

Spontaneous vs. Planned Order

1. Problem definition

Transition actualizes again the problem of organizing economic and total social life. Should its organization be based on rules and their evolution, or should a planned goal determine the organization? That is the question: is planned more important than spontaneous, or is it the opposite, i.e. is a spontaneous order more important than a planned order?² Anyway, there are two opposite philosophical ideas: constructivism and evolutionism.³

Applied to transition practice, this means: should we establish rules and make conditions for the encouragement of spontaneous processes, or should we define goals and then plan for their realization? According to the first case, the basis for transition is the market; in the second case the basis is state regulation. Which should we choose?

2. Hypothesis

Only considering general or overall conditions, which encourage the processes of a market transformation of society, can solve the problems arising in a transitional period. Starting the process is only possible with the establishment of common, understandable rules, which will lead to prosperity. Each fact has importance and validity only in the context of a specific order. If the order has been changed, then the meaning of certain facts has also been changed, which in turn means that facts do not have any particular real meaning that is directly available. The basis for everything is a spontaneous order, or the spontaneous coordination between the market and known coordination. During the transition period, all conditions for spontaneous order should be established, and the bases for it are private property and true democracy. Understandably, in all modern technological, economic and political structures, the spontaneous coordination of market evolution becomes part of the new conditions.

3. The definition's framework and its theoretical implications

To understand the idea of this paper, particularly important are the following definitions: Process, Adjustment and Self-regulation.

¹ Faculty of Economics, University of Montenegro, Podgorica
Institute for Strategic Studies and Prognoses, Podgorica

² See: More papers of F. Hayek, especially "The Road to Serfdom", London (1944)

³ Those two theories become different when rationalistic theory was born, especially theory of Rene Dekart and empirical school of David Hum

Process associates flow, continuance, and time dimension. It represents a dynamic aspect of reality. The purpose of process is time and it can be seen only by abstract thought. Process represents constant changes in any structure. Process is invisible but constant. Process is dynamic. It is opposite to ideas that reality understands as current pictures, movements of stock, continual and gradual changes from one condition to another. Process has an “Unlimited number of causes...” (Bergson). It means that opinion based on the logic of process is different than an opinion based on logic cause – consequence (“cut opinion”), or that a current condition is the result of a cause of some past condition. An approach like this abandons determinism (a mechanism of cause-consequence) and is based on principles of evolutionism and non-determinism.

Adjustment is a term related to Darwin’s evolutionary theory. Influence from outside is made indirectly, helping those representatives who are best adjusted to the environment in the evolutionary fight. As Bergson says: “Darwin’s idea of adjustment which is followed by the automatic destruction of unadjustment is a very simple and common idea”.⁴ But this definition of term adjustment (as the whole Darwin theory) does not satisfy current conditions. According to this theory, evolution is proof of reaching equilibrium, in which all organisms adjust to the environment in a more modern way. According to a modern understanding of equilibrium, evolution is the sending away from equilibrium through creativity and adjustment, through co-evolution organisms and environment. Self-regulation is the basis for evolution and not natural choice. It means that the term “adjustment” must be understood as the protection of proper interest, as development based on information and the exchange of information with the environment. “Whenever a system becomes unstable there are always two possible new structures of development. If a system is further from equilibrium, the number of possibilities for development will be greater. It is impossible to predict which of these possibilities will be chosen: there is absolute freedom of choice. When a system is closest to a critical point, it will make the decision where to go, and evolution will depend on that decision. This shows that evolution is open and indeterminate. In evolution there is not any goal or purpose, but it is still a recognizable method of development”⁵

Evolution is not the result of any causes from the outside; there is not anything which controls evolution. “Adjustment means response, not repeating” (Bergson). The emphasis is not on classical adjustment, but on activities, on abilities to solve problems. In the ability for problem solving we can recognize self-organization.

Self-organization is the internal power of the individual. It is the ability to respond and react to changed conditions, usually less simple than previous. Transmission from one condition to another is unpredictable, because a system can choose from several opportunities – degrees of freedom. So, self-organization is the ability for spontaneous change of structure. Self-regulated systems are complex systems, similar to them are the terms *chaos* and *synergy*. These systems have the form of a dissipative structure. These systems are dynamic, and the basis for that dynamism is their openness to the environment and the exchange of energy with the environment. Closed systems do not

⁴ Arni Bergson: “Creative evolution”, “Karijatide”, Zagreb, page 73

⁵ F. Kapra “Time for movements”, Zagreb, 1986., page 334

have that energy and exchange with the environment, and that is the reason why they failed.

