FIRST AND SECOND LECTURES[1]

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Purpose: study of institutional possibilities in pursuit of economic tasks. Today limited to the analysis of possibilities of central direction, in view of the tasks of a modern industrial system/production.

The result to be demonstrated: impotence of central technocratic control.

A number of problems arising from this relegated for later.

general order.

> Two kinds of order. 1) deliberate (machine, garden, company)
> 2) spontaneous (water in ...)
> Spontaneous ordering cannot be replaced by human agency.
> Spontaneous order can be delicate and complex.
> But no prejudice in favour of spontaneous order.
> There are appropriate occasions for either method, and very often
> spontaneous interaction absent or harmful.
> Or we have imperfections.
> But we must then put up with deficiencies.

human order.

> deliberate order: assign seats in a train, etc.
> full time; long period; complex and flexible task; requiring daily readjustment.
> one superior must be responsible for the group.
> authority of a chief executive must be paramount.
> span of control; reasons for its narrowness
> devolution; tiers of authority; pyramid
> description of hierarchic order; lines of command and report
> strategy all at the top.

limitations of corporate ordering

> task must have natural unity
> must be sub-divisible into such
> all capable of co-ordination from above.
> one-man jobs (poetry, painting, invention, discovery)
> large hierarchic organisations are loose aggregates.
> armies are also very loosely co-ordinated.

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[1] Box 31, Folder 14, Polanyi Papers, Department of Special Collections, University of Chicago Library.

First Lecture. 14th Oct. 1948.

First and Second Lecture

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in view of the tasks of a modern industrial system. (*production*
the result to be demonstrated: impotence of central technocratic
control.

a number of problems arising from this relegated for later.

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general order.

Two kinds of order 1) deliberate *machine, garden, company or parade*

2) spontaneous *water in jug*

Spontaneous ordering cannot be replaced by human agency

Spontaneous order can be delicate and complex.

But no prejudice in favour of spontaneous order

There are ~~Respective~~ appropriate occasions ~~of two~~ *for either* methods

And Very often spontaneous interaction absent or harmful

Or we have imperfections.

But we must then put up with deficiencies.

*

human order.

deliberate order: assign seats in a train, etc.

full time; long period; complex and flexible task; requiring daily
readjustment.

one superior must be responsible for the group.
authority of a chief executive must be ~~paramountxx~~ paramount

task of productive system defined (labour left out)

complex, requiring continuous re-adjustment

yet we shall prove that no corporate body can exist to do this for above conditions not fulfilled.

we shall compare the size of administrative task with measure of administrative capacity.

spontaneous order in society.

many unimportant cases

occasional and unessential mutual adjustments.

complex full-time mutual adjustments shall be studied.

digression: mutual adjustment exists within corporate order.

this should condition but must never determine action of subordinates.

we shall compare span of control of corporate and spontaneous order

result will be: latter far exceeds former

five football forwards; five sailors in a heavy sea

same number if adjustable relations

call f the adjustment of footballers (per min.)

call c the commands of captain (per min.)

number of relations adjusted f; c/5

f is larger than c; but this not decisive

let us extend the size of either system

corporate order: $p = 1 + 5 + 5^2 + ...5^{l-1}$ (p=persons, l =levels)

number of orders $(p-5^{l-1}).c$

number of relations adjusted per person:

$((p-5^{l-1}).c)/ (5^{l-1})$

only a little larger than c/5

spontaneous order: We retain f as rate of self-adjustment but number of relations of adjusted may go up

consumers of gas as example for this

organised publicity; another machinery for this purpose

public market; consumers adjust themselves mutually

saving a pound note effects general buying power

(scientists have similar interaction)

task of productive system involves polycentric mutual adjustment

rate of mutual adjustment (per centre) many thousand times f

final comparison of span of control in two types of order

single handed simultaneous operation of 1000s of levers impossible, if you insist on it you paralyse that you fail to govern

alternative reasoning

corporate order:

number of relations $r = 3 + 3^2 + 3^3 + ...^{3l-1}$

ultimate subordinates: $m=3^{l-1}$

$i = r/m = 3^{2-l} + 3^{3-l} + ...3^{l-l}$
$= (1/3)^{l-2} + (1/3)^{l-3} + ...1$

for l =2. i=1 and for l=∞ ;i=3/2

increase always negligible

the same true for rate of adjusted relations per person

spontaneous order: members in a circle

number of relations per member; m-1 (or (m-1)/2)

rate of adjustment per person; f (m-1)/2

third method

direct relations and grouped relations in corporate bodies

all relations direct in spontaneously ordered bodies

conclusion repeated third time.