

A MUDDLE CONFOUNDED

Don C. Lavoie's "The Relevance of the Subjective"¹ consists mainly of irrelevance and confusion. In the following I clear away some of the irrelevance and try to dispel some of the confusion.

1. Lavoie has filled out his essay with a lot of talk about the doings of entrepreneurs, such as anticipating market demand,² persuading people to buy used cars, and trying to buy my typewriter for a low price so as to sell it elsewhere for a higher. Though all of this may be instructive, it does not bear on the point of logic with which I was chiefly concerned in "Dissolving a Muddle in Economics."³ The point there is merely that, no matter how or why exchanges are made, those exchanges serve to partition the class of commodities into equivalence classes and that such a partition permits an explication of economic value in answer to the question about value Marx raises at the beginning of *Das Kapital*.

2. That "the market is always in disequilibrium" (p. 97) is likewise not relevant to the logical point. Whether the market is or is not in equilibrium has nothing to do with the definition of economic values as exchange-equivalence classes. That definition relies only on the fact that there are markets—i.e., that there are exchanges—and on nothing else.

3. If my house were to be sold under foreclosure, that would be a transaction I would not *want*. Lavoie's talk of *ex ante* and *ex post* ("before" and "after" in plain English) is beside the point. I would, indeed, have preferred a mortgage *without* any provision for foreclosure upon default, but I could not find a lender simple-minded enough to satisfy my preference. So I signed a contract containing such a clause. Should foreclosure occur, it would be an abuse of English and of good sense to say that *that* transaction was one I *wanted* or *preferred*, even though it would accord with an agreement I had made. Except in very peculiar circumstances, I would not *want* my house foreclosed upon, my automobile repossessed, my wages garnisheed, and so on and so on, no matter what contracts I may, quite voluntarily, have entered into.

4. If my attorneys act for me in some business transaction, they are my agents and are the parties *directly* engaged in the negotiations. But surely that does not mean that I am not a party to the transaction, even though at one remove. Moreover, it does not

mean that what those agents do is what I prefer: I might not care what they do, or it could be that, whatever my preferences, I am forced in the circumstances to acquiesce, and so on. I am, nonetheless, a party to the transaction. The case is not so different, it seems to me, when the officers of my union negotiate a wage contract or when the managers of a corporation in which I hold shares decide to issue some new securities or to market a new product line, etc., etc. Whatever the degree of my participation, it remains that I am a party to, at least because of a financial stake in, the transactions. Lavoie can, to be sure, try to rule out these cases by invoking technicalities and by persuasive redefinition of terms. But that would be a transparent dodge.

5. With respect to the more general question whether what people do is always what they want to do, Lavoie has again missed the mark. For one, the issue here is not confined to ordinary economic activities ("voluntary exchange," as Lavoie puts it on p. 98) but has to do with people's doings generally. And, I must insist, people *do* comply, and even voluntarily if you like, with governmental edicts, although they may truly not *want* to do so.

Again, not all mistakes satisfy Lavoie's characterization (p. 99) as being past actions about which the agents later have regrets. True, many mistakes fit that characterization; e.g., one may regret one's choice of a mate or a vocation. But many others do not so fit—mistakes in typing or arithmetic, for instance, or misunderstanding a point in logic.

Lastly, on this score, doing things unaware is not always doing things by routine or habit. For example, my violation of the speed law⁴ was not an instance of a habit or of some routine but was a simple case of not paying attention. Moreover, notwithstanding what Mises says in the quotation Lavoie supplies (p. 99–100), not every habit arises from voluntary choice expression of one's preferences. My nephew, for instance, habitually brushes his teeth, but only because his mother at the start insisted on it, whether my nephew liked it or not. Still further, even if the beginning of a habit resulted from voluntary choice, it does not follow that *present indulgence* in that habit agrees with the agent's preferences,⁵ as many drug addicts would testify.

I conclude, then, that Lavoie has not refuted the case for the view that what people do is not always what they want to do.

6. Had I but attended to the doctrines of *praxeology*, Lavoie says, I could have avoided at least some of what he thinks are my erroneous assertions. Praxeology, according to Lavoie, is a *pure theory*, logically of the same sort as, e.g., Euclidean geometry.

Because of that logical status, he holds, the deliverances of praxeology are undeniably true. A praxeological dictum, it appears, is no more subject to empirical test than is, say, the Theorem of Pythagoras. In Lavoie's view, (1) praxeology has the unquestionable certainty of pure mathematics, and (2) its theses are important and necessary truths about the world.

