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The Methodology of Austrian Economics and Its Relevance to Institutionalism

By J. PATRICK GUNNING*

ABSTRACT. The methodology of *Austrian economics* as presented in the writings of *Ludwig von Mises* is described. The Misesian system is built on *a priori* categories (choice, causality, teleology, time, uncertainty) which Mises regarded as common to all human actors. He used these categories to describe how theories of *social phenomena* must be constructed if they are to be comprehensible to others. To interpret *history*, including *economic history*, one must invent *models* based on subsidiary assumptions and he or she must make *hypotheses* about the specific "intentions and expectations" of actors. One model is that of an "*economic institution*." The meaning of the Misesian model of an institution is stated. It is said to have much in common with the models of *phenomenological sociology*. Finally, contrary to recent papers in this JOURNAL, it is argued that (1) Misesian *a priori* categories are not alternatives to *a priori* assumptions described by institutionalists, (2) although a pure theory of choice does not lend itself to the evaluation of *public policy*, hypotheses about specific intentions and expectations do permit such evaluations, and (3) statements by Mises on institutions and the study of history resemble those made by many *institutionalists*.

I

Introduction

THE PURPOSE OF THIS PAPER IS TO describe the methodology of Austrian economics and to place it in limited perspective for both economists and sociologists. In a brief paper, such a description must be limited for two reasons. First, a methodology in social science is, at the same time, a general plan of action concerning how to describe and analyze a designated set of "social phenomena" and a language that is used by the practitioners to describe their actions.¹ To be a *general* plan of action, a methodology must apply to *all* actions with respect to the designated phenomena. One who wishes to describe it fully must illustrate the specific actions to be taken with respect to the "important" elements of the designated set. Moreover, one who wishes to avoid disputes should link the general plan of action to the language that practitioners use to describe their

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specific actions and observations to others. These are both large tasks. Secondly, there are many candidates in social science. On the one hand, there are different social sciences, ranging from anthropology and economics to linguistics and sociobiology. On the other hand, in each a variety of different methodologies appears to be in use. It follows that to describe any one of them in a relatively complete fashion would require one to make connections to practically all the others.

In a brief article, one can hardly do more than to describe a methodology in a general fashion and make some suggestions about connections. One must leave it to the reader to fill in gaps, perhaps by pursuing some of the references. Therefore, the remarks here are confined to (1) a relatively brief description of the general plan of action and some illustrations of language with special reference to the definition of institutions, (2) a brief comment regarding the common roots of Austrian methodology and phenomenology, and (3) a discussion of some recent papers in this JOURNAL which employ what might be called an institutionalist methodology to criticize Austrian methodology. My intent is neither to defend nor criticize Austrian methodology. Instead, it is to inform the reader about it. That this is a worthwhile task should become evident in my discussion of the recent papers.

As with any methodology, there are differences of opinion among Austrian advocates and practitioners. At present, it is widely agreed among modern Austrians that the most acceptable exposition of Austrian methodology to date was made by Ludwig von Mises.² Thus, I shall make Mises' ideas, particularly those expressed in *Human Action* (1949), the basis for my discussion.

II

The Nature of Austrian Methodology

Social Phenomena and the Inner Condition

The social phenomena with which the general plan of action and language of Austrian economics are concerned have two characteristics: (1) they are the consequence of "human action" and (2) the actions are made on the basis of monetary calculation. The second characteristic virtually assures that the methodology is concerned with social phenomena, since money practically always implies an intention to exchange with others.

An excellent perspective on the notion of human action is provided by the behaviorist psychologist B. F. Skinner. Skinner points out that a given behavior may be explained by virtually an infinite variety of different "inner conditions."³

Behaviorists like Skinner assert that all sorts of inner conditions may exist. One task of experimental psychology is said to consist of the attempt to transform hypotheses about the inner condition into objectively verifiable statements about

observable behavior (in the broadest sense). This implies that, through empirical observation, a behaviorist may reach a point where he feels justified in *defining* the observation by using terms that were previously used only to describe hypotheses about the inner condition (and which were, consequently, excluded from the formal language). Often, however, the result of empirical observation is that such hypotheses are “discarded as unnecessary and meaningless.” (Skinner, 1974, p. 19)

Will

Taking Skinner's perspective, we can describe action in terms of a particular concept of the inner condition. The particular concept which Austrian economists use is the *will*. When Austrian economists speak of human action, choice, a means-ends relationship, or the subjectivity of costs, the *a priori* assumption that gives these terms meaning to a listener is that man possesses a will. That a will exists cannot, according to Mises, be verified by experimental methods. For this reason, neither can the propositions that people act, that they choose, that costs are subjective, etc.⁴

For some readers, the term “action” may carry a connotation of physical movement which may or may not entail a choice. In order to avoid confusion, I shall subsequently use the word “choice.”

