

Mercatus session on the Austrian Project, 12:30 – 2:00 Wednesday March 28

With opening remarks by Dan Klein and commentary by Deirdre McCloskey, Peter Boettke, Karen Vaughn, Lawrence H. White, Virgil Storr, and others.

A Youtube video is avail here:

<http://www.youtube.com/watch?v=bxyKUaVQvFQ>

Dan Klein's opening remarks:

I'm very grateful to Pete, Claire, and Mercatus for arranging this session, to Deirdre for being here and participating, and to all of you for coming out and participating.

Here I address a concern of classical liberals, namely the identifiers that best advance liberalism. I speak as a classical liberal, addressing fellow liberals.

We do not want to promote an identifier that points especially to Ludwig von Mises and Murray Rothbard. The chief problem is not that the uninitiated will find them too radical or too challenging. The chief problem is that the distinctive thing about them is not worthwhile. They were archly modernist and foundationalist, just not in a mathematical way. If what is distinctive to Mises and Rothbard – namely, the talk of praxeology, axioms, categorical deduction, and the whole image of science – is the quintessence of Austrianism, then we should reject Austrianism because we should reject that quintessence.

The modernist attitudes of Mises and Rothbard go with their dissatisfying rhetoric. Their thinking and rhetoric are often irresponsible. In the handout I list characteristics of a crank, as well as of a responsible author. I find items in the first set occurring much too often in the writings of Mises and Rothbard.

Rothbard's foundationalism in economics parallels his foundationalism in political ethics. There too he touted axioms and formulaic deductions. That too is something we do not want to point to.

My admiration for Mises and Rothbard is high indeed. Likewise, my admiration for Israel Kirzner, who I think deserves a Nobel prize. And similarly my great esteem and affection for leaders such as Peter Boettke and Steven Horwitz. It has been with much heartache that I have criticized the promulgation of an Austrian identity by such teachers, friends, and colleagues.

Young people who are awakened to the remarkable analytic fulcrum of liberty are often easily led into thinking they have found an unfailing formula for political economy. Rothbard openly declares a scientific foundation in voluntary action. Young readers are sometimes flattered that they have gotten the handle of true economic science, and they find in Austrianism a set of focal points for intellectual and ideological community. Often they take to the associated image of science, and at age 21 think themselves terribly wise.

Meanwhile, at the other end of the production process, we sometimes find elderly donors who are steeped in postwar narratives about the battle of ideas, and who identify good economics as “Austrian economics”. Thus we have an ecosystem of youngsters who want to be reassured that their libertarianism is scientific, and of elderly donors providing resources for doing just that.

The outlook of Mises and Rothbard has a millennialist or “Holy Grail” aspect – as though the right picture of reality is there for the taking, and we just have to get people to see it, and we can one day make that happen and the tide will turn permanently toward liberty. Rothbard and his followers have sometimes even articulated such a vision of libertarian transformation. Individuals anxious about transformation in their lifetime are prone to believe in Holy Grails.

I am keen on liberty as a central principle and analytic fulcrum, and I depend deeply on the communities organized around such focal points. But I think the sacred things of liberalism are better served by Adam Smith and his community. Smith’s tradition allowed principles to admit of exceptions and yet still be principles. David Hume and Adam Smith belonged to a tradition that formulated things in terms of by-and-larges and associated presumptions – much like the presumption of innocence. Hume and Smith were greater thinkers than Mises and

Rothbard. Also, they were exemplary personages. Liberalism does well to point to them. They are the paramount figures of the original arc of liberalism, and it is important to interpret the present in terms of a narrative that goes back to the 18th century, at least.

As for Hayek, he is my favorite of the twentieth century. But is being Hayekian usefully termed being Austrian? I say no. Contrary to Pete's saying, the best reading of Hayek is not a Misesian one. Although the connections between Hayek and Mises are many and profound, I say that, at the end of the day, Hayek is closer to Hume and Smith than he is to Mises. Hayek had many deep affinities to the pragmatism of Hume and Smith, as opposed to the rationalism and foundationalism of Mises and Rothbard.

