

REVIEW

Humane Economics

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Humane Economics: Essays in Honor of Don Lavoie, Ed. by Jack High. Mercatus Center, 2017.

The Mercatus Center at George Mason University has re-issued an outstanding collection of essays delivered at a seminar held at George Mason University honoring one of its finest professors, Don Lavoie. His depth of academic interests, and his character as a dedicated student and as a teacher show throughout the collection. Lavoie was the David H. and Charles G. Koch Chair of Economics at George Mason University from 1981 until his premature death at the age of fifty in 2001. His academic career began at the dawning of the Austrian revival at New York University in the late 1970s, and his legacy continues with the work of his students. Anyone interested in Austrian Economics would benefit from reading this collection.

The collection includes an introduction by its editor, Jack High, who along with Richard Fink, Karen Vaughn,¹ and Don Lavoie developed the Market Process Center at George Mason. In 1980, the Center was renamed the Mercatus Center. High provides an excellent overview of Lavoie's key ideas concerning the socialist calculation debate, hermeneutics, information technology, and cultural analysis. Each of these topics is expanded with the contributions from his students.

Lavoie was one of Israel Kirzner's doctoral students at New York University. Ludwig Lachmann and Fritz Machlup were also teaching there at the time, and Machlup, a former student of Ludwig von Mises, served on Lavoie's dissertation committee. Machlup told Kirzner that he believed Lavoie's thesis was 'one of the best he had ever seen' (Kirzner 2018, p. 731). The thesis was completed in 1981 and published by Cambridge University Press in 1985 as *Rivalry and Central Planning: The Socialist Calculation Debate Reconsidered*. This collection includes an extensive bibliography of his writings from 1975 onward.

Kirzner completed his dissertation with Ludwig von Mises in 1957 at New York University, and his thesis was published as *The Economic Point of View* in 1960, with Mises writing the foreword. Kirzner contributes the first chapter to the collection. In the chapter, Kirzner describes Lavoie's contribution to understanding the socialist calculation debate by expanding Mises' argument to include the necessity for freedom of entrepreneurial vision for the market process mechanism to function properly.

The contributions from Lavoie's students form the heart of the collection. Peter Boettke and David Prychitko, two of

Lavoie's students at New York University, contribute a chapter on Lavoie's research into the study of comparative economic systems. Their initial research interests derived from the socialist calculation debate and Lavoie's treatment in *Rivalry and Social Planning*. They also discovered that what they found first in the book remained evident to them throughout his career: his 'erudition and radicalism'. They argue that the book challenged the perceptions of key political economists on centrally planned economies, and by doing so, Lavoie redirected the discussion from the mainstream to the ideas of Mises and Hayek.

Emily Chamlee-Wright's chapter develops the idea of *cultural economy* based on the parallel concept of traditional *political economy*. Lavoie recognized that existing cultural norms had a significant impact on economic exchange as those of the existing political environment. The chapter describes how he developed that area of inquiry. To begin, for Lavoie 'culture is the language in which past events are interpreted, future circumstances are anticipated, and plans for action are formulated'. His intuition was to view culture simultaneously as discourse and as a dynamic framework of thought. He understood that economic decisions are embedded in these existing cultural norms. Chamlee-Wright describes the hermeneutic *interpretive turn* Lavoie utilized to apply this intuition to the culturally embedded entrepreneur. This interpretive and creative process creates in the entrepreneur a fuller understanding of the market process, as opposed to the merely calculative understanding one achieves by only looking at data.

Virgil Henry Storr, contributes an insider's view into Lavoie's unique teaching method used in one of his courses. Lavoie used what was then cutting-edge hypertextual research and collaborative writing tools to teach his course. He wanted his students to understand the intersubjective effect created by different readers interacting with the same document hypertextually. As they read the document and append it with their comments, the document becomes a collaborative discussion among the students.

Storr's chapter is a nice pairing with the Bill Tulloh and Mark S. Miller contribution. The authors describe how the computer-nerdish Lavoie recognized that a seemingly unrelated software architecture design concept may be applicable to understanding economic concepts. The programming concept is called an *abstraction boundary*. They are used to streamline and add robustness to open-source and object-oriented program construction. Basically, an abstraction boundary is a separately written subroutine that performs a function and returns a value to the program and onward to the user. Because an abstraction boundary is modular, it is portable to other programs as well. The routine's details and the calculations it performs are transparent to the user. *How* it does what it does is irrelevant; the only relevance is the result obtained by its use. It functions as a hidden portable knowledge repository. Lavoie's intuition was that its modularity provides a potential framework for understanding the division of knowledge in society, and how market participants coordinate transactions. He also analogized their functionality to Lachmann's *secondary institutions* that function to provide informational points of orientation that assist in assessing the plans of human actors. Here, the institution—performing functions behind the scenes, as with the programmatic abstraction boundary—provides 'reusable solutions' to common coordination problems.