Components of Choice

For the sake of discussion, choice might be broken down into two components: intentions and expectations.⁵ Although the *existence* of intentions and expectations is not subject to question, economists can speculate on the nature of the specific ones that prevail whenever they suspect that a choice has been made. In this case, the Austrian description of choice takes the following form: “If x^* is an individual's specific set of intentions and if z^* is his specific set of expectations of the consequence of choosing a behavior y^* , y^* will (will not) be chosen.” For convenience, I shall adopt the acronym SIE to refer to specific sets of intentions and expectations.

Although SIE cause a specific behavior, it is not true that such a behavior can *only* be caused by those sets. In fact, the candidate SIEs which can cause a specific behavior are indefinite. We can see this by shifting our perspective to a specific behavior that an economist observes. The Austrian approach would demand that it be described as follows: “I sense what we have agreed to call an instance of individual's behavior. It can be described in terms of a particular set of intentions (x^*) and a particular set of expectations (z^*). It also can be described in terms of an infinite variety of other SIEs.”

Austrian Economics

Austrian economics consists of the task of constructing a framework, or model, for interpreting economic history and everyday economic events. The Austrian

economist's model is a combination of (1) *a priori* categories, including the axiom that individuals (human actors) have intentions and expectations,⁶ and (2) simplifying assumptions that enable one to condense the complexity of interaction into what he takes to be its most important forms for the events to be described. The simplifying assumptions are always provisional and one must be forever ready to defend them against alternatives. My concern in this section, however, is not with the aprioristic categories or with the simplifying assumptions but with the use of hypotheses about SIEs.

In the actual interpretation of economic events, an Austrian makes hypotheses about SIEs. For example, he may hypothesize that x^* and z^* are the SIEs that are actually present. Unlike the *a priori* assumption of will, hypotheses about particular intentions and expectations can be "tested." They cannot be tested directly, since particular intentions and expectations are not observable. They must be inferred from the milieu of behavior that can be observed. Indirect testing is always problematic since a given behavior can be explained by virtually an infinite variety of SIEs. Hypothesis-testing is more fully discussed later in this section.

Institutions in Austrian Economics

"Institutions," in the Austrian approach, must be regarded as *complex phenomena* or, in the vernacular of this paper, complex behavior combinations. By this I mean that they must be viewed as the composite of the behaviors of individuals whose intentions and expectations are in some way affected by them. The composite is constructed by using simplifying assumptions to complement aprioristic categories, as described above. To describe institutions requires one to make hypotheses about SIEs, as described above.

Austrian economists *qua* economists are concerned only with complex phenomena that are *economic*. These are phenomena that arise in the process of market exchanges involving money. It may not be possible to determine whether a particular observed complex phenomenon is economic or not. To do so would require empirical verification of SIEs. Thus, economic institutions are always regarded as hypothetical on three counts: (1) it cannot be determined for certain whether they are economic, (2) there may be more useful simplifying assumptions, and (3) the SIEs that lie behind economic behavior are part of the inner condition.

If asked to define an "economic institution," an Austrian economist might do so as follows: "Let us assume that x_a^* , x_b^* , \dots , x_n^* are the sets of specific intentions, respectively, of individuals a, b, \dots n. For each individual, the set of specific expectations relevant to his or her choice among alternative behaviors are z_a^* , z_b^* , \dots , z_n^* . Suppose that, on the basis of his or her particular

intentions and expectations, each individual chooses one from a set of possible different behaviors such that the choices are synchronized in some way, according to the procedures implied by a set of simplifying assumptions. We denote the resulting set of behaviors chosen by the n individuals at some particular time as Y^* . Thus, $Y^* = (y_a^*, y_b^*, \dots, y_n^*)$.

There is an infinite "number" of possible Y^* s, since (1) there are an infinite "number" of possible behaviors of each individual and (2) there is no limit to the number of individuals. Among the possible Y^* s that one might imagine or observe, there are some which might be labelled "economic institutions." The economic institution so defined is hypothetical. It need not correspond to any set of behaviors that is or could be observed.