4. Planned order

Is the planned order of development possible? Can we, according to any planned goal, define organization and all activities to achieve that goal? As a positive answer to this question, the theory, defined by Hayek and Misses as constructivism, was born. Constructivism is developed on rationality and Dekart's opinion that the human person is good and rational, and tradition and institutions make him different. He believes in sense, in the ability that a Great Mind can predict the future. The essence of Dekart's theory is that if the main attribute of human nature is rationality, then only those institutions that are the result of planned goals can survive. As a part of human nature there is, according to rationalists, one important attribute - to see the final and real truth. Dekart and Beckon said, "There is only one order in the world, absolutely true, fixed and forever. Then people, if their spirit is clear, with knowledge can predict everything". Laplas's thought presents this attitude: "Any mind which knows all powers in the Cosmos can summarize in only one equation the movements of all bodies and all atoms in the world, with the assumption that this mind is too strong to analyze every detail, for that mind everything will be understandable, clear and predictable, he could see future and past"⁶. Or, "we can imagine one point, one equation which would represent the whole world, one mathematical equation, with a deferential system of equation, from where we could extract one formula which describes one part of the world"⁷. This theory is the basis for a mechanistic approach to theory, but in this paper we will not discuss it. For the purpose of this paper, it is important to understand that a planned order is result of some outside, exogenous power. It is a construction, the result of someone's decision, someone's plan. According to this, there is always a builder of something.

Planned order, according to Lakicevic, has three main attributes:

1. Relatively simple order.
2. Concrete order can be simply described.
3. Order that is constructed to gain a specific purpose.

The main assumption of this order is that all information has to be known. In real life, we can find organizations like this one. For example: the army. But more complex systems cannot be deterministically defined. There are always some elements of coincidence, which destroyed a completely planned order. Rules in this order are only for the purpose of efficient coordination of individual actions, with a defined future goal, unique for all. Every single position of every individual is precisely defined. Everything is the same and anything is different. Authority controls those rules and their implementation. Authority has the power to make orders. Orders are not the same for everyone, they are addressed to someone, group or individual, and they depend on the position of the individual in the organization.

⁶ Taken from: Nevena Cesaric: "Phusicalism", Belgrade, 1984. pages 117-118

⁷ A. Bergson, same as previous, page 59.

On the idea of a planned order, socialism was born as well as a planned economy, or state-planned economy. The idea of a planned order is still very strong and is especially visible in a transition period, where people usually want to know what will happen in the future, or to establish a specific goal and define a method for its realization.

To make the final mark of a planned order, we must have in mind that something is predictable only if it usual, if it repeats itself several times. If that is true, what will happen with the time dimension? What is the time? Is time part of any structure, every system? Should any events that happened in the past be the same in the future, without any changes? If not, is it repeatable? If everything is predictable, then there is no time dimension. If everything is predictable, and if, according to Lajbncic, “all people realize one given program” what happens with unpredictability? If everything is predictable, with no inventions and creativity, time is sufficient.⁸ Answers to these questions are at the same time answers to the question whether socialism is possible, or was socialism a mistake? However we will not discuss these questions in this paper.

5. Spontaneous order

The human mind does not know everything. It is limited, even if science makes a person wiser every day. That is the reason why rationality is limited. According to the *Island School* (Hum, Smith, Ferguson), man is limited: limited in knowledge, perceptions and power. Man is under the power of passion and instinct, and also the brain. Adam Smith believed man is rather lazy, irresponsible and selfish, rather than smart and altruistic. Man’s reactions are usually led by his instincts and needs, rather than long term interests, especially if these goals and interests are so far away (as in communism). If this is true, then we have the question: can humans be rational? If yes, is this rationality the product of fear from strong authority, from a leader who predicts everyone’s actions, or is rationality the result of institutions and rules, which are created as result of communication and interaction among people? Experience has shown that imperfect individuals can create, in the long term, some institutions and rules that represent the basis for human actions. Social institutions are smarter than any individuals, because they can mobilize people, with the least power, towards rational actions so their actions can contribute to the public good.⁹

Therefore, communication among people is not the result only of the human mind, but also tradition and institutions (Hum). This social framework can influence people more efficiency than any mind. According to Hayek, many institutions which direct our actions are the result of tradition, habits and practice rather than the mind. “We live in a society where we are oriented towards good, our goals can be achieved successfully, and this is not the result of well-known goals, or knowledge of relations between tools and goals, but is the result of rules whose history or purpose we usually do not know”.¹⁰

⁸ Bergson, same as previous, page 60.

