Compared to most other economists, my George Mason University colleagues and I put more emphasis on books than articles. Tyler Cowen, one of my most accomplished colleagues, often describes GMU Economics as a “book department.”

This affection for books doesn’t mean that we ignore articles. Indeed, articles—and especially articles in academic journals—remain the chief venue for even GMU economists to publish their research.

I reflected recently on many of the articles that I’ve read in my career as an economist. Certainly a much higher percentage of articles than books are unmemorable. They are read and soon forgotten. (This disadvantage, of course, is offset somewhat by the fact that far less time is required to read an article than a book.) But my readings of a few articles do stand out in my memory as watershed intellectual experiences.

Above all, the article that has influenced me most—the article whose lessons are woven most fully into the fabric of my intellect—is F. A. Hayek’s classic 1945 article “The Use of Knowledge in Society.” This pulsar of economic insights was first published in the most prestigious of all economics journals, the American Economic Review; it has since been reprinted countless times.

Hayek explained in this article that market prices guide millions upon millions of individual property owners (including workers) to use their resources in ways that benefit others. This achievement of prices is, to use Hayek’s term, “marvelous.” How can it be that each one of millions of individuals knows how to act so that his actions are coordinated with the actions of all the rest and coordinated in way to produce widespread prosperity? Clearly, we don’t hold a giant, globe-spanning conference call each day and consciously plan out our economic activities for the next 24 hours.

Instead, each of us gets a good deal of continuing guidance simply by looking at the current pattern of prices. For example, consider vineyard owners in California. After the movie Sideways became a big hit, consumers wanted less merlot and more pinot noir. (A main character in the movie was a wine devotee with an outspoken disdain for merlot and a special affection for pinot noir.) Supermarkets and wine retailers soon found that they had unexpected unsold inventories of merlot while they were running out of pinot noir. These wine sellers lowered the prices they charged for merlot and raised the prices charged for pinot noir. This fall in the price of merlot, especially relative to the price of pinot noir, signaled vineyard owners to plant fewer merlot grapes and more pinot noir grapes. In this way—through prices adjusting to the facts of the market—producers learn what they should do to better meet consumer demands.

Another important article in my intellectual development is Ronald Coase’s 1946 essay “The Marginal Cost Controversy.” Published in the journal Economica, this article is a brilliant warning against the lure of taking textbook assumptions and conclusions too literally.

Marginal cost is the cost of supplying one additional unit of output—say, one more pound of apples or one more automobile. In most cases, marginal costs rise as firms increase the amounts they supply to consumers. But textbooks identify certain goods and services as ones whose supplies can be increased at zero cost. These textbooks also insist that economic efficiency requires that, in these circumstances, firms increase their supplies and charge consumers nothing for the additional output. Obviously, no private firm will do such a thing if its customers are willing to pay something for the extra output. So, many economists concluded, economic efficiency requires government intervention—say, to force the price down to zero or for government itself to supply such goods and services.

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The classic example of such a good is a bridge spanning a river. Once the bridge is built—and assuming that traffic on the bridge isn’t congested—the cost of letting an additional car cross the bridge is practically zero. But the private owner of the bridge will nevertheless charge positive prices to each vehicle seeking to use the bridge. Economists blinded by textbook simplicity took this fact as evidence that private ownership of bridges is inefficient unless these owners are prevented by government from charging for use of their bridges during nonpeak times.

Coase effectively shouted, “That’s absurd!” He rejected the convention of evaluating the appropriateness of prices based on the assumption that bridges already exist. Coase—having studied under Hayek at the London School of Economics—realized that the prices which bridge owners charge, even when their bridges aren’t congested, are the best source of information about the value of bridges. If textbook-economics advice were followed and all existing bridges forced to charge a zero price for their use during times of no traffic congestion, then there would be no price signals to tell entrepreneurs the value to consumers of having additional bridges built.

Coase’s article does not only vividly drive home the vital role that prices play in the market process. And it does not only explain the importance of always remembering that the market is indeed a process. In addition it shows how misguided even professional opinion can become and how this opinion can be successfully challenged by wise economists who aren’t afraid to question conventional doctrines. Coase challenged one of mainstream economics’ most cherished propositions—namely, that prices above marginal cost necessarily are inefficient and should, if possible, be corrected by government. And in doing so he made us all better economists.

**Spontaneous Order**

The final article I’ll describe is hardly an article at all. It’s a letter to the editor of the old, wonderful publication *Literature of Liberty*. After philosopher Norman Barry published a splendid article surveying the theory of spontaneous order, James Buchanan, in 1982, wrote a letter in response. The title of his letter speaks volumes: “Order Defined in the Process of Its Emergence.” And in only 536 words, Buchanan identified and conveyed clearly one of the deepest insights in the social sciences. This insight is that the social order we see around us is organic in every sense. The best summary I’ve read of Buchanan’s point is provided by Don Luskin:

Society does not exist in order to achieve some pre-determined outcome.

Markets do not exist as means to achieve some desirable pre-determined end any more than people do. They exist for their own sake and on their own terms. If it so happens that the pattern of results they produce mimics some result that you consider to be desirable, then, well, so what? If they didn’t, you couldn’t enforce the result you consider desirable anyway—because markets, ultimately, both deliver what is possible and determine what is possible by doing the delivering.

Society does not exist in order to achieve some predetermined outcome. A free society is a genuine discovery process, defining its contours, its abilities, and its limitations as it develops. Wider understanding of this truth would go a long way toward tempering the dangerous enthusiasm that many persons have for directing society from on high.