AUSTRIAN ECONOMICS
ADVANCES IN AUSTRIAN ECONOMICS

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EDITOR’S INTRODUCTION:
AUSTRIAN ECONOMICS: THE NEXT GENERATION

Steven Horwitz

ABSTRACT

This chapter is the editor’s introduction to Austrian Economics: The Next Generation, which includes a brief description of the workshop that produced the papers and short summaries of each contribution organized by sub-topic.

Keywords: Austrian economics; public choice economics; Bloomington school; evolutionary economics; entrepreneurship; economic history

This volume of Advances in Austrian Economics emerged out of the Sixth Biennial Wirth Workshop in Austrian Economics that was held March 23–26, 2017 on the campus of McGill University in Montreal, Quebec, Canada. The success of that workshop was due to the work of a number of people and institutions. As always, I start by thanking the Wirth Institute for Austrian and Central European Studies at the University of Alberta, and its director, Professor Joseph F. Patrouch, for their continued sponsorship of these workshops. Joe and his staff members at the Wirth Institute, Sylwia Adam-Ross and Rychele Wright, did exemplary work in organizing the logistics for the workshop. On behalf of all involved, I would to especially thank Alfred Wirth for his continued participation in, and support for, the workshop and its important role in forwarding the work of the Austrian school. I also thank Jacob T. Levy of McGill University’s Research Group on Constitutional Studies, Matt Bulton of the Institute for Liberal Studies, and
Jasmin Guénette of the Montreal Economic Institute for their help in the planning process and for co-sponsoring the Friday lunch. Peter Lewin gave us an inspiring keynote address that serves as the first paper in the volume. Daniel D’Amico and Adam Martin took over the editorial process for the volume a bit sooner than planned when I became ill, and I am grateful for their willingness to step up. Finally, I thank the participants for producing a very strong set of papers and for the constructive and convivial atmosphere in which we discussed them.

The idea behind this workshop was to showcase the “next generation” of Austrian economics in two senses of the term. First, we brought together a group of mostly younger scholars, interspersed with a few more senior colleagues, for the purpose of giving the younger scholars an opportunity to share their work and have it engaged by those more senior participants. The other notion of “next generation” at play in this workshop was the range of ideas that could be explored under the broad umbrella of the Austrian school. As any school of thought grows and evolves, not only does its membership change, those new people bring with them new topics, new approaches, and new combinations of ideas that slowly transform what it means to work in that particular scholarly tradition. Like the more general claim that liberal societies are ones in which ideas are free to have sex, and thereby produce novelty (Ridley, 2010), schools of thought in the world of ideas similarly progress by cross-fertilization with other approaches and attempts to apply the school’s ideas to new subject areas. It was a conscious goal of this workshop to showcase the evolution of Austrian economics through the set of ideas and approaches that constitute its next generation.

The papers can broadly be divided into four categories: method and philosophy, theory, political economy, and applications/history. These categories are not new to the Austrian school, but the particular ways in which each of these papers approaches their subject matter reflects some new understanding of what it means to work in the Austrian tradition.

Peter Lewin’s keynote address opens the volume by providing both the historical context of the Austrian school’s rebirth in the 1970s and its development in the following decades up to the new research of the 2010s. He focuses on the complex relationship between the Austrians and the mainstream, emphasizing the ways Austrian ideas have pushed mainstream economics to ask some different questions. Having been a contributor throughout that evolution, Lewin offers a particularly important perspective on the next generation of Austrian economics.

The chapters by Peter Mentzel and Rosolino Candela explore the ways in which the Austrian tradition continues to touch an important issues in philosophy, from the methodology of the social sciences to ethics. The epistemological questions raised by the relationship between theory and history have been central to Austrian economics since Menger. Mentzel’s chapter examines Mises’s discussion of the distinct roles of theory and history and argues that history is important because it informs us about human action in ways that make us “wise and judicious” rather than helping us succeed at a particular tasks. In doing so, Mentzel brings the historian’s eye to some of these important issues in economics and offers an implicit defense of the social value of studying history. Candela’s chapter discusses the relationship between the positive understanding of the
Editor’s Introduction

market provided by economics and the normative judgments we make about market behavior. Focusing on the entrepreneur, Candela argues that the local and personal nature of human knowledge grounds not only our understanding of the market process, but also our ethical judgments within the market and about the market.