⁹ D. Lakicevic

¹⁰ D. Lakicevic

How were rules and institutions created? Did any person invent them? Did anyone invent money, market, law, freedom, and morals? According to the *Island School* of economic theory, which is followed by the *Austrian School* (Hayek, Mises, Menger, Popper) civilization is based on rules and institutions which are not the result of any planned action, but spontaneous processes inside them from which they took shape. “Man became a man without understanding how that happened” (Vico) Knowledge is the ability to react to new conditions (Hayek). Does man react according to his articulated knowledge or are his reactions the result of conventional knowledge (traditions, habits, morals). The learning of action is, according to Hayek, rather a cause than consequence of knowledge and sense. Man wasn’t born as wise, smart and rational; he must learn to be like that. “Our intellect created our morality; human interactions which are under morality’s governance provide development of our sense and all followed abilities. Man becomes intelligent because he has had tradition from where he learned. Tradition comes from reactions, not from a rationality to understand facts. Tradition has taught man what to do and what should be done under specific conditions.”¹¹ The result of this attitude is the fact that instinct is older than custom, and customs and tradition are older than reason. Customs and tradition are the result of cultural evolution, not any reasonable project. In our actions, we follow what we have learned, but usually we follow our instincts. However, very often we cannot explain our actions.

Spontaneous order is self-born order. It is born from power, an inside power, not outside. This order is dynamic and changeable. It has power of self-regulation. Elements inside of system adjust to each other without any enforcement. Spontaneous order makes determinism impossible. It is the result of creative evolution (Bergson). Spontaneous order and relations between the individuals constantly create new forms, new rules and institutions. Needs for creation (Maslow) of “Situation law” (Naisbit) are basis for human evolution and evolution of social institutions and their spontaneous development. Spontaneous order has internal, inside life and power. It is “process of learning based on mistakes made” (Popper)

Adjustment process of individuals to new circumstances has new rules and institutions as a result. We cannot estimate subjective knowledge of any individual. It is always unknown and source of many events.

Rules in spontaneous order are equal for everyone. Those rules are common, abstract, undressed. If order is more developed, rules are more common. Basic principles of spontaneous order are:

1. Complex order is beyond human intellect. Order is consisted of more facts and information than any human mind can collect;
2. Spontaneous order is abstract order, no visible or concrete;
3. Spontaneous order doesn’t correspond to any goal planned. There is invisible network of rules. All individuals respect rules and they can survive respecting those rules.

¹¹ According to M. Damjanovic, same as before, page 64.

6. Possibilities and limits of co-existence between planned coordination and spontaneous order of market

In developed societies both orders are present: spontaneous and planned. It means they don't eliminate each other. But, they are connected. There is no conflict between them except if basic characteristics are transmitted to the other one, or become applied into area of other one.

Planned coordination is applicable in different organizations: factories, administration, hospitals, and army, police. As a rule, those organizations have already defined goals. For example: production of equipment. Constructor has a small number of changeable variables, so he can predict whole process. He has total control. There is nothing unpredictable. It is similar situation as in army. If army has to control one territory, they have precise goal, so they can plan their actions. In spontaneous order, some elements can be easily influenced, but total result will be defined by lot of reasons, which are uncontrollable, which cannot be predicted, so we cannot influence them. Level of control in spontaneous order is really small.

If we apply principles of spontaneous order in some organizations result will be total anarchy and lower efficiency. Also, if we apply some elements of planned order into spontaneous order, result will be disaster. If we do that, self-regulation of spontaneous order will be destroyed. Tendencies to plan spontaneous actions destroy spontaneous order and system is in chaos.

Relation between spontaneous and planned order depends from type of society.

Following Popper's logic of open and closed society, Hayek says about Grate society and concrete community. According to him, modern society can survive only if each individual has freedom to realize it's own goals and tendencies. Individual freedom is limited by common goals. So if we have common goals, individual freedom is limited.

How public goals make individual's freedom limited?

Closed group has common goal, which is unique for everyone. Every individual has to contribute to the common goal. His obligation is a result of group's consensus. Alternative to common goal isn't allowed. Common interest is beyond individual. Belongings to the group are really high, as well as the principals of egalitarianism, orders and obedience. Competition doesn't provide difference in the success and material wealth. Common goals make society organized as factory, as planned order.

