

## “RADICAL SUBJECTIVISM”: NOT RADICAL, NOT SUBJECTIVIST

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**T**he running debate in Austrian economics between radical subjectivists and their “moderate” opponents is one that follows a subjectivist script. On one side the radical subjectivists accuse their more moderate counterparts of a failure of theoretical nerve in taking subjectivism to its proper conclusions (Lachmann 1986; Wiseman 1989).<sup>1</sup> On the other side, the moderates accuse the radical subjectivists of abandoning the proper subjectivist insights of Mises and Hayek for a “radically subjectivist nihilism” (Kirzner 1995, pp. 11–24). In this article I argue that the whole debate is misconceived because it follows this subjectivist formulation. I do so by focusing on what is usually taken to be the core claim of radical subjectivism which is taken to define the essence of the position and which underlies its more specific claims questioning the existence of coordinative or equilibrating tendencies within market economies.<sup>2</sup> I show that the core claim of radical subjectivism, as it is presented by its proponents, is neither radical nor subjectivist. It is not radical—the thesis it defends has been around for some two millennia. Attention to that history shows that it need not be subjectivist. In the following I will restate the radical subjectivist position in the logical terms of the older debates. Thus stated the position is not “nihilist” nor irrational. However, neither does it entail the fundamental revision of the aims of economic theory that its proponents often suppose. Whether or not it is true is another question. It is not my main purpose here to either defend or criticize radical subjectivism, although I will raise

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<sup>1</sup>Although not an Austrian, Shackle’s (1983, pp. 28–37; 1979) arguments for radical subjectivism have been particularly influential.

<sup>2</sup>My own view is there do exist major discoordinating tendencies within market economies, but for reasons other than those offered by radical subjectivists (O’Neill 1989; 1998, chap. 10).

problems with the position. Rather my purpose is primarily to clarify the terms of the debate by pointing to the logical implications it has which are lost in its subjectivist formulation. The central problems with what is called the “radical subjectivist” thesis are not addressed by either party in the current debates.

Radical subjectivism presents itself as a radical revision of the epistemic arguments for markets which have been at the center of Austrian economic theory—arguments which I have criticized elsewhere.<sup>3</sup> The epistemic arguments present the market as a solution to problems of ignorance. Two sources of human ignorance are invoked in the traditional Austrian position. The first is what Hayek (1949b,c) calls “the division of knowledge” in society; that is, the dispersal throughout different individuals in society of knowledge and skills, not all of which can be articulated in propositional form and much of which is about particulars localized to a specific time and place. Hence, no single individual or subgroup of individuals within society could in principle possess all the knowledge required for coordination. The market acts as a coordinating procedure which through the price mechanism distributes to different actors that information that is relevant for the coordination of their plans. Central to that coordination is the activity of the entrepreneur who is alert to new opportunities in the market place. Through the activities of the entrepreneur the market acts as a discovery procedure. The entrepreneur is faced with a second source of ignorance, a future that at the point of decision is unpredictable. Two points are invoked here. The first is a form of practical libertarianism. The argument runs, that from the point of view of the actor the future outcome of a decision is indeterminate, since if it was known in advance there would be no decision to make: “[T]o acting man the future is hidden. If man knew the future, he would not have to choose” (Mises 1998, p. 105). Second, there is an argument from the unpredictability of future knowledge and invention for supposing that future human wants are in principle unpredictable. Wants change with the invention and production of new objects for consumption. If one also accepts claim often attributed to Popper that the progress of human knowledge is in principle unpredictable—if we could predict future knowledge, we would already have it<sup>4</sup>—then

<sup>3</sup>While there is a deal of power in the epistemic arguments as negative arguments against particular forms of centralized planning, the epistemic arguments understood as positive arguments for market economics are I believe unsuccessful. I criticize (1998) these positive arguments and the general Austrian case for the market.

<sup>4</sup>See the preface to Popper (1986). It is interesting to note here, however, that the claim is one that was developed from the socialist side of the socialist calculation debates by Neurath: “He who wants to predict a new invention in social life or in engineering has to anticipate this invention. . . . [t]herefore we have to admit that as empiricists we cannot predict changes in our social structure as might predict changes in the astronomical constellation” (1943, pp. 148–54); see also Neurath (1944, pp. 28ff.). This admission that, as Neurath put it in his 1921 paper “Anti-Spengler,” action is “an anticipation of unpredictable events” (Neurath

it follows that since human invention relies on the progress of knowledge, and wants are created by human invention, future human wants are also in principle unpredictable. Hence at any point in time, we are ignorant about the full range of future human wants. The market is presented as a discovery procedure in which different hypotheses about the future are embodied in entrepreneurial acts and tested in the marketplace (Hayek 1978, pp. 179–90; Kirzner 1985). Through such acts market coordination is realized.