This, however, is an untenable position. As Albert Einstein remarked, "So far as the theorems of mathematics are about reality, they are not certain. And so far as they are certain, they are not about reality."⁶ What is at issue, to be sure, is not the relation of logical implication between the axioms and theorems of geometry or of any other "pure" theory. That is no more in doubt than is the proposition that $7 + 5 = 12$. The point is that if a thesis of geometry, e.g., Pythagoras's Theorem, is taken to be a proposition about physical space (given a suitable interpretation of the abstract theory), then that thesis takes its chances with respect to truth or falsehood as much as does any other putatively informative statement. In fact, so construed as an assertion about reality, the Theorem of Pythagoras turns out to be false.⁷ It follows that not all the axioms of Euclidean geometry are true of physical space and hence that Euclidean geometry is not a true description of physical space, as the latter is understood by physicists.

The point of interest is that the theses of a "pure theory," taken on their own as allegedly descriptive of reality, are subject to empirical test. If praxeology differs from geometry in this respect, then it is *not* of the same logical sort as pure mathematics. In that case, then, the onus is on its advocates to explain what the logical status of praxeology actually is.

7. This question of interpretation calls for a little more attention. When a theory like Euclidean geometry is given a physical interpretation, some conventions (what Reichenbach called *coordinative definitions*) are laid down assigning meaning and reference for the hitherto uninterpreted terms of the theory. These conventions belong to the larger system composed of the pure theory together with the interpretation, and not to the pure theory alone. Once laid down, the coordinative definitions are truisms within that larger system. Thus, the physicists' convention that a *straight line is a path of a light ray in an optically homogeneous medium* (concerning which see the works of Reichenbach and Grünbaum cited in note 6) is not a substantive assertion about the world but an expression of certain conceptual relations under the interpretation adopted. Such assertions, and their logical equiva-

lents, are then analytic truths or, loosely speaking, tautologies.

Now, Lavoie says that the praxeological proposition—that *exchanges always occur in accordance with the preferences of all parties to the transactions*—is a tautology. Hence, he argues, it is just wrong-headed to seek “factual refutation” thereof (p. 100). He holds that the proposition is true in virtue of *what praxeologists mean* by such terms as *exchange*, *preference*, and the like. That is, this proposition and its ilk are analytic truths *under the interpretation* supplied by praxeologists. I have two comments to make on this.

First, if the assertion is tautological, as Lavoie says it is, then the charge of vacuity is confirmed, and that vacuity is precisely why I ventured to criticize the Austrian account in the first place. (On this see also pp. 87–88 of Michael Gorr’s paper, cited in note 3.)

Second, it is doubtful whether what praxeologists mean by the several terms should be authoritative for anyone else. There is, after all, pretty good reason to accept the physicists’ assignment of meaning to *point*, *straight line*, and so forth in their physical interpretation of geometry. Those conventions agree very nearly with ordinary usage in cases where both apply (e.g., when surveyors use transits to map a piece of ground), and they are reasonably continuous extrapolations of ordinary usage into domains (like that of intergalactic dimensions) about which ordinary usage is silent, confused, or uncertain. By contrast, the praxeological conventions Lavoie offers do some violence to the language. In particular, adoption of what praxeologists mean would blur or even obliterate important distinctions properly recognized in ordinary usage.

For example, in Melville’s *Billy Budd*, Captain Vere has Billy Budd court-martialed and executed, though the Captain would prefer not having had to do so. On the praxeological view, since Vere chose to do what he did, it follows that that is what he preferred to do. The effect is to trivialize Melville’s novel. Similarly, on the praxeological interpretation, the Kantian problem of the conflict between duty and inclination becomes unintelligible. Again, in the ordinary meaning of the words, it makes sense for a parent to say, “I don’t want to do this but I must,” while spanking an errant child. Given Lavoie’s account, however, such statements are praxeological nonsense.

But such statements are not nonsense; Kant’s problem is not, at least not obviously, unintelligible; and Melville’s novel is not trivial. Evidently, there are many such examples, all of which give good reason *not* to adopt the praxeological interpretation of the crucial terms.

8. Moreover, if the praxeological thesis in question is a tautology, as Lavoie says it is, then by itself it cannot *also* be a substantive part of a causal explanation of anything. At the most, it can provide the parameters of such an explanation, that is, indicate beyond what factors an explanation may not reach. Tautologies are useless in the role of providing the specific factors that explain anything.⁸

9. A related point brings the discussion back to the concept of value. Lavoie says, p. 95, "the notion of subjective use-value . . . underlies and renders causally comprehensible . . . exchange value. . . ." Farther on he adds, p. 97, "the Austrian concept of value . . . is specifically selected for its usefulness in explaining causation in exchange." But how does that concept function in the Austrians' story? Well, Walters buys a bottle of Lafite-Rothschild '45 because he values the wine more than the money he pays for it. And how is it determined that Walters values that bottle so highly? Why, by the fact that he bought it! It is a *conceptual necessity* that this be so, if Lavoie's account is correct. But this is no sort of causal explanation, precisely because of the alleged conceptual necessity. It is as if one were to say that Henderson's being unmarried is *caused by* his bachelorhood.⁹ A causal explanation of Henderson's unwed bliss must consist of something other than a repetition in other words of the fact to be explained, for instance by reference to his peculiar childhood, or his taste for casual encounters with many women, or his homosexuality, or whatever. To be taken as significant causal factors, these other things must be conceptually distinct from the thing to be explained, since it must be possible to make some independent check on those alleged causes and their correlation with the alleged effect.