Further development asked for openings of the groups. Base for openness is lower individual dependence on group; opportunity for individual to follow proper goals and freely communicates with other. As a result of this, personal relations are lost, and abstract order is born. Different type of relations is formed. Trade and development of cities contributed significantly to the development of this phase.¹²

¹² According to Hayek, this kind of exchange is called "katalaxy"

Common goal dies with creation of the open society. It is divided into millions individual goals, which don't eliminate each other, but coordinate and adjust to each other. Also, trade is not enforced; it is the result of individual needs and interests.

So, spontaneous order is immanent to open society. Or, in open society, common goal is not necessary. Common wealth in open society is possibility for all to gain their own goals. It is different from common goal in planned order. But development of spontaneous order and open society requires common rules. Market rules define basic conditions for economic activities, under which individual can win or lose. Market rules are completely independent and they don't favorite anyone.

7. Property, Order, Freedom

Free exchange was born when one side started to respect property of the other one. Or, spontaneous order means existence of decentralized, private ownership. History of our civilization approves it. It has become in Mediterranean environment. Why at Mediterranean? Because it was the first area where man could have own property, own land and can govern his own income. That influenced development of trade network. Greek-Romanian world was world of private property, world of trade and production.¹³

Spontaneous order could be created only on basis of property rights. Individual property is basis for individual moral. "No one doesn't have right to attack private property and than to tell he respect civilization. History of those two things is undividable" (Henri Main). Old Greeks were the first nation which understood that private property is strongly connected with individual freedom.

Constitution's creators of old Knit said freedom is the greatest value of one state and property should belong only to those who make it, but in slaveholder everything belonged to power holders".

Truly, in old Greece there were some different views on property. Spartanians, as fighters, didn't admit private property and they didn't stop any kind of steal. In work of Platoon and Aristotle we can find return to Spartanians tradition, based on faith into unlimited power and governance.

Romans, as protectors of state, first developed private property and private ownership rights. Private ownership rights from Rome, during the period of Senate governance had trading interests. Romans imperial was destroyed when administration got the power and prevailed over private property. According to Hayek, we still don't have any government, which, as primary goal, has protection of private property. That evolutionary growth of strong government, which at the end shows tendency to limit freedom of the other to protect its own interests and ideas, don't allowed evolutionary development of institutions.¹⁴

¹³ According to D. Lakicevic

¹⁴ Hayek: "Was socialism an mistake?", part of book of D. Lakicevic

Example of Egypt represents this. Egypt prospered during the period of private property but failed with state socialism.

Recovering process of European civilization started with recovering of private property. Modern industrialism was developed only in those states, which encouraged private property (Italy, England), but not in those with central, strong government. Private property was basis for Hayek's spontaneous order.

Hum and Lock also insisted on theses that private property influenced new born of civilization. Without property there is no justice. According to Smith, natural right of man is to have his own property and to sell products of his own efforts¹⁵. Adam Ferguson said: "Barbarian is a person who doesn't respect property". Dirket said: "Private property is saint thing".¹⁶

Institutions of property are not perfect, even today. Cultural evolution has to continue to improve those institutions.¹⁷

But, on the other side there are some opinions that private property is not so important. They were born in old Sparta. Platoon and Aristotle continued to develop this theory. Rene Dekart believed that pure mind can help people to gain their goals and can build new system, new moral. Even Karl Popper proved no validity of this theory. It still dominates in the minds of some scientists. Russo also believed that spontaneous order is negative and says: "Man was born free, but in his life he is everywhere limited". He believes in common willingness of nations, and believes natural instincts should lead world.

According to Prudon, property is the same as stealing. Marks believed property means inequality, exploitation. Socialists and communists also were against of private property.

All those opinion influenced prohibited analyzing of property. It looks normal, because he is, according to Hayek, slave of engineering - idea that people can chose their own way.

As a result of this attitude, people became in favor of central planning system and planned coordination and order.

So, historically, there are two directions of understanding planned and spontaneous order. According to the first one (liberalism) property is one of the most important institutions, and spontaneous order is possible only with the existance of the private property. It is evolutionary approach. The other one (constructivism) believes private property is

¹⁵ Adam Smith: "Wealth of Nations", Belgrade, 1972.

¹⁶ E. Dirkem: "Social work sharing", Belgrade, 1973.

¹⁷ Steve Pejovich: "The Economies of Property Rights", 1990.; Ljubomir Madzar: "Property and reform", Belgrade, 1995.

negative, and believes in importance of plan and common sense. Socialism was created based on this approach.

Is destroy of socialism enough argument to influence fail of constructivism and encourage evolutionism?