A hypothetical economic institution may be used to simplify the discussion of topics which pertain to observed behavior combinations. An example is the competitive economic firm which produces a homogeneous product. One may use this hypothetical institution to demonstrate incentives to compete and to avoid competition for sales in a money economy and to set the stage for the construction of a more complex model of behaviors which can be described as a competitive industry.

Suppose that a set of behaviors ($Y^* = y_a^*, y_b^*, \dots, y_n^*$) is observed. An Austrian economist might provisionally define that set as an institution. In doing so, he would hypothesize a specific set of intentions ($X^* = x_a^*, x_b^*, \dots, x_n^*$) and a specific set of expectations ($Z^* = z_a^*, z_b^*, \dots, z_n^*$).

Hypothesis-Testing in Austrian Economics

In physical science, an hypothesis takes the following form: "If I do not cause a particular behavior (y) under a given set of circumstances (v), I will not observe a particular set of consequences (w). If I do perform y , given v , I will observe w ." Hypothesis-testing consists of arranging for v so that, for one case, the behavior is performed and for a second case, it is not. In Austrian methodology, an hypothesis would take the following form: "I believe that a particular set of observed behaviors (Y^*) is a consequence of a specific combination of intentions (X^*) and expectations (Z^*)." Since intentions and expectations cannot be observed, hypothesis-testing consists of carrying out a mental operation. The hypothesis-tester asks himself or herself whether his or her hypothesis is "reasonable."

To answer this question, he or she pretends to be each of the individuals and asks whether each individual's behavior is a logical consequence of the choice he or she would make, given the hypotheses about the respective intentions and expectations. In addition, since any specific behavior may be consistent with an infinity of hypotheses about SIEs, he or she asks whether there are other

candidates that may be reasonable. If so, the tester compares the two (or more) in his or her findings, offering explanations (deductions from the milieu of behavior) concerning why one should favor one hypothesis over the others.

Because hypothesis-testing in Austrian economics is a personal (subjective) experience and because reasonable persons can disagree, an hypothesis can never be proven, like a mathematical theorem can be. Nevertheless, it can get accepted. All that is required for this to occur is that a number of individuals agree that one's specific assumptions and hypotheses about SIEs are reasonable. Since this is precisely how art forms get accepted, one is naturally led to ask how Austrian economics keeps itself from becoming a class of art that appeals to a particular group of personalities but which would be rejected by other personalities. The answer is that Austrians have a faith that, *through the use of reason*, individuals with widely diverse personalities will have similar views on reasonableness.

III

Common Bonds Between Austrian Economics and Phenomenological Sociology

IT MAY COME AS A SURPRISE to many to learn that Austrian methodology has roots similar to those of a very popular branch of sociology: phenomenological sociology. Alfred Schutz, who is widely regarded as a major founder of phenomenological sociology, was a student of Mises in the 1920s. In Mises' treatise, he cites such a prominent phenomenologist as Henri Bergson, a sociologist as well as a philosopher. Thus, there appears to be a strand of sociological thought that runs parallel to the Austrian strand of economic thought.

The parallel extends to "social control theory." A subjectivism similar to that used by ethnomethodologists and "labeling theorists" in sociology to study, describe and test hypotheses about social control is also employed by Austrian economists to study economic planning. Austrians call it methodological individualism, combined with subjectivism. The principal difference is this. In much of their work, Austrian economists have been concerned with the consequences of centrally planned social control relative to decentralized, individual planning. Practical phenomenologists, on the other hand, have been concerned with describing the nature and history of institutions and norms, which are sources of social control, in terms of their "meaning" to those who created them, live with them, or are somehow affected by them.⁷

The analogy between Austrian economics and phenomenological sociology should not be overextended, for it suggests that economics and sociology are separate, distinct disciplines. Properly understood, economics is a branch of sociology, as Pareto informed us and as Comte, widely held to be the founder

of sociology, maintained. As defined by Mises, economics (*i.e.*, catallactics) “is the analysis of those actions which are conducted on the basis of monetary calculation.” In order to carry out such an analysis, “it must start from a comprehensive theory of human action . . . (I)t must not restrict its investigations to those modes of action which in mundane speech are called ‘economic’ actions, but must deal also with actions which are in a loose manner of speech called ‘uneconomic.’ ” (1949, 235). I believe that the best brief description of Austrian economics that can be made to sociologists is that it is a branch of phenomenological sociology that deals with choices made on the basis of monetary calculation. As such it has the same strengths and weaknesses that prevail in that field.⁸

