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## The spontaneous market order and evolution



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### ABSTRACT

Darwin's theory of natural selection and the idea of a spontaneous order share a fundamental feature: the claim that apparent design or order do not necessarily imply a designer or rational planning. But they also present important differences, which touch upon central questions such as the evolution of morality, the role of human agency in social evolution, the existence (or not) of directionality in undesigned processes, and the presence (nor not) of a providential element in evolutionary accounts. In this article, I explore these themes and probe the relationship between the notion of a spontaneous order and the theory of evolution by natural selection. The reflections of Nobel laureate in economics, F.A. von Hayek, provide the beginning and endpoint in this voyage, for they constitute the most pronounced effort to develop a full-fledged theory combining evolution and economics in recent times. But along the way, I also investigate the influence of classical political economy on Darwin's thought, primarily that of Adam Smith, and consider the reasons for which Darwin did not refer to Smith when discussing the principle of natural selection in *The Origin of Species*. I conclude that the spontaneous order, as understood by Hayek, and evolution by natural selection constitute two disparate concepts.

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The link between evolutionary biology and economics was evident from the outset, notably through Darwin's recognition of his intellectual debt to Malthus and Smith. However, as Margaret Schabas noted (2005, 144), precisely because Darwin's notion of the struggle for existence in the economy of nature resonated with extant economic doctrine, economists may have been disinclined to take the trouble to understand the intricacies of his theory. From the early days of Herbert Spencer's defense of liberal individualism up to the present time, the tendency to conflate the concepts of free competition and natural selection is a constant feature of a certain kind of politics, one that seeks to limit government intervention. Philip Mirowski (2011, 239–247) even proposed that a “thin,” “economistic” version of evolution was the primary neoliberal trope in the 1950s and formed the cutting edge of the influential Chicago School in the following decade.

One name looms large in this history, that of Nobel laureate in economics, Friedrich A. von Hayek, one of the most prominent free-market thinkers in the twentieth century and the author of a theory

of cultural evolution. Unlike his illustrious colleague from the University of Chicago, Milton Friedman, Hayek was not satisfied to comment in passing on the analogy between biology and economics (e.g., Friedman, 1953, 22). He engaged in extensive interdisciplinary research with the aim of depicting the emergence of the free-market order as the result of an unguided process of cultural evolution.

The main reason Hayek was interested in evolutionary theorizing resided in what he considered to be an “astonishing fact, revealed by economics and biology, that order generated without design can far outstrip plans men consciously contrive” (1988, 8). Darwin's theory of natural selection and Hayek's idea of a spontaneous order indeed share a fundamental feature: the claim that apparent design or order do not necessarily imply a designer or rational planning. But they also present important differences, which Hayek and many who share his view were, and are, wont to ignore. These differences are as fundamental as the similarity mentioned above and touch upon central questions such as the evolution of morality, the role of human agency in social evolution, the existence (or not) of directionality in undesigned processes, and the presence (nor not) of a providential element in evolutionary accounts.

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In the following pages, I explore these themes and probe the relationship between the notion of a spontaneous order and the theory of evolution by natural selection. Hayek's reflections provide the beginning and endpoint in this voyage, for they constitute the most pronounced effort to develop a full-fledged theory combining evolution and economics in recent times. But along the way, I also investigate the influence of classical political economy on Darwin's thought, primarily that of Adam Smith, and consider the reasons for which Darwin did not refer to Smith when discussing the principle of natural selection in *The Origin of Species*.

### 1. A claim to priority

The idea that the interactions of many individuals can lead, unintentionally, to the emergence of a spontaneous order dates back to the philosophy of Bernard Mandeville and eighteenth-century Scottish Enlightenment thinkers. Hayek (1973, 23) argued that the concept of evolution first originated in their works: "It was in the discussion of such social formations as language and morals, law and money, that in the eighteenth century the twin conceptions of evolution and the spontaneous formation of an order were at last clearly formulated, and provided that intellectual tool which Darwin and his contemporaries were able to apply to biological evolution." Part of the reason Hayek sought to downplay Darwin's contribution to the study of cultural evolution had to do with the bad press of the expression "social Darwinism."

As a man profoundly marked by the rise of Nazism and the Second World War, Hayek wanted to dissociate himself from the pejorative, racist connotations of crude social Darwinist theories. He repeatedly derided the naive and simplistic application of biological theory to the explanation of social phenomena and claimed: "A nineteenth-century social theorist who needed Darwin to teach him the idea of evolution was not worth his salt" (1988, 23). In contrast to these unsophisticated theoreticians, Hayek placed himself in the lineage of "Darwinians before Darwin": Bernard Mandeville, David Hume, Adam Smith, and Adam Ferguson. But is it warranted to claim that the idea of evolution predates Darwin?