8. Transition-transformation from planned to spontaneous order

Transition is very often word in everyday speech. But, understanding of that word is not always the same. Mechanistic approach dominates: transformation from current condition to another, better one. Term transition associate to physical transformation, physical change of position (cross over the bridge). This term is more concrete, more visible, especially for mental construction. This understanding of term has not influence on type of action, which will be done. There is always solution for the crisis. It is enough to decide which solution we have and problem is to select (chose) one of them. Than, to reduce some parts of solution. For example: to change some law, to provide international loans. So, this approach means domination of planed coordination.

According to my opinion, transition is period of development when all economic, political and cultural structures of society have to be changed; change of individual way of thinking, transformation of a current society into society with more economic and political freedom.

Transition isn't concrete choice of any social group. It is necessity, which is caused by economic crisis. It is spontaneous reaction of population on existential problems and power of leading group. It is result of socialism. That fact is usually forgotten; so planed coordination is still in use for solving those problems. Probably, those problems can be solved by planed coordination, which caused problems. But, planed coordination cannot start serious changes.

Very often, western advisers claim that, when they advice Eastern economist, they should tell them to read works of Hayek, Misses, Popper, Le Bon and others that proved that collectivistic idea will fail. I strongly believe in ideas of those thinkers, so I want to present shortly their attitudes.¹⁸

Popper rejects historically necessity of planed order, or communism. Historically necessity of planed order is a result of scientist discovering of historian laws of human development. If laws of development are already discovered, than we can predict future. Those laws are result of the human intelligence. But, Popper said, we are not able to predict future and future human knowledge, so we cannot predict laws of future social development. Instead of certainty, we have uncertainty, because human spirit cannot predict proper development.

But, planed order is based on beliefs that future is already predicted and man can plan his action. According to Marks, economy can be organized with principle of planed

¹⁸ F. Hayek: "Rules and Order", page 8.

coordination without spontaneous order where market is the basic element. Socialistic economy is defined as a war economy, without market, with the central planned regulatory mechanism of economic activities established to satisfy common goals. Introduction of socialism meant:

1. Creation of state and loss of private property
2. Total plan for economic activities

Individual and individual interests were lost, and transformed into collective, common goal.

Main opponents to this idea, Hayek and Misses said that it is impossible to proceed rational planning in non-goods economy. Collective property will enforce civilization regress, slaver hood.¹⁹ Planed coordination will, cause closed order, with huge birocracy.

We have to know prices in order to plan. They are the basis! But, without market we don't have prices. Only market prices can provide rational calculation. Value is not objective attitude but it is the result of free choice of individuals and consumers. Under planed coordination rational choice cannot be provided. Can we provide that today? What does it means that prices are predicted? Can we, in quazimarket conditions, as our is, have prices which will be used for rational planning and investments of entrepreneurs? Are goals of policymakers in terms of necessity of new capital and investments in collision with high degree of planed coordination?

Through prices, entrepreneur indirectly finds out about needs of consumers for his products and services. The Plan gives that information in command economy. But, is it possible to predict all needs, their intensiveness and relation? Planner, in the best case has a technical data, technical normative, but not its economic valorization - prices. That is why planning has always been more or less precise guessing or "correct sum of wrong numbers".

Order of conscious coordination, respectively socialistic economy functions at directives, commands "from outside". Economic basis is at the same way specified form outside (loan, gearing, nationalization, high taxes to no socialistic sector, distortion of national wealth etc). That completely limits the freedom of the individual and enterprises and takes out the possibility of adjusting and self-regulation. They do not have freedom that entrepreneur has in the capitalism. The constant changes of laws, decrees, putting the census, contingents etc. are reaction of the state at real problems. That brings in uncertainty, and influence the system of valuation of enterprise and behavior of enterprise. Enterprise, that is formally free, constantly seeks "protection" of state: initiate protectionist measures, asks for subventions, higher prices, different compensations. The architecture of relations - enterprise and state is becoming stronger and stringer, and with that the chance to do a business outside of hug of state smaller and smaller.

¹⁹ F. Hayek: "Road to serfdom", 1994. and Hayek: "SERFDOM, revisited", 1984, and papers from Mont Pelerin Society meetings

Social justice is stressed as a great advantage of conscious coordination over spontaneous order. But, under sheet of principles of social justice the special kind of state interventionism is done - arbitrary redistribution of income. It leads to greater non-justice. In trying to provide the social security to all, no meter whether they have chance to earn income or not, the state with different measure punishes the successful, takes from them for benefit of inefficient. This redistribution is not stimulating and does not motivate the entrepreneurs.

