



## Rinkonomics: A Window on Spontaneous Order

Daniel B. Klein\*

**A**t a roller rink you can see something that holds insights into great questions of politics and society.

At a roller rink you see 100 people skating—but wait!—

Rather than imagine what you know happens at a roller rink, imagine that you have never seen or heard of a roller rink. Nor an ice-skating rink. Long ago people didn't know anything of skating. Imagine yourself one of them.

Imagine that a friend walks up to you and tells you with great enthusiasm about his new idea for a business:

"I'll build a huge arena with a smooth hard wooden floor and around the perimeter a naked iron hand-rail. I'll invite people to come down to the arena and strap wheels onto their feet and skate round n' round the arena floor. They won't be equipped with helmets, shoulder-pads, or knee-pads. I won't test their skating competence, nor separate skaters into lanes. Speedsters will intermingle with toddlers and grandparents, all together they will just skate just as they please. They'll have great fun. And they'll pay me richly for it!"

Knowing nothing of skating, you would probably expect catastrophe. You exclaim:

"How are 100 people supposed to skate around the arena without guidance or direction? Each skater traces out a pattern, and the patterns must mesh so skaters avoid injury. That's a complex problem. It would require smart leadership. But it won't get solved! The arena will be a scene of collision, injury, and stagnation. Who will pay for that?!"

If you knew nothing of skating, you would expect catastrophe. Before they knew of skating, people knew of dance performance such as ballet, and to achieve a complex coordination requires a choreographer. Everyone knows that.

Intuition leads us to think that complex problems require complex, deliberate solutions. In a roller rink, the social good depends on getting the patterns to mesh. But no one is minding that good. As your friend describes the business idea, not even the owner intends to look after it. How can the social good be achieved if no one is looking after it?

Yet, we have all witnessed roller skating, and we know that somehow it does work out. There are occasional accidents, but mostly people stay whole and have fun, so much so that they pay good money to participate. The spectacle is counter-intuitive. How does it happen?

Suppose you and I step into roller-skates and join the other skaters on the floor of the rink. In skating, I do not aim to solve the big problem of coordinating all the skaters. I do not try to get

---

"An important quality of collision is *mutuality*. If I collide with you, then you collide with me. And if I don't collide with you, you don't collide with me. In promoting my interest in avoiding collision with you, *I also promote your interest in avoiding collision with me.*"

---

all 100 patterns to mesh. I show common courtesy, but basically I am out for myself. I want to have fun, and so certainly don't want to get hurt. Looking out for myself, I promote my interest in avoiding collision with you.

An important quality of collision is *mutuality*. If I collide with you, then you collide with me. And if I don't collide with you, you don't collide with me. In promoting my interest in avoiding collision with you, *I also promote your interest in avoiding collision with me.*

The key to social order at the roller rink is this *coincidence of interest*. I do not intend to promote your interest. I am not necessarily even aware of it. Still, by looking out for myself I am to that extent also looking out for you. My actions promote your interest.

Skating on the floor of the roller rink is an example of what **Friedrich Hayek** called *spontaneous order*. The process is beneficial and orderly, but also spontaneous. No one plans or directs the overall order. Decision making is left to the individual skater. It is decentralized.

The contrast is centralized decision making. Again, intuition tells us that the only way the complex social good can be achieved is by central planning. Yet Hayek tells us that sometimes another way it can work is "decentral" planning. He tells us, in fact, that, often, decentral planning is the *only* way it can work.

Suppose the social good on the floor of the roller rink were entrusted to central planning. The rink owner appoints a really smart, really nice guy to look out for the social good. He hires a man with the reputation of a saint, and with two PhDs from Yale, one in Civil Engineering and one in Ethics. This smart saint stands in the organ booth, holds a bullhorn up to his mouth, and calls out directions: "You in the blue jacket, speed up and veer to the left." "You in the black overalls, I want you to slow down and move toward the inside." And so on.

The results would be terrible. The smart saint could not come close to achieve the brisk dynamic order that spontaneous skating achieves. The main reason he could not is that he lacks knowledge of individual conditions. Using his Yale learning, he looks closely and does his best. But he has 100 skaters to watch, and the conditions of each are changing moment by moment. The planner's college knowledge is useless in informing him of the particular conditions of your situation. The planner tries to apply engineering principles, but each skater has principles of motion all his own: Do I feel like going faster? Am I losing my balance? Can I handle this turn? Do I have to go to the bathroom? Am I content to follow the planner's directions?

