

# Centrally-Planned Discoordination

*Schools should be freed from the heavy hands of school board administrators.*

By Brian Lee Crowley

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Last May marked the centenary of the birth of Friedrich August Hayek, a Nobel Prize winning economist who led the intellectual equivalent of the D-Day charge against central planning and government regimentation of individual life in the postwar era.

When backed by a large social consensus, war brings a unity of purpose in which most people willingly submerge a great deal of their personal liberty. The total war that the Second World War represented carried this willing renunciation of freedom to new heights. Bureaucrats, not markets, distributed raw materials; the needs of the war effort, not of consumers, determined what to produce and in what quantities. Wages were controlled, as were prices and profits. No sacrifice was too great.

The people who ran the war effort noticed the success of these highly-regimented efforts. They began to ask themselves why clever people like themselves couldn't simply go on running the economy and along the way restructure society to eliminate the prewar scourges of poverty, hunger, and unemployment. Intellectuals were under a dangerous self-delusion that mastery of our social and economic life lay in their grasp.

Deeply troubled by what he saw, Hayek set out to expose the rational-sounding claims of the salivating planners for what they were, the oldest scam in marketing: bait and switch. Planners promised a world in which the public's needs and desires would be satisfied more efficiently and with less waste and human misery than ever before. The reality, Hayek knew, would be that people's lives would be planned to satisfy the needs and desires of the planners, and that ultimately, if left unchecked, the economic waste and loss of individual freedom would be devastating.

Hayek's misgivings about overall social planning, as well as his condemnation of the twin sisters of fascism and communism, stemmed from the central understanding that had caused him to abandon his early socialist convictions: the limits to human knowledge and wisdom. To be successful, planners needed what their plans destroyed: the signposts offered by freely-formed prices reflecting the true state of supply and demand.

Planning an economy implies knowing all sorts of things: when and why people want to work, and when and where their particular skills are required; the state of future demand for particular goods and services, and therefore when to build new productive capacity or when to close down the old; and so forth.

Supply and demand, and the prices that summarize it, represent a vast and tightly-interwoven communication network. Replace one part of the network with false information — that is, with bureaucrat's notions of what the information should be, as opposed to what people's actions indicate it is — and the network starts to unravel.

Suppose, for example, that the government decides that it would be good for children's health if more milk were drunk by families. The government decides that the best course is to set the price of milk, by bureaucratic order, at a lower price than it is offered on the market. Presto: cheaper milk appears in the stores.

More milk is drunk than before, but an unintended consequence is that marginal milk producers, those who were just making it at the original milk price, are driven out of business, taking a part of the supply out of the market. Shortages result.

Now the government has a choice: it can either withdraw its original intervention or it can allow itself to be drawn further into substituting its own judgment for the market's. For example, it can try to lower

farmers' costs by controlling the prices of things like feed, cattle, and farmland. Or it can pay farmers more and subsidize the price difference with tax dollars. Or it can nationalize the farms, thus eliminating 'wasteful' profit.

But each one of these responses brings further undesirable consequences. Milk lakes emerge that must be stored or dumped on international markets. Or suppliers of farm inputs withdraw from business because, under controlled prices, they can't survive either. Or bureaucrats put on gumboots and milk the cows according to the schedule laid down in their collective agreement. The circle of discoordination widens with every turn of the interventionist screw.

Only a decentralized system — in which people are free to make the most of opportunities, often known only to themselves — can achieve the needed coordination. Such decentralization of power among competing organizations and individuals encourages each person to make maximum use of the opportunities and resources available to him.

Of course, central planning works no better in the schools than it does in the economy. The difficulties and opportunities facing each student, each parent, each teacher and each school are shaped by individual circumstance that can never be fully communicated to, let alone fully understood by, those charged with 'planning' a system of hundreds of schools and thousands of students.

Centralized and bureaucratized education means that the system will inevitably be planned to suit the needs of the planners, because they simply cannot know enough about the true circumstances and needs of those the schools are supposed to serve.

*(Adapted with permission from a longer article at [www.nextcity.com/contents/spring99/15hayek.htm](http://www.nextcity.com/contents/spring99/15hayek.htm))*