IV

Austrian Methodology and Institutionalism

MY DISCUSSION OF THE CONNECTIONS between Austrian economics and other methodologies will focus on two sets of criticisms of the former levelled in the name of the latter. The first was made in a recent paper by William Dugger (1983). The second, which seems to provide part of the basis for Dugger’s criticism, was made in two papers by Paul D. Bush (1981a, 1981b).

Dugger’s Criticism

Professor Dugger’s paper has a much wider focus than Austrian economics. It is mainly an attack on neoclassical economics, as interpreted, on the one hand, by positivists in the Friedman tradition and, on the other, by subjectivists in the Austrian tradition. Although one is tempted to be drawn into this wider discussion, I shall confine my remarks to what I take to be a misrepresentation of Misesian economics.

Dugger was concerned with two aspects of Austrian methodology: (1) the contention that its assumptions are not subject to empirical verification and (2) the contention that economics should be a pure theory of choice. With respect to (1), he agreed with Mises that *a priori* knowledge must be used in the study of observed phenomena; but he felt that the knowledge should “come from . . . the general theory of social control as formulated by sociologists and anthropologists.” (p. 86) With respect to (2), he disapproved of the fact that a pure theory of choice does not permit the evaluation of policy. I should like to discuss each of these points in turn.

Which A Priori Knowledge Should Be Used?

Dugger’s reference to the theory of social control seems to accept the proposition that there is only one theory of social control in sociology and anthro-

pology. This, of course, is not correct. Indeed, it is significant that theories of social control with phenomenological orientations have succeeded in attracting many adherents.⁹

From the perspective of Mises, Dugger's discussion of the *a priori* confuses theory with history and *a priori* "assumptions" with simplifying assumptions. Mises, recognizing that the interpretation of history requires theory, proceeds to search for the elements that are common in the construction of all theory. Taking it for granted that theorists, like historians and subjects, are all human actors, he derives these elements from what he describes as the prerequisites of human action. In effect, he says to the historian: "If you want to do history, you will have to use theory. And, because you are a human actor, your theory, to be understandable to other human actors, must consist of a language whose terms ultimately refer back to the *a priori* categories derived from these prerequisites. Otherwise, other theorists and historians, who themselves are human actors, will not be able to make sense of it. To interpret history, you will also have to construct models. This will require you to make simplifying assumptions that are always subject to criticism from peers according to the criterion of reasonableness. And because history, by definition, is the study of facts that are the consequences of human action, you will have to make hypotheses about SIEs, which are also subject to criticism by peers according to the criterion of reasonableness."

Dugger is not concerned with *theory* as Mises understands that term. Instead, he is concerned with the interpretation of history. In history, the behavior that historians observe depends partly on the particular inherited characteristics of individuals and environment in which individuals operate.¹⁰ But because it is human behavior, it must be interpreted by means of models and hypotheses about SIEs. Dugger mistakenly thinks that Mises' use of the *a priori* is the basis for choosing simplifying assumptions which are necessary to construct models to interpret history. He challenges this basis by pointing out that other assumptions (which he mistakenly places on the same level with Mises' *a priori* assumptions) should be used. Thus, whereas Mises discusses theory in its most general sense and begins by describing *a priori* categories, Dugger wants to be sure to include "institutions and mechanisms of social control" in historical studies. Mises would agree that constructs of this type must be made in the study of history, although Dugger's program is insufficiently spelled out to tell whether Mises might approve of other aspects of it. Perhaps if Dugger understood Mises, he would not disagree with his ideas about theory either.