Your local conditions—your opportunities, constraints, and aspirations—are best known by you. No one else comes close. College knowledge is no substitute for what Hayek called *local knowledge*.

Moreover, even if somehow the smart saint from Yale has all the local knowledge of the individual skaters, what would he do with it? How would he interpret it? How would he integrate it? And if he came up with orders for how to direct our skating, how would he communicate those orders to 100 people simultaneously?

Being smart and saintly, the planner would recognize his limitations and just slow things down. To prevent collisions, he would have to impose regimentation. Skating would be slow and simple. Skaters would be bored. Moreover, they would not find the joy and dignity that come from making one's own course.

On the floor of the roller rink, the social good can *only* be achieved by spontaneous order. As

Hayek explained, the case for leaving action spontaneous is stronger *the more complex social affairs are*, because greater complexity only exacerbates the planner's knowledge problems. When the situation is simple, central planning can succeed. If there were just four skaters on the floor of the rink, central planning might not be so bad. But with 100 skaters, it is preposterous.

If, besides being smart and saintly, the planner were also *wise*, he would beseech the rink owner to relieve him of his assigned task. He would renounce central planning. He would recommend spontaneous order.

The principles find direct application in economics. Just as we want to discourage collisions, we want to encourage voluntary exchange. In both cases, the key is mutuality. Gains from trade are mutual, giving rise to coincidence of interest: In promoting my interest in gaining in a voluntary exchange with you, *I also promote your interest in gaining in a voluntary exchange with me*. You would not enter into the exchange if you did not stand to gain.

Once again, actors buzz about spontaneously to advance their own interest, but in the process advancing the social good. As merchants, we garner the honest dollar by serving our customers—that is, by serving society. As consumers, we obtain stuff by rewarding suppliers for services rendered.

Again, individuals act on their knowledge of local conditions, which change moment by moment. A chief component of your local conditions is the array of prices you face. If you produce comic books, you mind the prices of the ink, the paper, the labor that go into your comic books, and you mind the prices you can command for your product. The array of prices, for inputs and outputs, is how the business owner adjusts his activities to the activities of the vast number of players. Myriad players work to satisfy the comic reader, who, after all, provides the funding for all the activities flowing into comic book production. If you don't adjust properly, the reader will buy from another comic-book provider, who offers better quality or lower prices.

Again, if someone were to presume to plan the economy, the result would be disaster. The social patterns in an economy are fabulously complex, making decentral planning all the more necessary.

In economics, the substance of "spontaneous" is liberty. Liberty means freedom from others messing with your stuff, including yourself, your person. When the government tells you that you can't enter certain contracts, can't use your property in certain ways, and can't keep 35 percent of your earnings, it treads on your liberty. It is making affairs less spontaneous and more centrally directed or controlled.

It sounds self-centered—freedom from others messing with your stuff. But the principle would go for everyone, so it also requires you not to mess with others' stuff. Liberty implies not only security and freedom in ownership, but duties to respect ownership by others.

But more importantly, we live in a world of mutualities. I want others not to mess with my stuff so that I can use my stuff to best participate in mutual relationships. The point is not self-centeredness; it is to center control over stuff in the owner, so that action draws on local conditions and advances mutual betterment. The bonds of mutual relationships form the vast network of society, and when its members are individually empowered and motivated to advance those bonds, we have a society that is well cared for.

Spontaneous-order principles argue against full-fledged central planning, but do they condemn all incursions on liberty? The key is coincidence of interest. In some activities, such as polluting the

air, maybe there isn't coincidence of interest. Maybe there is conflict of interest. In cases like that there is less of a case for spontaneous arrangements.

Likewise, in the roller rink, there are occasions for simple rules, such as signaling to skaters when the direction for skating is to be reversed, or when the floor is open only to ladies, or only to couples. These rules are largely self-enforcing.

But in the great roller rink of human society, many government restrictions are more like the central planner imposing foolish restrictions on ordinary skating. Spontaneous-order principles ought to have more purchase than they do.

