting here that Hayek, to the extent that he considered this problem, insisted that corporations should be made to prioritize the "long-run maximization of the return" on their capital (see Hayek 2023). Though he did not specify how this might be achieved, he granted that corporate activity should be "restrained by general legal *and* moral rules" (ibid., emphasis in original). It is certainly arguable that subsequent developments in financial markets and corporate governance arrangements would have concerned Hayek on this score.
5. An alternative (and more charitable) interpretation would be that Hayek takes for granted that a *properly structured* competitive order will make profitability and efficiency roughly synonymous, without telling us much about how this can be brought about.
6. See Munger and Villarreal-Diaz (2019) for an argument, from a broadly Hayekian perspective, that it might be endemic to capitalist systems.
7. However, Hayek (1979) is evidence that he came to see this issue as quite significant. See Biebricher (2019) for a general account of the failure of "neoliberals" to give adequate consideration to how state policy could be kept durably committed to securing competition.
8. See Ward (1996, ch. 2): "The Theory of Spontaneous Order."
9. "Here I should also acknowledge my debt to anarchist writers (Kropotkin, Bakunin, Malatesta, Proudhon) who consistently emphasize the role of mutuality as opposed to imperative, hierarchical coordination in the creation of social order" (Scott 1998, 7).

DISCLOSURE STATEMENT

No potential conflict of interest was reported by the author(s).

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