The evolutionary invisible hand: “Why are we successful? And how do we know we have made an economic error?”

João Fernando Mazzoni
Universidade de São Paulo – São Paulo – SP - Brazil

POSVANC, Matus. The book The Evolutionary Invisible Hand - The Problem of Rational Decision Making and Social Ordering over Time. Londres: Palgrave Macmillan,

The book The Evolutionary Invisible Hand - The Problem of Rational Decision Making and Social Ordering over Time, by Matus Posvanc, brings a theoretical approach to the economic phenomenon over time. The book’s primary goal is to modify the subjective value theory, that is, how an individual perceives a certain good among other allocated goods. But, instead of having goods satisfying needs, we will have a set of goods satisfying a set of needs, which represents, in the author’s opinion, a theoretical evolution, as a portfolio of goods was not considered heterogeneous before. For Posvanc, the starting point is the subjective value theory that gives the portfolio of assets a heterogeneous character and respects the individual’s intertemporal preference. This leads us to the second goal, which is to modify the concept of subjective value over time in what the author calls “intersubjective evolutionary apriorism”. The concept brings the idea of using a contextual historical (or logical-historical) method to describe the evolution of past phenomena and, based on this subjective analysis, try to estimate what will happen under the same conditions. The importance of having an evolutionary approach is that it does not depend on empirical factors; that is, we do not need to collect data to use the model and make estimations. Thus, the author’s goal is to build a framework that can be useful in different circumstances.

1João Fernando holds a B.A. in Economics from the University of São Paulo, Brazil. Alumni of Mises Institute Brazil, has interest in the research areas of history of economic thought, entrepreneurship and economic methodology. E-mail: joaofernandomazzoni@gmail.com.

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The book is divided into three parts or chapters. The first part, entitled “Why Are We Economically Successful? The Theory of Economic Error and Learning”, deepens the concept of error as a rational act. Why do we make mistakes even acting rationally? If rationality has its flaws, how to correct them? Using as a starting point the analysis of the individual as a unit of action, the author bases his arguments on what he calls “Hayek-Pavlík’s Evolutionary Apriorism”. This framework considers evolutionary aspects and spontaneous orders proposed by F. A. Hayek and philosophical and historical considerations from Ján Pavlík, a Slovak philosopher.

- An (almost) organic system based on the semantic differentiation of the interrelated elements that form it; that is, the system cannot be perceived only as a sum of its parts, but as a functional organism, dependent on each of the parts;
- Reciprocity of system and parts, from lower to higher layers of the system. These layers represent phenomena and their complexity, that is, lower layers represent less complex phenomena, and upper layers, more complex phenomena.

Thus, this theoretical framework represents the evolutionary apriorism explained by the author throughout the first chapter. Finally, the author proposes a change in the subjective value theory, taking into account the intertemporality of individual choices, the choice of action plans, and the concept of error.

The second part of the book is “In Defense of the Invisible Hand Concept: Modification of the Austrian Theory of Equilibration and Social Ordering.” Here, the author criticizes the notion of static equilibrium, present in conventional economic models and even in models from other social sciences. The notion of equilibrium comes from the Walrasian tradition, and it justifies interventions by agents “external” to the reality represented in the models. Suppose there is a monopoly, and the cost, revenue, and profit curves are known. In that case, it is enough for the regulator to intervene and adjust the system to reach a Pareto equilibrium or, in specific cases of natural monopoly, to seek a second best. From an Austrian perspective, the author demonstrates that this previously presented notion of equilibrium fails to achieve its primary goal. In the author’s words, this formulation does not describe real, empirically observed phenomena. Posvanc introduces a dynamic equilibrium theory, using as the focal point of argument an individual’s basket of consumer goods, which represents individual preferences intertemporally, to arrive at an idea of equilibrium that does not necessarily involve individual choice and set of preferences at all times. Therefore, his argument takes into account some characteristics of the static equilibrium notion. At the same time, it gives praxeological protagonism to the individual to choose items for consumption. They are their total preference and serve to change their satisfaction to a higher level from the initial point without this bundle of goods. For that, the analysis must necessarily be done at the individual level and respect the subjective character of the choice. The chapter also addresses the “state of disequilibrium” and how economic systems converge towards an equilibrium but never achieve it, similarly to what Hayek calls “convergence to equilibrium” or “tendency to equilibrium”.
The last part of the book *The Problem of Indifference and Choice: An Answer to Nozick’s Challenge to Austrians* analyses the idea of indifference in the Austrian perspective compared to the neoclassical one, attempting to respond to Robert Nozick, who, in his 1977 article on methodology, stated that the law of decreasing marginal utility, a concept widely known in economic science, would only be valid in situations where indifference was present, a position Austrians reject. Posvanc addresses the historical context of this discussion and tries to respond to Nozick’s provocation through small changes in the subjective value theory, assuming that needs are satisfied through a basket of goods over time (note the praxeological character of the approach). The main point of Posvanc’s critique and his attempt to reformulate Nozick’s proposition is that the notion of indifference remains valid. However, he proposes to change the idea of strict preferences at the time of choice. Therefore, by breaking the concept of strict preferences, Posvanc tries to avoid problems of intransitivity in choices, considering the subjective nature of individual choice at different moments in time.

This book is not an easy read. Some background in economics is needed to understand its main concepts. However, it shows a continuous effort in the evolution of Austrian economics, dealing with themes common to neoclassicals and reformulating some of its assumptions. It is a small step on the knowledge frontier. However, it opens up many research fields for future intellectual endeavors in the consolidation of the theoretical body of the Austrian School and in its dialogue with other schools of thought, notably, the Neoclassicals.

### References