Consider restrictions on the freedom to sell your services in certain occupations. Occupational licensing restrictions are justified by the idea of protecting consumers from quacks and charlatans. Supposedly, there is a conflict of interest, not a beneficent coincidence of interest.

What the regulators neglect is that the very hazard or problem posited would generate awareness and opportunity for new practices and institutions, which reassert the primacy of coincidence of interest. Just as skaters will spontaneously adjust to an aberration on the floor of the rink, such as an obstruction, people in the market creatively adjust to aberrations from coincidence of interest. The aberrations create new opportunities for mutual gains, opportunities that summon our entrepreneurial propensities to resolve or avoid the initial aberration. We witness myriad private institutions and practices to certify practitioners and assure the quality of their services. Economists who study occupational licensing agree that, rather than protect consumers, the requirements hurt consumers by restricting the range and competition of spontaneous developments.

The principle of spontaneity, of liberty, is not an all-or-nothing proposition. But the principles of local knowledge, coincidence of interest, and spontaneous adaptation have much more power than is generally recognized. People have a hard time understanding how spontaneous order works, or even that it exists. At a roller rink, spontaneous order happens before our very eyes. But in the great rink of society, each of us is immersed deep within the spontaneous order, focused on our own particular situation. Each has no window on the whole, not even a glimpse. Although economics cannot make the whole actually visible to us, it can help us see the principles at work.

The skating rink is an analogy for human society. In the following quotation from *Theory of Moral Sentiments*, par. VI.II.42 Adam Smith used the metaphor of a chessboard:

The man of system... is apt to be very wise in his own conceit; and is often so enamoured with the supposed beauty of his own ideal plan of government, that he cannot suffer the smallest deviation from any part of it. He goes on to establish it completely and in all its parts, without any regard either to the great interests, or to the strong prejudices which may oppose it. He seems to imagine that he can arrange the different members of a great society with as much ease as the hand arranges the different pieces upon a chess-board. He does not consider that the pieces upon the chess-board have no other principle of motion besides that which the hand impresses upon them; but that, in the great chess-board of human society, every single piece has a principle of motion of its own, altogether different from that which the legislature might chuse to impress upon it. If those two principles coincide and act in the same direction, the game of human society will go on easily and harmoniously, and is very likely to be happy and successful. If they are opposite or different, the game will go on miserably, and the society must be at all times in the highest degree of disorder.

[*The Theory of Moral Sentiments*, p. 233-234.]

Jonathan Swift said that vision is the art of seeing things invisible. In that sense, economics gives us vision.

Jonathan Swift's quote is from *Thoughts on Various Subjects; from Miscellanies*, 1726, Bartlett's *Familiar Quotations*, (1980) p. 322.

---

## References

Barry, Norman. 1982. "**The Tradition of Spontaneous Order.**" *Literature of Liberty* 5(2), Summer: 7-58.

Cannan, Edwin. 1926. "Adam Smith as Economist: The Gospel of Mutual Service." *Economica*, June: 123-134.

Hayek, Friedrich A. 1948. "**The Use of Knowledge in Society.**" *Individualism and Economic Order*. Chicago: University of Chicago Press.

Hayek, Friedrich A. 1973. *Law, Legislation and Liberty*, Vol. 1, *Rules and Order*. Chicago: University of Chicago Press.

Smith, Adam. 1776. ***An Inquiry into the Nature and Causes of the Wealth of Nations***. R. H. Campbell and A. S. Skinner, ed. Indianapolis: Liberty Fund, 1981. Oxford U. Press edition. Online: ***An Inquiry into the Nature and Causes of the Wealth of Nations***. Edwin Cannan edition, full text, notes, and editorial notes free, fully searchable.

Smith, Adam. 1790. ***The Theory of Moral Sentiments***. D. D. Raphael and A. L. Macfie, ed. Indianapolis: Liberty Fund, 1982. Online: ***The Theory of Moral Sentiments***. Full text and notes free, fully searchable.

---

\*Daniel Klein is professor of economics at George Mason University and chief editor of ***Econ Journal Watch***.

For more articles by Daniel Klein, see the **[Archive](#)**.

Return to top

Copyright ©2008  
Liberty Fund, Inc.  
All Rights Reserved