

This document is a follow up to [my "Austrian Vices" post](#) and the criticisms. I think that engaging serious criticism is a demand of ethical discourse. However, you can't reply to everyone. I ignore people who do not give what appears to be a real name. (In fact, I never read such comments.)

"Adam" did not give his full name, but I understand it is Adam the Austrian GMU grad student, I don't know his last name.

BTW, Adam once stepped into my office and noted that Adam Smith is rather weak in highlighting entrepreneurial vision and creativity as a driving force in the economy, and I have to concede the point (though Smith did highlight the continual urge to better one's condition). However, I think you can make a strong case, nonetheless, that Smith is very strong on the matter of knowledge's richness, stronger than Menger, Mises and Rothbard, who were too devoted to the "pure logic of choice." Also, I think you can to some extent pardon Smith on this matter, for reasons I won't go into here.

Anyway, here are some replies:

#### On "eq" talk

I said that one shouldn't speak of equilibrium and its cognate without reference to a reasonably clearly defined model. Charles N Steele said "it's quite unclear what [Klein] means." As I think this is quite important in the contest between the [Smith-Hayek identity](#) (which I favor) and the Austrian identity (which I urge young classical liberal economists to resist), let me elaborate. Kirzner and many of the SDAE economists have written a great deal about "eq" without reference to any particular model. Sometimes, in Kirzner for example, it is fairly clearly that he is talking around a standard supply and demand model, or perhaps a simple "law of one price" model with some of the standard assumptions (though not all). But Kirzner and the others recklessly step beyond that or any other particular model and just start talking about "eq" in general. I see this as the misguided urge to paint a picture of how the economy out there really works—what I dub the error of "depiction." Kirzner effectively equates "equilibrium/equilibration" with "coordination." My [take](#) on extensive coordination—which I think is the route to clarifying and salvaging what is good in Kirzner's "coord" talk—is unrelated to any notion of equilibrium. To some extent, I think that the reckless "eq" talk in Austrian economics is a kind of anachronism. It proceeds as if there is "a neoclassical theory" of how the market works, a doctrine. In fact, the idea of a neoclassical doctrine is utterly outdated. When I was at NYU I studied game theory pretty seriously, and I think my view is current and mature: equilibrium is simply a solution or "story resolution" to whatever model you happen to be telling. Without reference to a reasonably well defined model, "eq" talk is just nonsensical. Put differently, any series of actions can alternatively be described as eq or diseq depending on the model you are using as a lens, and there is no definitive lens to use. The appropriateness depends on the discourse situation. People are always going to move on new and better interpretations, and in

view of the new and better interpretations to come, certain actions that might be called “eq” in one frame will be “diseq” in another. I find the talk of “eq” or “diseq” without reference to a specific model to be jejune. I know this statement is painful to many Austrians, because so many have waded so deeply in the error.

### On the larger purpose

I had suggested that the larger purpose is to criticize the scientific pretensions of interventionist economics, not to erect a scientific foundation for laissez-faire economics. Adam commented that, rather, he views the larger purpose to be truth-seeking. Charles N. Steele commented that the larger purpose is to better understand the world.

Now, I like truth and understanding as much as the next guy. But those are kinda platitudinous, and we might as well cut to the chase and talk directly about ways of serving those goals. My view is that there are certain broad verities that are central to superior economic discourse—“verities” meaning “by and large” statements that can and should give us certain presumptions about where the burden of proof should lie. Some of these verities resemble Menger/Mises/Rothbard/Kirzner type axioms, but the Smith-Hayek view does not regard them as axioms and does not even pretend to proceed by logical deduction. Also, many of those verities about human action are commonplaces that do not really do anything so special for us (as Leeson [noted](#) about mere “subjectivism,” for example). For me, some of the verities directly involve the distinction between voluntary and coercive action. For me, the central statement in the Quinean “field of force” of the Smith-Hayek worldview is that, by and large, in the choice between two policy reforms, the more-liberty reform is more desirable—a statement I call “the liberty maxim”. I see this as Smith’s central theme (and it authorizes the presumption of liberty). So there is some affinity between this vision and Mises/Rothbard/Kirzner’s supposed edifice, but it differs in two important respects: (1) the set of verities, and (2) the nature of the whole web/field/constellation of statements. In the M/R/K worldview, one supposedly starts with essential truths and deduces the remaining body of knowledge from there, as well as doing some history in light of the logic. For Smith-Hayek, rather, in the Quinean vein, one comes to sense a whole loose constellation of statements, “by and large” type statements, that hang together as a “field of force”, and one chooses the constellation as a whole, as opposed to vying constellations. Again, I see the liberty maxim as one of central statements of the Smith-Hayek field. It’s relation to the other statements in the field, such as “non-wage job attributes tend to get altered adversely for minimum wage workers when the minimum wage goes up”, is neither a premise nor an inference. The statements come as a package, a constellation, and you are choosing the whole relative to other whole constellations. If you ask me upon what basis one chooses one constellation over another, I have no simple answer, just as I have no simple answer, no aesthetic algorithm, for saying why I choose Led Zeppelin over Aerosmith. Any answer I give can be met with the demand: “But what is the basis for that?” It’s turtles all the way down. Get used to it. Basically, we have living to get on with. The pitch is racing to the plate, and we just have to cut it off at a practical point and get on with it. Worrying too much about the deeper ends you tend