Austrian Economics and Public Policy

I now turn to Dugger's objection that the pure theory of choice does not permit the evaluation of policy. One must again distinguish between (1) *eco-*

nomics, which consists of logical deductions from the *a priori* axiom that intentions and expectations enable human beings to choose (in an environment of monetary exchange), and (2) in which one makes hypotheses about the SIEs of actors combined with simplifying assumptions. An Austrian economist *qua* economist can determine only whether the *logic* of an argument made by the proponents of a policy is sound. For example, if a proponent argues that an effective rent control policy will cause a higher supply of housing than a free market, the economist can show the error in this reasoning (given the appropriate caveats). An Austrian *historian* or student of current events makes hypotheses about SIEs of economic actors. Given these hypotheses, he offers his assessment of the likely effects of a policy on different individuals, from their own points of view. To give an example, suppose that a prospective renter of housing proposes that he or she will gain from rent control because he or she will be able to obtain a lower price. The historian might employ an hypothesis, perhaps based on an interpretation (in the Misesian sense) of previous historical events, that the renter also wants adequate housing. This hypothesis, combined with what one believes to be a reasonable economic model, would enable one to show that less adequate housing will be available at that lower price and that there is likely to be a shortage of housing of a given quality at the non-controlled price. Similarly, if a government official claims that rent control will benefit renters, the historian may oppose that point of view by stating a belief that renters want to have not only low prices but also adequate housing. Of course, all of the policy statements are subject to the appropriate caveats.

It is important, however, not to confuse policy applications or the hypotheses used to interpret historical events with economics. The models in Austrian economics are silent regarding the particular intentions and expectations of economic actors. Accordingly, it is correct at one level to argue, as Professor Vaughn does, that "there is no way of knowing if society is better or worse off with even supposedly sound regulatory pricing policies based on some measure of cost." (1980a, p. 82) In saying this, Vaughn is continuing in the Austrian tradition. The founder of the school, Carl Menger, opposed the Marxian labor theory of value by contending that the value of labor itself (or, more correctly, different types of labor), could not be objectively measured. Bohm-Bawerk carried the criticism a step forward in 1896. Another well-known episode is the debate in the early 1930s over the possibility that a central authority could effectively plan an economy. Mises and Hayek argued that a socialist planner could not effectively act in the "public interest," since the knowledge of both what that interest was and the separate capacities of different individuals to act according to it only existed in the separate minds of individuals. A socialist planner could never learn it. Finally, there was the debate between Hayek and Keynes at about the

same time. Hayek not only made the same point as in the collectivist planning debate, he also predicted that Keynesian interventionist policies would lead to what some later writers called stagflation.¹¹

In his works on methodology, Mises clarified the philosophical position from which these critiques were derived. He showed that they were not based on Austrian economics. Instead, they were the result of Austrian economists' interpretations of history. A restatement of his argument is this: "Even if a central authority *intends* to help individuals—which itself may be doubtful given the historical facts—it is unreasonable for him to expect to be able to acquire the necessary knowledge of the SIEs of those he intends to help. If the central authority expects to succeed, his expectations are, given my interpretation of history, mistaken."

Bush's Papers Relating to Austrian Methodology

Paul D. Bush wrote two papers for this JOURNAL in which he mentions Austrian economics. Although he was not primarily concerned with Austrian economics, his decision to associate it with a rather simplistic version of neoclassical economics is misleading. In particular, it may have misled Dugger, who cites Bush's papers in his evaluation of Austrian methodology.

Bush associates Austrian economics with Lionel Robbins and the familiar maximizing framework that is so prevalent in post-neoclassical formal economics. But there is a fundamental difference between the two. In fact, a modern Austrian and student of Mises, Israel Kirzner, has devoted practically an entire book to the distinction between what he calls "Robbinsian maximizing" and Misesian action (1973).¹²

Bush's representation of Mises' position on institutionalism was also off the mark. Mises did not criticize institutionalism but rather the mistakes made by institutionalists. Let me quote a few passages from *Human Action* so that his viewpoint will be clear. In discussing the *institutionalist* interpretation of economics as "the characterization of the behavior of an ideal type, the *homo oeconomicus*," Mises states the institutionalist critique of economics as follows:

According to this doctrine traditional or orthodox economics does not deal with the behavior of man as he really is and acts, but with a fictitious or hypothetical image. It pictures a being driven exclusively by "economic" motives, *i.e.*, solely by the intention of making the greatest possible material or monetary profit.

He goes on to correct the institutionalist criticism:

Such a being does not have and never did have a counterpart in reality; it is a phantom of a spurious armchair philosophy. No man is exclusively motivated by the desire to become as rich as possible; many are not at all influenced by this mean craving. It is vain to refer to such an illusory homunculus in dealing with life and history (1949, p. 62).