Hume, Smith, and Hayek understood that humans may have preferences for statism, that there might be natural, legitimate human values that are better served by statism than by liberty. Like Hume and Smith, Hayek rejected Holy Grails.

But a fancy for Smith and Hume is not crucial. We should be about a tradition of liberal thinking that starts, not in 1871, but much earlier, and is much broader than the territory of Austria. On this outlook, Mises and Rothbard are but two of many figures. When they are put alongside Hume, Smith, Turgot, Say, Bastiat, Spencer, Sumner, Cannan, Michael Polanyi, Lon Fuller, Friedman, Peter Bauer, Julian Simon, Coase, Buchanan, Tullock, Alchian, and so on, and down to Deirdre and the many vibrant liberal economists working today, we find rich differentiation, all within a broad train that Pete might call mainline liberal economics.

At one time Pete had argued that the hallmark of Austrian economics was its appreciation of the richness of knowledge. I reject the delineating of an Austrian economics in such fashion. Such a marker makes sense neither for an approach to economics, nor for a field of economics, like say health or transportation economics. Moreover, there is a problem of fit, both in the sense that other rich-knowledge economists like Smith and Polanyi did not hail from Austria, and in the sense that Menger, Wieser, Bohm-Bawerk, Mises, and Rothbard are not in fact so especially strong on the richness of knowledge.

Besides Rothbard's project of an Austrian economics centered on Mises and himself, the other great Austrian projector has been Israel Kirzner. There is a real tradition running from Menger to Hayek, of course, but I am dissatisfied with Kirzner's projection. Kirzner has elaborated an Austrianism that is supposedly highly congruent with both Mises and Hayek. I find Kirzner's elaborations to be abstruse and troubled. In my book, I follow Kirzner's formulation of entrepreneurship in terms of the discovery of opportunity, and I affirm that entrepreneurship tends to be coordinative, but there are many problems in the package that Kirzner puts together. I argue – sometimes with coauthor Jason Briggeman – that Kirzner has clung too much to a Misesian image of science that feels impelled to make claims categorical or 100%, claims that should be only presumptive or “by and large” – or what Deirdre, Arjo Klammer, and Steve Ziliak would call enthymemes. Kirzner has claimed, for example, that entrepreneurial gain is *always* coordinative, that it *always* implies preceding error, and that entrepreneurial alertness is the *only* coordinative force. Also he says that coordination makes no recourse to social aggregation.

As I see it, Kirzner ends up with a notion of coordination that does not cohere, and he falls into inconsistency and shifting about. I think that in my more Smithian treatment of discovery and coordination we come to cleaner understandings of the valuable liberal drift, based on sensible contextualized benchmarks for such things as entrepreneurial discovery and error. I think Kirzner has made great contributions, but again I see him as another great in the train of liberal economics.

To sum up, I do not see that there is anything that is both worth embracing and that makes for a real distinctiveness that is sensibly termed “Austrian.” What is really at the center of the liberal outlook is the liberty maxim, and it is situated among other central teachings of rich and diverse nature, with no definitive formulation or configuration. Let's point people to the tree trunk of liberalism, not merely certain branches that had not even gotten started by the time that the trunk had grown mature, sprouted liberal culture, and changed the world.

Klein's works that relate to his critique of the Austrian project:

Knowledge and Coordination: A Liberal Interpretation (Oxford University Press, 2012), chs. 3, 4, 5, 6, 7, 9, 14, 15, 16. (chapter 16 is based closely on Klein & Briggeman's critique of Kirzner in the *Journal of Private Enterprise*, 2010).

Competition as a Discovery Procedure: A Reply to Professor Kirzner and Others on Coordination and Discovery, SSRN paper. [Link](#) This paper without the appendixes was published in the *Journal of Private Enterprise* Fall 2011, [Link](#)

2008. Towards a Public and Professional Identity for Our Economics. *Econ Journal Watch* 5(3): 358-372. [Link](#)

2010. Liberty Between the Lines in a Statist and Modernist Age: Unfolding the Adam Smith in Friedrich Hayek. *Economic Affairs* 30 (3): 82-85. [Link](#)