

PHILOSOPHY, POLITICS, AND AUSTRIAN ECONOMICS

Edited by Daniel J. D'Amico
and Adam G. Martin

ADVANCES IN
AUSTRIAN ECONOMICS

VOLUME 25

PHILOSOPHY, POLITICS, AND
AUSTRIAN ECONOMICS

ADVANCES IN AUSTRIAN ECONOMICS

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PHILOSOPHY, POLITICS, AND AUSTRIAN
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**PHILOSOPHY, POLITICS,
AND AUSTRIAN
ECONOMICS**

EDITED BY

DANIEL J. D'AMICO

Brown University, USA

and

ADAM G. MARTIN

Texas Tech University, USA



United Kingdom – North America – Japan
India – Malaysia – China

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INTRODUCTION: PHILOSOPHY, POLITICS, AND AUSTRIAN ECONOMICS

Daniel J. D’Amico and Adam G. Martin

“Nobody can be a great economist who is only an economist – and I am even tempted to add that the economist who is only an economist is likely to become a nuisance if not a positive danger.” F. A. Hayek, “The Dilemma of Specialization.”

For many decades, the University of Oxford has been home to a prestigious course in Philosophy, Politics, and Economics (PPE). The focus of that program has always been to train practical statesmen and civil servants, a goal borne out in the large number of alumni that hold parliamentary seats in the United Kingdom.¹ On their homepage, Oxford explains the merits of each of the three academic fields and argues that citizens and leaders in the modern world benefit from a working knowledge of each.²

In recent years, PPE has taken off. New university degree programs, academic journals,³ and professional associations dedicated have sprung up.⁴ Some are attempts to replicate and build on the Oxford model, in which students study all three subjects as distinct fields in preparation for a career in public policy. But there is a newer, more substantively interdisciplinary approach as well.

The new PPE uses the tools of economic explanation and philosophical justification to investigate questions about political institutions and policy. The University of Pennsylvania’s PPE program links, on its program description page,⁵ to an American Philosophical Association blog post that distinguishes between politics as a field of study and economics and philosophy as toolkits.⁶ The University of Maryland presents PPE as a model for resolving normative social issues with the theoretical and empirical toolkits of the social sciences.⁷ Duke University in collaboration with UNC Chapel Hill, offers a minor in PPE that includes not only classes across the three fields, but also introductory and capstone classes that are explicitly interdisciplinary.

The newer style of PPE draws on thinkers such as John Rawls, Amartya Sen, David Gauthier, and Robert Nozick. These thinkers pioneered answering questions raised in political philosophy using rational choice theory or game theory as the engine of analysis. This shared set of tools allows for scholars from these and related disciplines to discuss, contest, and collaborate on a wide range of topics both foundational and applied. PPE mixes economic models and philosophical

concepts with questions from political science and political theory. This combination has led to an even broader range of research topics than those covered by the most ardent economic imperialists, with rational choice serving as the connective tissue that ties so many threads together.

Enter Austrian economics. From the marginal revolution to today, Austrian economics has always afforded human reason and intentionality a central place in economic science. Whether you interpret the Austrian approach as one branch of neoclassical economics or as a parallel approach, the affinity between Austrians and other rational choice scholars is undeniable. This is not to deny the distinctiveness of the Austrian approach, including its emphasis on spontaneous order, entrepreneurship, knowledge problems, and understanding competition as a dynamic process. But whereas some heterodox economic approaches want to jettison rational choice entirely, Austrians embrace methodological individualism, marginalism, and a framework that understands changes in behavior as responses to changing incentives.⁸

In fact, Austrian economists were ahead of the curve – at least theoretically – when it came to broadly applying rational choice outside of economics.⁹ Mises's early methodological work is a primary inspiration for Lionel Robbins's argument that economics applied to any situation in which agents confront scarcity.¹⁰ Mises himself distinguishes between praxeology—literally the logic of action – and catallactics.¹¹ Praxeology is the master discipline on which all social sciences draw. Catallactics, or economics proper, applies praxeological insights to the study of exchange, markets, money, and related social configurations. Austrians are on the same page as PPE scholars who wish to apply a broadly rational choice approach to a wide variety of issues. Our understanding of how humans make choices outside of the marketplace ought to be consistent and compatible with our understanding of how humans make choices inside the marketplace without ad hoc revisions of basic presumptions.

Moreover, scholars in the Austrian tradition are more likely than the modal economist to engage with philosophy and broader currents in social thought. Menger, Mises, Hayek, and many other Austrians have written extensively on economic methodology. There are also strong links between Austrian economics and the political theory literatures on classical liberalism, libertarianism, and social evolution more broadly. Hayek himself has two collections of essays entitled *Studies in Philosophy, Politics and Economics* and *New Studies in Philosophy, Politics, and Economics*.

Given these parallels between the newer approach to PPE and Austrian economics, this volume seeks to ask whether there are gains from trade between these two fields. What is the existing relationship between distinctively Austrian ideas and the questions that PPE scholars grapple with? What are the pitfalls and benefits of applying Austrian theories to these questions? Where has contemporary PPE produced work that complements, undermines, or supersedes Austrian ideas?

