On the hermeneutics debate: An introduction to a symposium on Don Lavoie's “The Interpretive Dimension of Economics—Science, Hermeneutics, and Praxeology”

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Donald Lavoie is best known outside of Austrian economics for his work on the “socialist calculation debate.”¹ In his *Rivalry and Central Planning* (1985), published by Cambridge University Press, he argued that the traditional account of the debate over the possibility of rational economic calculation under socialism was incorrect. While it was widely argued that the Austrians lost that debate to the market socialists, Lavoie established that Lange and Lerner never really addressed Mises and Hayek's chief concerns. Rather than losing the debate, as Lavoie demonstrated, the Austrians actually won it. After Lavoie, it became impossible to maintain the standard account.

Ironically, Lavoie is probably best known within Austrian economics for his role in starting, advancing, and, then, supposedly losing another debate that embroiled the Austrian school. The “hermeneutics debate” began in 1985 when George Mason University's Center for the Study of Market Processes released Don Lavoie's working paper “The Interpretive Dimension of Economics—Science, Hermeneutics, and Praxeology.” Lavoie argued that Austrian economics' methodological propositions, especially its criticism of positivist economics, could be put on a more solid philosophical foundation if Austrians employed Gadamer's philosophical hermeneutics. He also argued that praxeology was not only consistent with but actually called for an interpretive social science. Boettke, Ebeling, Horwitz, Prychitko, and several other “hermeneutical Austrians” picked up Lavoie's call for an “interpretive turn” within economics and, along with Lavoie, sort to clarify and extend their arguments.² As Lavoie (1994: 54) described, “under the influence of Ludwig M. Lachmann, several Austrian scholars, including Boettke, Ebeling, Horwitz, Lavoie,

¹See, for instance, Lavoie (1981, 1983, 1985).

²See, especially, Lavoie (1990a), Ebeling (1986), Horwitz (1992), Madison (2001) and Storr (2004, 2009).

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Madison, Prychitko, and Rector, have begun to challenge the traditional Austrian school from the standpoint of hermeneutical philosophy.”³

Instead of welcoming this attempt to buttress praxeology's methodological underpinnings, the reaction to the hermeneutical Austrians' efforts was overwhelmingly negative (see, especially, Gordon 1986; Rothbard 1989; Albert 1988, 1989; Hoppe 1989; Perrin 2005). Rothbard (1989: 56), for instance, referred to Lavoie as “the spiritual head of [a] groupuscule” of “renegade Austrians and ex-Misesians gathered in the Center for Market Processes at George Mason University.” For Rothbard, embracing hermeneutics meant rejecting economics. “The essential message of deconstructionism and hermeneutics,” Rothbard (1989: 46) asserted, “can be variously summed up as nihilism, relativism, and solipsism.” Similarly, Gordon (1986) questioned the relevance of hermeneutics for economics. The Austrians who embraced hermeneutics, Gordon (*ibid.*: 1) argued, were abandoning “their carefully wrought science for the products of ‘vain imaginations.’” Gordon (*ibid.*: 5) wondered “what has any of this to do with economics? ... economists are not engaged in the business of interpreting philosophical texts: whether Gadamer is on target in his chosen field or not, he passes the economist by. ... If there is a science of economics, in the sense deprecated by Professor Lavoie and his colleagues, Gadamer has nothing to say against it.” Albert (1988: 593) has likewise compared hermeneutics to historicism and argued that “Lachmann ... inspired his followers [like Lavoie] to look to anti-naturalistic hermeneutics in the spirit of Heidegger and his pupils as a remedy in economics and in a way similar to attempts made by Werner Sombart and others in the thirties in Germany.” More recently, Perrin (2005) has claimed that the hermeneutical economists embraced polylogism. As Vaughn (1994: 133) summarized, “Hermeneutics is still considered heresy by many Austrians. Some object on philosophical grounds that deny the applicability of Continental philosophy to the Austrian tradition. Others decry the loss of the possibility of theoretical certainty that hermeneutical economics engenders. Still others, I suspect, are most worried that hermeneutics makes the old arguments for the unchallenged supremacy of the free market open to challenge.”