In another part of the book, Mises discusses institutionalism in the context of a broader methodological discussion:

The fullness of reality can be mentally mastered only by a mind resorting both to the conception of praxeology and to the understanding of history; and the latter requires command of the teachings of the natural sciences. Cognition and prediction are provided by the totality of knowledge. What the various single branches of science offer is always fragmentary; it must be complemented by the results of all the other branches . . .

It is not permissible to disregard any of these branches in dealing with reality. The Historical School and the Institutionalists want to outlaw the study of praxeology and economics and to occupy themselves merely with the registration of the data or, as they call them nowadays, the institutions. But no statement concerning these data can be made without reference to a definite set of economic theorems . . . The question of whether there is any connection between [two events that are recorded together] can only be answered by a theory, *i.e.*, in the case of human action by praxeology. (1949, p. 642–643)

In his only other reference (in *Human Action*) to institutionalism, he said:

There are no such things as a historical method of economics or a discipline of institutional economics. There is economics and there is economic history. The two must never be confused. All theorems of economics are necessarily valid in every instance in which all the assumptions presupposed are given. (1949, p. 67)

These views are fully elaborated in his 1969b book.

Notes

1. In any discussion of methodology, it is crucial to construct a definition of the term. Otherwise, no matter how informative the discussion might be, it will merely pacify the reader. It will not challenge his own implicitly accepted plan of action and means of communication. Nevertheless, any definition of methodology must be tentative in the sense that a strict definition could easily lead one to omit important candidates from the study. The tentativeness of my definition is made explicit by my use of the term “social phenomena.” It suggests that once that term is specified in a reasonably complete way, the most important part of the methodology—the general plan of action—can be logically deduced.

In reading other works about economic methodology (Blaug, Caldwell, Boland), I was surprised to find that none of these actually defined methodology.

2. See Lachman’s brief discussion (1976). Caldwell (1984) mentions a number of variations and apparent alternative formulations by more recent authors who regard themselves as Austrians. However, in his 1982 book, he also takes the Misesian system as the standard.

3. Skinner’s statement is as follows: “In each case [of human behavior] we have a causal chain consisting of three links: (1) an operation performed upon the organism from without—for example, water deprivation; (2) an inner condition; and (3) a kind of behavior—for example, drinking.” (1953, p. 34)

4. There are two excellent sources on Austrian methodology. The earliest is Mises’ *Epistemological Problems of Economics* (1981), first published in 1933. The second, which is the last book that Mises wrote, is *Ultimate Foundation of Economic Science* (1978). Another important source is his *Theory and History* (1969b). In this paper, I have relied primarily on part 1 of *Human Action*.

5. Equally acceptable breakdowns are “preferences and knowledge” and “ends and means.”

6. Related *a priori* categories are causality and teleology, time and uncertainty. They are derived from what Mises calls three prerequisites of human action. (1949, p. 13) For a discussion of the procedure for interpreting events in general, see Mises, 1969b, p. 309–20. A specific application to economic events is in Mises, 1949, p. 64–69.

7. See Heap and Roth (1973) for a description of phenomenological sociology. For more direct phenomenological discussions of social control, see Douglas (1970, 1971). For a comparison of phenomenology and the critical theory of Jurgen Habermas, see Gay (1980). Also see Collins (1981).

8. Phenomenology transcends disciplinary boundaries. See, for example, the *Journal of Phenomenological Research*.

9. This relatively recent work is largely in the sub-field of criminology, where questions about how to define a crime have led phenomenologists to attempt to solve the serious problem of simultaneously adopting the viewpoints of law-makers, law-enforcers, criminals and victims. Besides the citations listed in footnote 7, see Chapter 6 of Taylor, Walton, and Young (1973).

10. See Mises (1949), p. 46–47.

11. For recent histories and descriptions of the Austrian school, see Hayek (1968), Lachman (1977), and Mises (1969a). For Menger's refutation of the labor theory of value, see Menger (1981). For Bohm-Bawerk's critique of Marx, see Bohm-Bawerk (1898). For the Austrian view of the collectivist planning debate, see Hayek (1935) and Vaughn (1980b). And for a review of the Keynes-Hayek debate, see Hayek (1979).

12. Kirzner's criticism of Robbins is an extension of his critique in his 1960 book. It differs markedly from Bruce Caldwell's (1982, Chapter 6) interpretation. To Caldwell, Robbins held a concept of man that was much closer to the Misesian idea of action than to the idea contained in the simplistic neoclassical *homo oeconomicus*.

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