The chapters collected here were workshoped at Brown University's Political Theory Project in June 2019, at a colloquium co-sponsored by the Free Market

Institute at Texas Tech University. This colloquium was the first of six that are part of the “Austrian Economics in the 21st Century” project funded by the John Templeton Foundation. The authors’ backgrounds include politics, philosophy, and economics, and they range from highly sympathetic to deeply suspicious of key Austrian ideas. In addition to the authors, we wholeheartedly thank the John Templeton Foundation for their financial support, as well as Alythea Laughlin, Katie Bonadies, Justin Callais, and Ferris Lupino for their invaluable help organizing and running the colloquium.

This volume touches on a variety of contact points between Austrian economics and PPE. We have organized our chapters into three subsections. First, as the call to interdisciplinary work is so well-articulated by F. A. Hayek, we begin with direct engagements with Hayek’s works. James Johnson argues that the theoretical idea of spontaneous order, while useful for explaining many social phenomena, is often leveraged as an all too convenient ideological cudgel. Peter J. Boettke examines the formal reviews and responses to Hayek’s most popular tome, *The Road to Serfdom*. Joseph Heath critically examines Hayek’s claim that socialism is atavistic in light of contemporary developments in evolutionary psychology. Last in this opening section, Gianna Englert’s contribution dives into Hayek’s comments surrounding the institutional dynamics of democracy as a means to understand his hostility toward embracing the ideological label of conservatism.

Our second section changes gears to focus upon the microfoundations of Austrian theory within the PPE paradigm. Brian Koglemann’s chapter exemplifies the mission of the Maryland PPE program from which he hails as it methodically leverages Austrian insights regarding imperfections and incompleteness of information, knowledge, and discovery to engage philosophical debates and questions regarding idealization and motivating assumptions. Douglas B. Rasmussen’s chapter elaborates upon a relatively unique feature of Austrianism apart from other economic traditions: the role of axiomatic reasoning and in particular the action axiom. Michelle A. Schwarze examines Smith’s microfoundations of property rights, examining the role of behavioral assumptions in spontaneous order accounts of social institutions.

Our final section includes chapters wherein Austrian insights are applied to analyze real-world governance arrangements. Christopher Freiman argues that liberal egalitarians ought to embrace competition in the provision of policing services. Jennifer Brick Murtazashvili and Ilia Murtazashvili examine some under-appreciated limitations of self-governance in supporting wealth creation. Alexander William Salter brings an Austrian perspective to bear on questions from constitutional political economy, arguing that political entrepreneurship poses distinct problems for contractarian political philosophy. Lastly, A. K. Shauku uses entrepreneurial theory to examine the gradual evolution of the American judicial system.

We hope that these chapters provide a useful and engaging overview of the theoretical substance of an Austrian-inspired PPE program as well as a practical resource for future work.

NOTES

1. Beckett, PPE: The Oxford Degree that Runs Britain.
2. See <http://www.ox.ac.uk/admissions/undergraduate/courses-listing/philosophy-politics-and-economics>, accessed May 10, 2020.
3. The homepage for the *Journal of Politics, Philosophy and Economics* (founded in 2002) describes the outlet as “a unique forum for the interchange of methods and concepts among political scientists, philosophers and economists interested in the analysis and evaluation of political and economic institutions and practices.” See <https://journals.sagepub.com/description/PPE>, accessed May 10, 2020. Similarly, The New Thinking in Political Economy Book Series, edited by Peter Boettke and published by Edward Elgar aims “to encourage scholarship in the intersection of the disciplines of politics, philosophy and economics ... [as] during the 20th century, the process of disciplinary specialization reduced the intersection between economics, philosophy and politics and impoverished our understanding of society.” See <https://www.e-elgar.com/shop/gbp/book-series/economics-and-finance/new-thinking-in-political-economy-series.html>, accessed May 10, 2020.
4. “The Philosophy, Politics and Economics Society’s inaugural event was held at the Eastern Division Meetings of the American Philosophical Association ... [in] 2016.” It has since held events in conjunction with the Southern Economics Association Annual Meetings, the American Philosophical Association and begun, its own independent annual academic conference. See <https://ppesociety.org/a-history-of-events/>, accessed May 10, 2020.
5. See <https://ppe.sas.upenn.edu/study/curriculum>, accessed May 10, 2020.
6. Anomaly, Why PPE?
7. See <https://www.philosophy.umd.edu/ppe>, accessed May 10, 2020.
8. See Martin, Critical Realism and the Austrian Paradox.
9. Unfortunately, with the exception of monetary economics, applied work in Austrian economics largely lagged until the 1990’s. See the chapters collected in our previous volume, D’Amico and Martin, *Assessing Austrian Economics*.
10. Robbins, *The Nature and Significance of Economic Science*, p. ix.
11. Mises, *Human Action*, Introduction.

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