Two of the chapters offer advances in economic theory in the context of the Austrian school. Lynne Kiesling explores issues of knowledge in her discussion of the “platform economy” (e.g., Uber, AirBnB, and other firms that connect people via software platforms). Her emphasis is on the way in which the platform economy enables market actors to align new technology with what she calls the epistemic benefits of technology-enabled decentralized market processes. She provides a helpful application of her model through a discussion of the market for electricity and how it might develop a business model that takes advantage of these features of both markets and new technology. The chapter by Witold Kwasnicki attempts to locate the Austrians in the broader context of evolutionary approaches to economics. He offers nine features of evolutionary processes and then analyzes the degree to which schools of thought frequently termed “evolutionary” actually meet those criteria. His conclusion is that the Austrian school is the most genuinely evolutionary of these schools. By taking the word “evolutionary” seriously and trying to provide criteria by which schools of thought might be compared, Kwasnicki’s chapter offers a new and meaningful contribution to understanding the Austrian approach.

For social scientists influenced by the Austrian school, the line between “theory” and “political economy” is often a thin one. Austrians tend toward interdisciplinarity and the mix of the Austrian school, public choice economics, and Bloomington School political science has become more common and very fertile in the last decade or two. So it is perhaps somewhat arbitrary to separate the theory papers from the political economy papers, but the contributions of Cowen, Dirmeyer, Cartwright, Hebert, and Bitetti all do share important features of a true political economy perspective that incorporates the core insights of the Austrian school.

Nick Cowen offers a critical take on the “robust political economy” literature that has emerged in the last several years. He focuses on whether the institutions of classical liberalism really are robust to behavior based on outright malice and delusion. Cowen argues that actors with truly anti-social desires can be more of a threat to classical liberal institutions than to alternative institutions. He also suggests that these problems may be related to the domain of liberal institutions, as the world of anonymous and impersonal interactions is not the only social context that matters. The chapter represents a serious challenge to the robustness of robust political economy defenses of classical liberalism. Jennifer Dirmeyer and Alexander Cartwright take insights from the Austrian, public choice, and Bloomington traditions to explore the causes of police misconduct and to suggest some ways to reduce that misconduct. They focus on interjurisdictional competition as an important way to achieve that goal, but also explore ways to make more knowledge available to more people and how best to foster better cultures within police departments. The latter is analyzed in game-theoretic terms based on the
expectations of the various actors. In the end, the various features of police work suggest that self-governance will be central to any limits on misconduct, so solving the game-theoretic issues of any particular officer’s willingness to inform on peers is particularly important. This chapter offers an interesting application of the broad set of ideas that informs Austrian political economy.

Dave Hebert offers some Austrian microfoundations of the long-standing observation in public choice theory that political outcomes are the unintended consequence of the interaction of multiple choosers. Extending the work of Richard Wagner, Hebert argues that political process must be seen as ways of coordinating the plans of individuals under conditions of uncertainty by the use of political institutions. Absent a price system, he argues, the emergent order of politics is less congruent and coordinated than would be the market, but reflects a kind of emergence nonetheless. He applies this argument to the particular case of tax codes. Rosamaria Bitetti’s chapter explores how Austrian ideas have influenced public policy analysis, in particular methodological individualism and the importance of assumptions about the benevolence and omniscience of policy makers. She offers evidence of the ways in which these ideas have already been brought into the world of public policy, though perhaps not as thoroughly as one would hope. She discusses the instrument of “impact assessment” as a specific way in which knowledge issues are having influence. Other parts of the chapter offer concrete examples of similar paths of influence. These two chapters show how Austrian political economy can fruitfully be applied to specific policy concerns.

The final two chapters are extended applications of Austrian ideas in the areas of inequality and Canadian agriculture. Vincent Geloso’s chapter takes the Austrian tradition’s concerns about macroeconomic aggregates and applies them to measures of inequality. In particular, he argues that we have to, following Mises, decompose historical aggregates into the underlying microeconomic foundations that can help us determine which elements of the aggregate are the most relevant. In his discussion of inequality measures, Geloso focuses on geography, race, gender, and immigration in explaining pre-1970 movements in aggregate equality measures, and the same minus gender in the post-1970 environment. Doing so provides a more complex and careful understanding of inequality that challenges the dominant narrative of a dramatic increase. In their contribution, Pedrag Rajsic and Glenn Fox critically assess the “evidence-based policy making” perspective and apply their criticisms to its use in Canadian agricultural policy. They point out that this perspective starts from a comparative institutions approach by noting the existence of both market and government failure, but then biases the comparison by assuming some policy is necessary and that the role of evidence is to select the optimal one. By contrast, they draw upon insights from the Austrian contributions to the socialist calculation debate to suggest that claims of market failure are often overstated, as policy analysts define such failure in terms of a perfectly competitive ideal, the details of which cannot be known before actual market discovery processes unfold.

The chapters in this collection very nicely reflect the ways in which the next generation of both Austrian-influenced scholars and Austrian ideas are producing
new insights and applications, and mixing those ideas with related contributions from other traditions. They span an impressive range of topics and ways of integrating Austrian ideas, and they lay out several research paths for the future of the Austrian school. I am proud to have helped bring them to publication.

REFERENCES