

The Market Has Never Spoken Because It's Always Speaking

Sometimes people think they know the future because of the present. "The price of X is higher than the price of Y, so X is more useful than Y".

This is a mistake. But it's easy to get sucked into.

Markets are incredible, wonderful things sending signals and incentives all across the globe and allocating resources always towards their highest valued use. Prices are the tool that reflect this and help us see and calculate. But the important word to hang onto in the above description is *towards*.

The freer the market, the better and faster resources move *towards* their highest valued use. But they never arrive there, because there is no such thing as "there". We don't know and can't know what the highest valued use of a resource is, we can only see how people subjectively value it relative to the other alternatives at any given time. Alternatives change. Preferences change. And a whole lot of other things change all the time. They are never not changing. So resources are constantly seeking out higher valued uses in every moment, but never arriving.

The more you know about markets, the easier it is to fall into the trap of thinking that they have already found the best use of resources. They work wonders and if you have seen the process and understand it, you can have great confidence that it will do a better job than any other process or individual mind at continuing to maximize resources and create wealth at scale. But this does not mean at any given time every single resource is being used in a way that could not be improved upon.

To say no innovation is possible sounds dumb on its face. Yet it's the implied conclusion many reach after getting a little too wrapped up in seeing how the market as a whole operates so incredibly. They lose the plot. The market is never efficient; in fact it only continues to move ahead because inefficiencies never go away so innovation and arbitrage continually happen. But the market is the most efficient process possible.

The market does not reduce surprises, it increases them. One of the things that make markets so superior to central planning is that they allow for and reward totally unlikely advances no one could've imagined. Accidents can become innovations. Knowing this, you've got to be wary of believing the market has spoken. It's always speaking and never perfectly communicating what it's trying to say.

The process is the thing, not the particulars produced by it at any given point.