

Israel Kirzner on Coordination and Discovery

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‘Coordination’?

- Klein (1997, 1998, with Orsborn 2008) has been developing a discourse around coordination as a useful evaluative standard.
- Not a novel idea: LSE 1930s; “I, Pencil”
- A coordination standard invites open discussion about what is desirable, whereas ‘the social welfare function’ implies that we have a precise maximand.

Coordination in the History of Economic Thought

- Klein and Orsborn (2008): pre-Schelling, dominant usage of “coordination” by economists is best understood in this sense:

*A concatenation of activities and resources is **coordinated** to the extent that the concatenation would be satisfying/pleasing/beautiful to a mind imagined to behold it.*

Coordination in the History of Economic Thought

- Hayek's usage of "coordination" nicely fits this understanding of "concatenate" coordination.
- Many of Kirzner's statements about coordination also fit this sense of the word.
- Kirzner claims that coordination can be "a clear-cut objective criterion" of economic goodness.

Kirzner's Troubled Claims about Coordination (#1 of 3)

- Coordination is the fulfillment or compatibility of plans or expectations.

We say: A plan can be fulfilled or compatible with other plans, and yet still be retrospectively regarded as poorly chosen.

Hayek on plan compatibility and plan fulfillment

- Hayek referred to these as existing when a state of “equilibrium” or “order” holds. He did **not** call this state “coordination”.
- Hayek consistently imbued *coordination* with a connotation of economic goodness. Meanwhile, he held that a position of equilibrium is **not** equivalent to a social optimum.

Hayek on plan compatibility and plan fulfillment

- Despite these central differences, Kirzner has asserted that Hayek really meant what Kirzner means by “coordination”.
- In our interpretation, Kirzner’s invocation of Hayek is connected to his project of fashioning a distinctive “Austrian” identity within economics.

Kirzner's Troubled Claims about Coordination (#2 of 3)

- Every entrepreneurial gain (discovery, exploitation of opportunity) is coordinative.

We say: There seem to be plausible counterexamples, such as a discovery that distracts one from making a better discovery.

Does entrepreneurial discovery necessarily increase plan fulfillment/compatibility?

- Prior to an entrepreneurial discovery, are plans necessarily going unfulfilled or discordant with one another?
- We often think of entrepreneurial discovery as involving a moment of revelation.
- Furthermore, we often think of discovery as disruptive to others' existing plans.

Kirzner's Troubled Claims about Coordination (#3 of 3)

- Coordination makes no resort to social aggregation.

We say: Yes, it does.

Going further...

Are 100% of entrepreneurial discoveries coordinative in the concatenate sense?

- We say that it is less than 100% but enough to give the claim presumptive truth.
- Counterexamples: path dependence, publication of *The Communist Manifesto*
- In dealing with such objections, Kirzner has resorted to semantic redistricting (e.g., saying that his claim applies to “markets” but not to “institutions”) to preserve 100%.

More problems

- Kirzner has said that coordination is not a standard of the good outside an “economic” sphere, as contrasted with “moral” and “political” spheres. There may be merit in this distinction but he has not explained what constitutes it.
- Kirzner has said that coordination cannot be used to compare policy regimes...and he has used it to compare policy regimes.

Owning up to the “loose, vague, and indeterminate”

- Drawing from Hayek, Kirzner has illuminated crucial ways in which human beings cannot be reduced to machines.
- But his modernist notions of economic science take after Mises.
- In developing his ideas about coordination, Kirzner attempted to preserve the Misesian praxeological vision of *wertfreiheit* and exact deduction from a priori truths.

Conclusion

- In our view, an economics that speaks to the most important things will not be able to eradicate looseness from its discourse.
- Concatenate coordination admits to indeterminacy: as a standard, it is more aesthetic and less grammar-like.
- It is a shame when what is by-and-large true in Kirzner's teachings is jettisoned because his 100% claims are brittle.