

Subjectivism, the revolutionary insight of Austrian theory

The core notion of Austria economics and its intentional foundation (750 words)

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I.

No notion is more central to the ‘Austrianness’ of Austrian economics than that of *subjectivity*.¹ Subjectivity makes Austrians place acting man in the centre of economic theorising. Subjectivity turned Austrian economics into a thorn in the flesh of the economic mainstream, for “nothing short of a revolution occurred in the central body of theoretical economics when the subjective theory of value was developed.”² Yet there are different conceptions even within the Austrian camp. *Israel Kirzner*, leading voice on the subject, pointed out flaws in *Carl Menger’s* subjectivism.³ He also warned against the pitfalls of the “radical nihilism” in *George Shackle* and *Ludwig Lachmann*. His advice is to avoid Scylla and Charybdis and steer the middle course of a “modern Austrian revival”. According to Kirzner, eminent fellow rowers *Ludwig von Mises* and *Friedrich von Hayek* are aboard leading us on.

II.

Kirzner’s exposition recalls an often quoted, yet very deep remark. In praise of Mises Hayek once wrote that “it is probably no exaggeration to say that every important advance in economic theory during the last hundred years was a further step in the consistent application of subjectivism.” Pondering over Kirzner’s exposition some questions seem to come up. What is wrong with Menger’s subjectivism?⁴ How is Mises’ subjectivism incompatible with the Shackle-Lachmann view? How do Mises’s and Hayek’s contributions to subjectivism differ?

There is an even more important question here Kirzner does not address. Remember that the defining notion of Austrian economics is *not* an economic concept. Subjectivity is a general phenomenon that transcends the economic sphere. The proper place to study it is the general theory of mind and action which forms part of both action theory and the philosophy of mind. Subjectivity *in economics* is but a special case. Thus it would seem misguided to construe it as a hyphenated concept, *subjectivity-in-economics*, where the allusion to the wider notion of subjectivity would be an illusion at best. So how does the fundamental notion of Austrian economics relate to subjectivity in general? And what does this tell us about the questions concerning Menger, Mises, Shackle and Lachmann? There is a philosophical dimension the modern Austrian revival seems to miss out on.

III.

Mises’s writings of the early 1940s bear witness that he was perceptive enough to acknowledge the philosophical foundations of Austrian economics. But where your average Austrian would expect to hear from *Kant* and the *synthetic a priori*, we find quite different ideas mentioned instead. In recollection, Mises praises *Brentano*, *Bolzano*, *Mach*, *Husserl* and the intellectual climate where their ideas could thrive.⁵

¹ Smith 1990 seems to underemphasise this.

² De Graaf & Baumol 1949, 341

³ Kirzner 1995

⁴ Cf. Mises 1941, 184.

⁵ Mises 1941, 30f.; Mises 1940, 13. Latter reference omitted in Mises 1949.

The lead on Brentano is especially important. In his *Psychology from an empirical standpoint* Brentano tackles with what ultimately explains the subjective in terms of the *intentional* nature of the mental. The “narrow root notion”⁶ of subjectivity is rooted in the individual’s *propositional attitudes*: The *mind-dependence* characterising the subjective boils down to dependence on propositional attitudes of the individual, i.e. dependence on what somebody *believes, wants, hopes, fears* and so on. Consequently, the *mind-independence* of the objective amounts to independence from what anybody *believes, wants, hopes* or *fears* and so on.⁷ This is the underlying reason why saying that Saturday Night Live is funny is to say something subjective whereas saying that Paris is on the River Seine is not: We could conceive of what the world would be like if the latter was the case yet no one ever believed, wanted, hoped and feared so. We could not make sense, however, of what it meant to assume that Saturday Night Live was funny when literally no one would ever have any such attitude towards SNL to this effect.

Understanding the nature of intentionality makes it difficult to follow Kirzner’s criticism. What he decries as ‘unacceptable radically subjectivist nihilism’ may be not so unacceptable at all. It may turn out to be an economic echo of sound results in action theory and the philosophy of mind: *One’s attitudes are both inferentially and causally independent both of the world they are about and of the attitudes of others.*

A well-known thought experiment from epistemology will help to establish the point. Elaborating on this, we shall integrate subjectivism in economics into a general theory of the subjective. This will clarify how Menger’s subjectivism is incomplete. Also, it has bearing on the theory of competition. Finally, it will shed favourable light on Mises’s claim that “economics [is] a part, although the hitherto best elaborated part, of a more universal science,”⁸ general action theory.

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⁶ Burge 2010, 46

⁷ Oliva Córdoba 2018

⁸ Mises 1949, 3