Shortly, at the beginning of this century the famous philosophers point out that systems based at collective property does not enable efficient business. The practice has showed that they were right. But, socialistic idea is tough. That shows our reality. Beside theoretical elaborations of happenings in our country and in other countries in Eastern Europe, the "invaluable " values of socialistic society are pointed out, which are based at social property as solidarity, altruism, democracy, security of employment, housing, nutrition, education, social protection.

But, early criticism point out that socialism is closed society, so necessarily static, and there is no institution and mechanisms which would guarantee the realization of stated values. Hayek sets question: does collective property provide that all individuals decide on general objective. Plan understands one set range of objectives, which does not have to be desirable for all. Here comes the conflict. Authority - the small group at the top of pyramid of politic power provides the solution for the conflict. Formally, these decisions are brought in democratic procedure, in parliaments as place of general will of people. But, this is the only democracy. Essentially it is command - governing plan of social processes that is based on the special kind of rationalism, which is essentially different from rationalism based at profit.

We can conclude that transition period needs mental and motivational reconstruction of society. Those changes are very sensitive and they should be preceded in a specific environment. I would agree with Lazic that amortized equipment, undevelopment economy is not the biggest obstacle. Human material is the greatest obstacle, or in other words, system of values, interests structure of all individuals, habits and all those things built in system, which don't have any serious connection with real market and democratic society.²⁰

Main obstacle for opening the process, which will lead to higher spontaneous, openness, and self-regulation is fact that there is one interest group which is strong connected and against transition from planed to spontaneous order. Actually, socialism failed not because it couldn't accept spontaneous order, but because it couldn't survive in competitive environment. Empty space was filed with old nomenclature, represents from older parties, which, with some correction, continue to apply planed coordination. They stopped privatization process, established management board in the state companies which are not transformed, and thought their representatives, governed the state property. If reforms start, total control from international institutions will start and this make them against the reform, because they are afraid for their own positions. Current position

²⁰ Mladen Lazic: "Potential of Social Groups", Belgrade, 1996.

provides them security. Claiming that their own interests are common, they introduce planned order again. Without democratic institutions and bad understanding of democracy, planned order can be applied for the long period of time in future. Period of transition will represent transition from one-dimensional monopoly to multidimensional monopoly, from political to political and economic monopoly, rather than transition from planned to spontaneous order.

9. Instead of conclusion: Fast privatization, spontaneous order and democratic institutions

To initiate changes with respecting spontaneous order, we have to define economy on different way. According to Smith, economy is not just an entirety with specific goal or purpose. Economy is defined by structure, rules and institutions, which provide and limit individual choice.²¹ In the framework of those rules individual is free to decide whatever combination he will apply. From this point of view, all reforms that promote common, national goals are absurd. Also, paroles that economy will prosper if it is govern by political goals are also absurd.

Principle of spontaneous coordination of market is the key principle of the economy. It is based on individual and his interest. Often heard sentence from Smith's "Wealth of the Nation..." is that butcher will not sell you meet for diner because he likes you or he is your friend, but because he has interest to sell you the meet. The basis for individual freedom and spontaneous order is private property. Private property builds mechanism of free and markets trade and present base for spontaneous coordination. That is the reason why privatization is a goal. Privatization should create institutional environment for openness of spontaneous coordination processes and openness of society. It should provide democratization so that all citizens get part of the current state property. Spontaneous coordination can provide optimal allocation of the resources.

Principle of spontaneous order is applied on the legal area. It is government of abstract principles. According to liberal concept, individual freedom has to be protected, but also those rights cannot be dangerous for rights of other individuals. Only spontaneously created laws can provide individual freedoms, but not those laws which are created to gain specific goal.²² Rights governance doesn't provide claims of free society, because some political authority can create law and realized it trough different mechanism. Spontaneous order needs clear understanding of democracy. Is democracy governance of majority? If these beliefs are still present, we can still expect politically influenced interference in markets exchange. According to Buchanan, unless we limit constitutional limitation on possibility to majority interfere in economy, we could not stop necessity for constant economic reforms, defined us restriction of previous interventions.

Constant repeats of those same or similar mistakes and facts that every future reform will make situation worthless is the results of planned order. Learning on mistakes, is basis of spontaneous order and secret of development.

²¹ Miroslav Prokopijevic: "System of natural liberty – Thought of Adam Smit", Belgrade, 1996.

²² F. Hayek: "Law, Legislation and Liberty", I, II, III, London, 1973., 1976, 1979.