The other significant chapters are those describing Lavoie's interest in hermeneutics. His interest began while a student at New York University with two of his professors, Machlup and Lachmann, who were familiar with the works of Max Weber, Wilhelm Dilthey, and the historical roots of the *verstehen* tradition. Lachmann also visited and presented lectures at the Center at George Mason several times in the 1980s. G. B. Madison's informative chapter puts Lavoie's *interpretive turn* into its deeper historical perspective. He places the origin in the weekly Mises seminars in Vienna where Alfred Schutz—an expert on Husserl and Weber—regularly attended. Schutz was a student of Ludwig von Mises and Friedrich von Weiser, the latter being F. A. Hayek's teacher as well. Madison argues that with Lavoie's incorporation of hermeneutic analysis, Lavoie achieved—to use a Hayekian term—a *synergetic collaboration* among the two research programs.

Wayne Froman's chapter continues this theme from Madison and is a very good account of Lavoie's belief that Austrian Economics and philosophical hermeneutics can work together as research programs toward achieving a fuller understanding of the market process. Froman highlights Lavoie's application of the method to the essential role of entrepreneurial knowledge discovery. By applying a hermeneutic analysis, the knowledge problem becomes less about discovery of what is *hidden* and more about what was previous-

ly never considered as *relevant*. The interpretative dynamic increases the universe of the relevant knowable information for the entrepreneur.

Lavoie explains the process more fully in the appendix to the collection. Lavoie's hermeneutical approach expands the notion of alertness of the Kirznerian entrepreneur, who sees the world directly through prices, to one where the entrepreneur also analyses what is being said by other market participants through their written and spoken words. This theoretically provides a fuller picture of existing market opportunities and thus tends toward the achievement of more beneficial coordination among market participants. For example, the reports, speeches, communications with workers, contracts, and other non-price information may provide the entrepreneur relevant information that can be useful to coordinate more profitable transactions. Through hermeneutic interpretation, knowledge is produced and not simply discovered.

Deirdre McCloskey's chapter is a touching homage to a colleague, describing his humbleness and bravery to persist in pursuing interesting cross-disciplinary research topics and methods to better understand human experience and exchange. To put her contribution in context, it should be noted that her attempts to similarly broaden the discussion within economics with the methods of hermeneutics and the power of rhetoric were met with the same harsh disapproval that Lavoie received—by the same faction (McCloskey 2018).

A phrase that Peter Boettke sometimes uses in his presentations is that Austrian Economics is 'an invitation to inquiry'. Perhaps it is a phrase from his teacher, Don Lavoie, if not directly spoken, then shown in spirit. As highlighted by the contributors, Lavoie's breadth and depth of research in so many areas reveal an inquiring mind, forever striving to understand, and applying what he had learned along the way to explain certain aspects of Austrian Economics. He achieved his goals with an inquisitive spirit—not by having a fixed preconception where it would ultimately lead him, and not by being concerned that his freely chosen path lacked rigid adherence to the methodological *proper lane*.

As I have already hinted, while Lavoie personified this inviting inquisitive spirit, his severest critics were seldom as gracious or humble. In a review of a collection devoted to the positive nature and impact of a scholar, perhaps it is best to leave negative things unsaid. However, to place Lavoie and this collection into a fuller context, the negative reception of his efforts ought to be briefly mentioned. Several contributors sprinkled breadcrumbs in that direction, but, allow me.

The harshest critic—though he was not the only one—of the work Lavoie and the others were doing at the Market Process Center was Mises' self-proclaimed protector, Murray Rothbard. As the guard on the Misesian tower, he did not take kindly to perceived threats to the kingdom. When Rothbard looked down from his tower through his black horn-rimmed glasses and saw hermeneutics approaching, he anticipated an outright invasion that needed to be squashed, by any means necessary. His utter contempt for the participants in the project at George Mason is rather shocking to this reviewer—though maybe it is laughed off as just 'Rothbard being Rothbard' by his legion of aficionados. I wouldn't know. But to absurdly compare the hermeneutics project to being perhaps as bad as Marxism and Nazism seems rather unhinged: '[O]ur Market Process hermeneuticians should be warned that there may be worse things in this world than mathematics or even positivism. . . [T]hat in addition to Nazism or Marxism, one of these things may be hermeneutics' (Rothbard 1989).

Knowing this and seeing Lavoie's perseverance, despite the severe opprobrium from presumed colleagues—ironically, all with whom he shared a deep appreciation of Mises²—tells us a lot about Lavoie's character and fortitude, as he continued to better understand the human condition and to apply what he had learned to Austrian Economics. It says something about his students as well. They ought to be proud to be among those who stood with him and learned directly from him. One hopes it also makes the collection more appealing and valuable to its readers who never had the opportunity. Such a spirit is needed in any field of inquiry, and especially so for such a complex and dynamic area of study as Austrian Economics.

To conclude, I want to share my favorite quote from the collection because it epitomizes what this review intends to communicate. It is the conclusion of Virgil Storr's chapter: 'Mises, whom Lavoie loved, has

described a pioneer, a creative genius, as someone who “clears a road through land hitherto inaccessible”. Lavoie was also a pioneer. It is now our task to catch up.’

NOTES

1. For Vaughn’s comments regarding Lavoie and the program, see Vaughn (1994, pp. 127-33).
2. Peter Boettke (2020, p. 32) recalls seeing Lavoie holding a copy of *Human Action* in front of a classroom of undergraduates and telling them it was ‘the greatest book ever written in economics’.

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