While radical subjectivists raise questions about the coordinative tendencies of markets, the arguments for human ignorance from the nature of decision and the unpredictability of future knowledge remain central to radical subjectivism.<sup>5</sup> They form common ground for rejecting the possibility of knowledge of particular future contingent events shared by proponents on both sides of the debate. The thesis that comes under the title of radical subjectivism, however, adds a further twist to the claim that the future is unpredictable. The arguments from decision and the unpredictability of future knowledge, while involving denial of the possibility of knowledge about particular future states of affair, do not entail the denial of the claim that there is truth to be known. Radical subjectivism denies this additional claim. The argument goes that it is not just that the future is unknowable, but that the future itself depends upon current choices. The market is thus not a discovery procedure but a creative process through which the future is made (Buchanan and Vanberg 1991, pp. 187–220). Since the future depends on current choice, there is now, strictly speaking, nothing to know. The indeterminacy of the future is presented by its proponents as the defining core claim of radical subjectivism. Thus Wiseman (1989, p. 230) writes: "The essence of the radical subjectivist position is that the future is not simply 'unknown,' but is 'nonexistent' or

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1973, p. 159), as such rules out only those forms of technocratic planning which assume otherwise. As I have argued elsewhere there is a great deal in common between Neurath's criticisms of pseudorationalism and Hayek's case against Cartesian rationalism (O'Neill 1996, pp. 431–42). It is a point that Neurath himself makes in his correspondence with Hayek (Neurath 1945, p. 243). More generally, there is some common ground between Austrian epistemic arguments against centralized technocratic planning and those offered by its socialist critics (O'Neill 1998, chap. 10).

<sup>5</sup>Both points are made succinctly by Shackle:

Complete prediction would require the predictor to know in complete detail at the moment of making his prediction, first, all "future" advances of knowledge and inventions, and secondly, all "future" decisions. To know in advance what an invention will consist of is evidently to make that invention in advance. . . . [*Predictability of decisions* . . . is either a contradiction in terms or an abolition of concept of decision. (Shackle 1958, pp. 103–04)

Shackle's points are endorsed by Lachmann (1977, pp. 88ff.). What betrays the radical subjectivist turn here is the use of scare-quotes around the term "future."

‘indeterminate’ at the point of decision.” The same point is made thus by Shackle (1983, pp. 28–37; 1979): “the content of time-to-come is not merely unknown but nonexistent, and the notion of foreknowledge of human affairs is vacuous.” However, thus stated, this core claim is a variation of a position that has been around since Aristotle and it can be restated with greater clarity, stripped of its subjectivist surroundings, in logical terms. A reformulation follows.<sup>6</sup>

Suppose Entrepreneur E is considering whether to launch a new product P. E judges that if over  $n$  consumers buy P at  $\pounds m$  then the product will be worth launching. E has to judge now at  $t_0$  the truth or falsity of the claim “over  $n$  consumers buy P at  $\pounds m$  at  $t_1$ .” On the older epistemic version of the Austrian position this is just a matter of the limits of foreknowledge. At this point in time  $t_0$ , the claim “over  $n$  consumers buy P at  $\pounds m$  at  $t_1$ ” is either true or false—it has a definite truth value. In logical terms, assertions about future states of affairs fall under the principle of bivalence—that every statement has a determinate truth value, i.e., for any proposition, P, it is either true that P or false that P. Our problem is that in principle we cannot know what that truth value is. Radical subjectivism denies that claim. The problem is not just one of limits to foreknowledge, but the dependence of future states on current choices. The principle of bivalence does not hold for singular statements about future contingent states of affairs. Currently at  $t_0$ , prior to the choices of the entrepreneur, E, and his competitors and the choices of consumers which will together determine whether it becomes true, the statement “over  $n$  consumers buy P at  $\pounds m$  at  $t_1$ ” has no determinate truth value. It is not the case that it is now either true or false. It needs to be noted that to say this is to deny bivalence and not the law of the excluded middle, “P or not P”: “either over  $n$  consumers buy P at  $\pounds m$  at  $t_1$  or it is not the case that over  $n$  consumers buy P at  $\pounds m$  at  $t_1$ .” Now at point  $t_0$ , one might say the claim “over  $n$  consumers buy P at  $\pounds m$  at  $t_1$ ” is either-true-or-false, but not yet either true or false (Dummett 1978, p. 338). That is what is meant in saying that propositions about future contingent events are indeterminate. They lack a determinate truth value.

Some comments on this position. First, to call it a radical subjectivist position is historically an oddity. It is not “radical” at least in the sense of being a radical departure from older positions. It is a variant of a position in a debate about the relation of future states to current choices that goes back at least as far Aristotle<sup>7</sup> and has a long history in scholastic philosophy concerning foreknowledge and

<sup>6</sup>The following restatement draws on O’Neill (1989, pp. 130ff.).