In various essays, Hayek made the effort to flesh out the evolutionary element in the writings of these early thinkers. Referring to Mandeville's satirical poem *The Fable of the Bees: or Private Vices, Public Benefits* (1714) Hayek wrote: "The speculations to which that *jeu d'esprit* led [Mandeville] mark the definite breakthrough in modern thought of the twin ideas of evolution and the spontaneous formation of an order, conceptions which had long been in coming, which had often been closely approached, but which just then needed emphatic statement because seventeenth-century rationalism had largely submerged earlier progress in this direction" ([1967] 1984, 177). Although, Mandeville didn't specify how an order forms itself, he made it clear that a spontaneous order can exist and "thereby raised the questions to which theoretical analysis first in the social sciences and later in biology could address itself" (177).

Similarly to Mandeville, Hume also perceived human beings as creatures with limited rationality, incapable of being guided by long-term perspectives. The conviction that human reason is imperfect led Hume to develop a theory of morals based on convention, which Hayek ([1963] 1967, 111) described as evolutionary in its essence: "[Hume] demonstrates that our moral beliefs are neither natural in the sense of innate, nor a deliberate invention of human reason, but an 'artifact' in the special sense in which he introduces this term, that is, a product of cultural evolution, as we would call it. In this process of evolution what proved conducive to more effective human effort survived, and the less effective was superseded."

Hayek underlined the evolutionary aspect in Hume's thought as an indicator of modernity. He argued that Hume's theory concerning the growth of human institutions was the foundation for the work of thinkers such as Adam Smith, "who are today recognized as the chief ancestors of modern evolutionary anthropology" (Hayek, [1963] 1967). Although, Hume's primary aim was to account for the evolution of social institutions, Hayek contended that he was aware that the same argument could be used to explain the evolution of biological organisms. "It was still another hundred years before Darwin finally described this 'struggle for existence,'" Hayek acknowledged; yet he adjoined: "the transmission of ideas from Hume to Darwin is continued and can be traced in detail," most clearly through Darwin's grandfather, Erasmus (119).

Hayek was even more forthright concerning Smith's contribution to evolutionary thought. He maintained that Smith was the first to perceive the evolutionary nature of a selection process by which a highly complex order of human interaction arises, "a process of variation, winnowing and sifting far surpassing our vision or our capacity to design" (1988, 14). In fact, according to Hayek (1988, 24), Darwin got the basic idea of evolution from reading Adam Smith in 1838. It is no secret that Darwin was indeed influenced by Smith's views. He learned from Smith's *Theory of the Moral Sentiments* (1759) the importance of sympathy in the emergence of the social instincts, an idea he further developed in *The Descent of Man*. Recalling "the first and remarkable chapter" in Smith's book, Darwin proposed to explain the omnipresence of sympathy among the social animals by means of his theory of natural selection:

In however complex a manner this feeling may have originated, as it is one of high importance to all those animals which aid and defend each other, it will have been increased, through natural selection; for those communities, which included the greatest number of the most sympathetic members, would flourish best and rear the greatest number of offspring (Darwin [1871] 1981, 82).

Darwin also picked up from Smith the idea that "the praise and the blame of our fellow-men" is a principal factor in the development of the social virtues ([1871] 1981, 164). There is no direct evidence, however, that Smith's principle of a self-regulating market influenced Darwin's reflections on natural selection, and Darwin did not refer to Smith's *Wealth of Nations* (1776), nor mention his name in *The Origin of Species*. This said, historians and philosophers of biology have long emphasized the importance of British individualism for the formulation of Darwin's views. Jonathan Hodge (2009) analyzed Darwin's liberal-Whig background, claiming it provided the capitalist context for his theory. Sylvan Schweber (1980, 212) argued that by adopting Smith's insight into the competitive advantage of the division of labor, Darwin was aware that he was "biologizing" the explanations political economy gave for the dynamics of the wealth of nations. Although, no conclusive proof exists that Darwin read Smith's *Wealth of Nations*, Schweber maintained we could legitimately infer he did so at some stage of his studies in Edinburgh. Furthermore, Darwin was familiar with Dugald Stewart's *Life of Adam Smith* (1793), as indicated in the N and M notebooks, and he read, in 1840, J. R. McCulloch's second edition of *Principles of Political Economy* (1830), a work "imbued with the spirit of individualism" (Schweber, 1980, 212, 261–70; quotation on 268). Schabas (2005, 34) also remarked that Darwin's recognition that diversification increases the quantity of life mirrors the Smithian observation that the division of labor between trades is a function of the size of the market or the size of the economy more generally.

Why then did Darwin not mention Smith in *The Origin of Species*? The physiological division of labor is a central element of his

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