Interestingly, the hermeneutical Austrians only rarely directly engaged their critics because they believed that, as Lavoie (1990a: 9) concluded, “although there are some interesting issues in the criticisms that have been raised so far of the hermeneutical Austrians, the critics, by and large, have not shown a very sophisticated appreciation of economics.”⁴ As a result, it is widely assumed that the hermeneutical Austrians lost the debate. Referring to Hoppe (1989) and Gordon (1986), Rothbard (AEN 1990), for instance, declared that “hermeneutics has been crushed by Hans-Hermann Hoppe and David Gordon.” Similarly, Yeager (AEN 1991) pronounced that hermeneutics was “a flash in the pan.” Even those

³ See Lavoie's *Economics and Hermeneutics* (1990a) and Prychitko's *Individuals, Institutions, Interpretations* (1995) for overviews of the hermeneutical Austrian project. See also Horwitz (1995), Lavoie (1987, 1990b, 1990c, 1995).

⁴ This is not to suggest that Lavoie did not clarify his arguments to address some of the more “sophisticated” critics of the use of hermeneutics within economics. See, in particular, Lavoie (1986, 1987, 1990a, b, c, 1991). See, also, Lavoie and Chamlee-Wright (2002) and Boettke et al. (2004) as well as Lavoie and Storr (2011). See Madison (1988) for a rare attempt by the hermeneutical Austrians to address their critics concerns.

sympathetic to the hermeneutical Austrian positions wondered about the usefulness of the “debate.” As Horwitz (2004: 251), himself a participant in these debates, concedes, “rereading the various pieces from this period that were central to the virulent debates only reinforced my own belief ...that they were both counterproductive and embarrassing for Austrian economics.” And, as I have argued, the hermeneutical Austrians made a tactical mistake in choosing to employ Gadamer rather than, say, Alfred Schütz. “Gadamer's hermeneutics may have avoided some of the pitfalls that plague Schütz's phenomenology,” I wrote, “but the advantages offered by Gadamer over Schütz were not critical to many of the substantive arguments that the hermeneutical Austrians tried to advance. ... As such, although Gadamer was arguably a better soldier than Schütz (from a philosophical perspective), Schütz would have been a more natural recruit to advance these particular arguments” (Storr 2010: 152).

Although Lavoie and the other hermeneutical Austrians have published a great deal about how hermeneutics might aid our economics, this original essay, which set the agenda for the debate and contains the most extensive statement of Lavoie's position, was never published. Lavoie had intended to develop this article into a book but was not able to complete it before his untimely death (at age 50 years). That this original essay has been largely unavailable, I believe, has hampered our ability to assess the substantive positions of the hermeneutical Austrians and to reach a decision as to which side (if any) won the hermeneutics debate.⁵

This symposium contains Lavoie's first and last statements on the “interpretative turn.” Lavoie's “The Interpretive Dimension of Economics—Science, Hermeneutics, and Praxeology” as well as “Distinction or Dichotomy: Rethinking the Line between Thymology and Praxeology,” which I co-wrote with Lavoie and which he completed a little over a week before his death in 2001, are published here for the first time. Original articles by Jack High, a colleague of Lavoie who was a leading figure in the debate, as well as Peter Boettke, David Prychitko, and Steven Horwitz, who were students of Lavoie who also participated in the debate, are also included. Additionally, Chamlee-Wright, a student and co-author of Lavoie's whose first book *The Cultural Foundations of Economic Development: Urban Female Entrepreneurship in Ghana* (1997) is perhaps the gold standard among the wave of empirical work (explicitly or implicitly) influenced by the “interpretive turn,”⁶ contributes to this symposium. And, contributions by Arjo Klammer and Paul Lewis, who have offered critiques of the positivism that plagues economics similar to those criticisms advanced by the hermeneutical Austrians, are also included.

Again, this symposium is not an effort to re-open the hermeneutics debate or even to offer a counter-narrative to the standard account of that debate. Instead, the rationale behind this symposium is far more modest. It is my belief that scholars interested in the history of economic thought and, particularly, in the history of the Austrian school of economics will benefit from the publication of Lavoie's essay as

⁵ Although I believe it is certainly possible to offer a direct response to the most trenchant arguments against the “interpretive turn” (see Runst and Storr 2010), none of the essays in this symposium attempts such a response.

⁶ See, for instance, Beaulier (2003), Boettke (1990), Chamlee-Wright (1993, 1997, 2002, 2005, 2010), Coyne (2007, 2008), Leeson (2009), Storr (2002, 2004) and Stringham (2002, 2003).

well as these series of articles which seek to explain the context and try to tease out some of the implications of the arguments advanced in that essay.

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