For a causal investigation so much as to begin, the critical conceptions have to be "neutral with respect to all putative causal or functional explanations." The notions of *weight* and *mass*, for instance, are conceptually neutral with respect to different theories of combustion. That is why Lavoisier could weigh the substances in his apparatus before and after combustion and thereby get the data that refuted the phlogiston theory of combustion. Otherwise, measurements of weight, no matter what their outcome, would invariably conform to the phlogiston theory. The theory would then be irrefutable, but it would also be scientifically pointless.

Lavoie and the praxeologists, it appears, want to have it both ways. The subjective use-value doctrine is to be scientifically

useful in causal explanation, but it must all the same be irrefutable in principle. But that is just incoherent, as I have abundantly demonstrated.

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1. *Reason Papers*, no. 4 (Winter 1978), pp. 95-101. Page references are to this essay.

2. If Lavoie is to be believed, entrepreneurs have some extraordinary abilities. For instance, they are remarkable for precognition: they *notice* differences between current values and "the *actual* future preferences of consumers" (p. 97, emphasis added). One may wonder how they are able to achieve this direct perception ("noticing") of the future, a talent apparently not shared by ordinary folk. It is a pity, too, that this clairvoyance cannot be (or, out of perversity perhaps, is not) applied to more pressing matters than, say, *future sales of chewing gum*.

3. *Reason Papers*, no. 2 (Fall 1975), pp. 1-14. See also Michael Gorr, "Trivus on Economic Value," *Reason Papers*, no. 3 (Fall 1976), pp. 83-89; and my reply to Gorr, "The Irrelevance of the Subjective," *ibid.*, pp. 90-98.

4. See p. 97 of my "Irrelevance of the Subjective."

5. In Mark Twain's "Tom Sawyer, Detective," Jubiter Dunlap betrays himself by an idiosyncratic unconscious gesture. Tom Sawyer is speaking: "I was a-watching him sharp . . . —and all of a sudden his hands begun to work and fidget, and pretty soon his left crept up and *his finger drew a cross on his cheek*, and then I *had* him!" Contrary to what Mises says, it is unlikely, at best, that Jubiter Dunlap *consciously chose* that mannerism, when the habit got started, in preference to other possibilities then open to him. It is a certainty that he did not consciously choose to draw a cross on his cheek on this particular occasion, and it would be silly to suggest that he chose to do it *in preference to* whatever else he could have done on that occasion.

6. Quoted by Rudolph Carnap on p. 183 of his *Philosophical Foundations of Physics*. For useful discussions of the philosophy of geometry the reader should consult pp. 125-83 of Carnap's book, as well as Hans Reichenbach's *Philosophy of Space and Time*; Adolph Grünbaum's *Philosophical Problems of Space and Time*; and Carl Hempel's "Geometry and Empirical Science," in *The World of Mathematics*, ed. J. R. Newman, vol. 3, pp. 1635-46.

7. More precisely, what experiment shows is that, given the coordinative definitions of *point*, *line*, etc. and the customary convention for the congruence of spatially separated line segments, measurement of distance does not in general conform to the Theorem of Pythagoras. (Technically, observation shows that the functions g_{ij} that compose the *metric tensor* do not satisfy the conditions that $g_{11} = g_{22} = g_{33} = 1$ and $g_{12} = g_{13} = g_{23} = 0$, referred to rectangular Cartesian coordinates, which conditions are necessary if Pythagora's Theorem is to be true of physical space.)

8. One of the lessons to be learned from Hume's *Treatise of Human Nature*, bk. I, pt. III, and his *Inquiry Concerning Human Understanding*, secs. VI, VII, is that the relation between any alleged cause and its supposed effect must be discovered by *experience*, e.g., in scientific inquiry, and cannot be got from logical or conceptual analysis alone. It must be left to experimental investigation to find out what the facts are—and especially so to avoid prejudging whether this or that factor is, was, or will be the cause of something else. In short, a proposition asserting a relation of cause and effect *cannot* be an analytic truth or, as Lavoie uses the term, a tautology.

9. Cf. the statement attributed to Calvin Coolidge: "When more and more people are thrown out of work, unemployment results."