to be called out on strikes. (This might be what [Leeson](#) means by “sticking a fork in the philosophy talk”.)

Now, the verities are one thing. It is nice to think you can refine or improve some of the central verities. I vainly try myself. But basically [Leeson](#) is right—don’t think you are going to add much to what Hume, Smith, the American founders, Say, de Tracy, Bastiat, Spencer, Molinari, Sumner, Menger, Bohm-B, Mises, Cannan, Polanyi, Mencken, Hayek, Friedman, Rothbard, Buchanan, Tullock, Epstein, etc. etc. have bequeathed. Rather, do econ history, econ history, transportation econ, health econ, etc. etc. to get on in Economics and, if you want Adam Smith’s love, flesh out and strengthen some of the more peripheral statements in the field of force. Example from my career: Adrian Moore, Binyam Reja, and I took basic verities about property rights, motivation, and knowledge and applied them to street-based urban transit, explaining how congregation/staging areas (that is, bus stops and bus stations) are an important and overlooked part of the transportation system, and need to be propertized. It was just good transportation economics. It didn’t add anything to the more central verities, except that it thickens and strengthens the general field of force between them and the stuff we said about urban transit. It helps to show the “pudding” in the Smith-Hayek pie.

Our “[curb rights](#)” lens does explain numerous historic and reoccurring episodes in urban transit. But such understanding in and of itself is only a part of the motivation and purpose. I would say it is not the larger purpose. Rather, the larger purpose (beyond the careerist agendas of the authors) is criticism of the statist policy arrangement and the strengthening of the Smith-Hayek field. In doing econ hist, econ policy, etc., what Smith-Hayek economists are saying most the time is that the particular statist arrangements investigated suck relative to freer/more private arrangements. They are criticizing intervention economics and, thereby, any scientific pretensions thereof. Other than *Freeman*-esque homiletics, appreciation of the verities, we do not paint a picture of the laissez-faire economy. Indeed, cardinal verities involve the unknowableness of the economy.

The verities-ancillary constellation is probably the best way to “understand the world” or focus on the important verities. In other words, I think I’ve got “truth” and “understanding” covered. I don’t think the supposed Austrian edifice really delivers truths and understanding that Smith-Hayek doesn’t, and it might deliver some inferior beliefs.

### On the Genealogy of “Austrian” Economics

I had written:

“Bear in mind and be more upfront about the fact that the vision of an ‘Austrian’ identity was never that of anyone from Austria. It is the vision of Rothbard, Kirzner, and their followers.”

Charles N. Steele challenges back:

“Lewis Haney's ancient (1920s) History of Thought text has whole chapter on the Austrian school that makes it clear there was a subjectivist, equilibrationist, capital heterogeneitist school long before Rothbard & Kirzner. I've heard elsewhere this idea that some students of Mises invented the Austrian school -- the idea is simply wrong.”

I looked back at the Haney textbook. I think my point stands fine.

Treatments like Haney's of Menger/Wieser/B-B are about the development of marginalism, imputation, and interest, and speak of those economists from Austria as a subsection of a chapter of economic thought (and, btw, Haney starts the subsection by noting that subjective value was pervasive prior to Menger). What Haney discusses bears little resemblance to **the vision of an “Austrian” identity** as we understand that today. In fact, both Mises and Hayek are on record against the idea of an “Austrian” identity. Indeed, in as much as Mises and Rothbard believe that Austrian essentialism leads to important truths about the consequences of comparative institutional arrangements, they would need to throw Wieser out of the club, and acknowledge that Menger failed to develop those important implications (his Prince Rudolph instruction notwithstanding).

Reference:

Quine, Willard van Orman. 1961. Two Dogmas of Empiricism. In Quine's *From a Logical Point of View*. 2<sup>nd</sup> ed. Cambridge: Harvard University Press: 20-46.