

# ASSESSING AUSTRIAN ECONOMICS

# ADVANCES IN AUSTRIAN ECONOMICS

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ADVANCES IN AUSTRIAN ECONOMICS VOLUME 24

# ASSESSING AUSTRIAN ECONOMICS

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Emerald Publishing Limited  
Howard House, Wagon Lane, Bingley BD16 1WA, UK

First edition 2019

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**British Library Cataloguing in Publication Data**

A catalogue record for this book is available from the British Library

ISBN: 978-1-78973-936-7 (Print)

ISBN: 978-1-78973-935-0 (Online)

ISBN: 978-1-78973-937-4 (Epub)

ISSN: 1529-2134 (Series)



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# INTRODUCTION: ASSESSING AUSTRIAN ECONOMICS

Daniel J. D'Amico and Adam G. Martin

Austrian economics in its present form dates primarily to the 1970s. Mises (1969) uses the term “Austrian” in a historical sense to refer to the economics of Menger, Wieser, and Böhm-Bawerk. As late as Rothbard’s (1962) *Man, Economy, and State*, the word “Austrian” appears in quotation marks unless it references specific pre-Misesian economists or particular theories such as the structure of production (e.g., p. 356 vs p. 481). But by the mid-1970s, organizations like the Institute for Humane Studies were organizing events on Austrian economics, so the use of the term to describe a contemporary research program probably begins a few years earlier than that. Around this time, a sufficiently large group of economists explicitly recognized that they found the theoretical framework advanced by scholars like Menger, Mises, and Hayek more compelling and more powerful than the then-dominant Samuelsonian paradigm combining neoclassical price theory with Keynesian macroeconomics. Much early works by self-identified Austrians thus involved bringing concepts from these earlier thinkers into conversation with the economics of their day. They wrestled with then-hot topics such as expectations, macroeconomic fluctuations, and monetary policy, as well as pointing out glaring omissions in mainstream economics such as entrepreneurship, institutions, time, and ignorance (cf. the essays in Dolan, 1976 and Spadaro, 1978). These early contributions have continued to shape the Austrian identity for decades (cf. Beaulier & Subrick, 2013).

But economics has changed, both in what it pays attention to and what it ignores. Economics has become far more empirical than it was in 1974. Institutions are part of the language of economics in a way that would be unrecognizable to anyone writing when Hayek won his Nobel prize or when Austrians gathered at South Royalton that same year. Inequality and the fate of marginalized groups in modern economies have gained substantial attention. Economists are now far more likely to investigate distant historical events. Behavioral economics has challenged the approach to rationality that dominated in the 1970s and 1980s.

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Assessing Austrian Economics

Advances in Austrian Economics, Volume 24, 1–3

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ISSN: 1529-2134/doi:10.1108/S1529-213420190000024001

And economics has come into conversation with political science and philosophy – partly driven by the development of genuinely integrated Philosophy, Politics, and Economics (PPE) programs – than was the case when “neo-Austrians” first started dabbling in philosophical arguments.

The chapters in this volume explore the prospects of Austrian economics in this new world. To focus and sharpen this investigation, we have asked Peter J. Boettke – the central figure of the contemporary Austrian school – to write a lead chapter. Boettke surveys the current state of the Austrian school, asking why its success in terms of numbers (of scholars, publications, etc.) has outpaced its success in terms of academic status. Boettke argues that there are undoubtedly more Austrian economists today than there were practicing in past decades, but the older generations received certain professional accolades that are today relatively scarce in Austrian circles. In short, contemporary Austrians need to build and maintain strong horizontal relationships of direct engagement and collaboration with the broader mainstream of the profession.

The other chapters respond to Boettke from a variety of perspectives. Deirdre Nansen McCloskey, writing from the perspective of an economic historian who has increasingly appealed to Austrian concepts in her later work, cautions against giving in to intellectual fads and mistaking scholarly metrics for valuable scholarship. Gerald Gaus considers the social epistemics of minority schools of thought like the Austrian school, pointing to a fundamental tradeoff: increased engagement with the mainstream may dull the uniqueness of Austrian economics, thus decreasing the gains from cognitive diversity in the social sciences generally. Josef Šíma echoes Gaus's argument and emphasizes a need for scholars whom explicitly and proudly identify as Austrian. Erwin Dekker and Stefan Kolev bring the insights of the history of economic thought to bear, arguing that civil society organizations have and should play an important role in the trajectory of the Austrian school. They also claim that PPE might be a more natural home for Austrian ideas. Like Kolev and Dekker, Virgil Henry Storr argues that Austrian economics may find more natural scholarly relationships in related disciplines such as philosophy, anthropology, and sociology. John Meadowcroft, who has engaged with Austrian ideas in political science and political theory, points out a potential barrier to this strategy: the ideological tilt of Austrians toward strong laissez-faire positions. Geoffrey M. Hodgson points to another possible barrier for Austrian engagement with scholars who examine institutions from a variety of theoretical perspectives. Nicolai J. Foss provides a different hypothesis for Austrianism's low prestige: a supposed hostility to formal methodologies. Boettke's rejoinder makes the case for some of the distinct advantages that the Austrian approach has in meeting these and other challenges.

The conversation that emerges across these chapters highlights both the tremendous potential of Austrian ideas and the challenges that the school faces in the twenty-first century. Initiating this conversation was our first priority when we took over the editorial duties for *Advances in Austrian Economics*.<sup>1</sup> Having both benefitted from some of the supportive organizations that Boettke describes in his lead chapter, we believe that if the Austrian school hopes to remain relevant it must adapt to changes in the academic, social, and political worlds. This volume



is just the beginning of that conversation. We have received funding from the John Templeton foundation to investigate what Austrian economics has to add to twenty-first century social science.<sup>2</sup> Much of that research will be appearing here in the next few volumes of *Advances*, so consider this conversation a preview of things to come.

We are extremely grateful to the contributors for their willingness to participate in this discussion. Our biggest debt of course goes to Peter Boettke for his willingness to sit in the hot seat, as well as for his outstanding mentorship over the years.

## NOTES

1. We were fortunate that Steve Horwitz had a volume queued up for our first year as editors. While we helped and thus familiarized ourselves with some of the administrative aspects of editorship, Horwitz deserves full credit for the content of the last volume, which also bought us valuable time to get our bearings.

2. The grant abstract can be found on the Templeton Foundation's website at <https://www.templeton.org/grant/austrian-economics-in-the-21st-century>.

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