<sup>7</sup>See Aristotle (1963, chap. 9, pp. 132–42) for an excellent commentary. A clear critical outline of this interpretation of Aristotle is to be found in Kneale and Kneale (1962, pp. 45–54).

determinism.<sup>8</sup> My statement of the position represents an application of one interpretation of Aristotle's position in *De Interpretatione* chapter 9 to the market context. Aristotle's general contemplating the possible sea battle the following day is replaced by an economic entrepreneur contemplating the possible success of a business project. The position need not be characterized as "subjectivist." The core points are about the reality of the future, the relation of current choices to future states and the status of the logical principle of bivalence. It can be stated without reference to the notion of subjectivity at all and in the traditional discussions from Aristotle through the scholastics it was thus stated.

A corollary of this point is that anyone who defends what is now called radical subjectivism needs to defend those specifically logical claims against possible objections which have their own long history from Cicero (1941, pp. 37–38) to Quine (1953, pp. 65–67).<sup>9</sup> The issues at stake are simply not those assumed in the current Austrian debate. What then is required to defend the radical subjectivist position? First, it requires a revision of logic. It requires the rejection of classical two-valued logic, for some version of a three-valued or many-valued logic.<sup>10</sup> Second, it requires some account of its consistency with current physical theory. In particular, it needs to offer some account of how an indeterminate future is compatible with the theory of relativity. There is an argument to the contrary, that to hold that the future is indeterminate assumes an absolute conception of time. Given the special theory of relativity, if you and I pass each other at very large velocities slicing the space–time continuum at different angles, there are events that are in the future according to my coordinate system but in the present in your coordinate system. Assume some event, say an intergalactic product launch. It is possible that this is in the future in my coordinate system but in the present in yours. Now if this is correct, given the claim that the future is indeterminate, I have to say "the product launch will be successful or has been successful" has no truth value. However, for you the same statement does have a truth value. We cannot be both right and it can't be that just one of us is right since that would make one of us a privileged observer. Hence, the indeterminacy of the future is not compatible with the truth of special relativity.<sup>11</sup> Now

<sup>8</sup>See Prior (1967, pp. 121–22) and Sorabji (1980, esp. chaps. 5 and 7). My own understanding of the issues owes much to conversations with Richard Gaskin (1994, pp. 83–113).

<sup>9</sup>See Quine (1987) for an accessible account of his objections. For a response to recent philosophical objections see Tooley (1997, chap. 10).

<sup>10</sup>The problem of fatalism and future states provides the basis of Lukasiewicz's (1967) development of three-valued logic. For a discussion see Haack (1974, chap. 4) and Wright (1984).

<sup>11</sup>For a development in more detail of this argument that the rejection of bivalence for propositions about the future is incompatible with the theory of relativity, see Putnam (1975). A simpler statement of it is to be found in Quine (1987).

whether or not that argument is successful I leave aside here.<sup>12</sup> What is the case is that the defender of the possibility of an indeterminate future has to be able to show that no inconsistency is involved. Moreover, the argument will be quite independent of any issues of subjectivism.

However, while there are clearly issues in logic and physics at stake in the debate, when it comes to the implications of the core claim of radical subjectivism for economics paradoxically there is very little at issue at all. In particular, claims about the indeterminacy of the future add nothing to older epistemic arguments about the unpredictability of the future. The belief that they do is founded upon a confusion. The argument for the view that the core claim of radical subjectivism does require a radical revision of economic theory runs something as follows. If the future is nonexistent it cannot be known: "The history-to-come which will flow from men's decisions is nonexistent until those decisions themselves are made. What does not yet exist cannot now be known" (Shackle 1972, p. 3). There is a gulf between the past and the future: "The absolute and eternal difference between the recorded past and unformed future, despite its overwhelming significance for the very stuff of human existence, has been overlooked in our economic theories" (p. 4). Given that the future, unlike the past is in principle unknowable, it follows that economic theory cannot properly deal with the future. Hence Lachmann's (1986, p. 32) conclusion appears to follow: "economists must confine their generalizations to the knowable past."<sup>13</sup> Economic theory must eschew predictions of the future. The whole traditional understanding of the aims and scope of economic theory has to be revised. Thus goes the claim that the unreality of the future does have radical implications for economics. Is the argument a good one?

The argument trades on a conflation of a logical and a substantive point. The logical point is this: an assertion "A knows P" is true only if P is true; but we have it that—for a statement about a future contingent event, P—it is not now the case that P is true or P is false; hence, as far as knowledge of future contingents are concerned, a statement "A knows P" cannot be true. Likewise, if we define a true or correct prediction as one that makes, now, a true statement about the future, since statements about the future are not yet either true or false, it may look as if prediction in economics, indeed in social science generally, also has to go. This logical point lies at the basis of Shackle's position—"what does not yet exist cannot now be known"—and it is this that appears to license Lachmann's radical revision of the aims of economics. The point is again an ancient one.<sup>14</sup>

<sup>12</sup>For a response see Tooley (1997, chap. 11).

<sup>13</sup>For a recent critical discussion of the argument see Hoppe (1997, pp. 49–78).

<sup>14</sup>It is stated succinctly by Aquinas through appeal to Aristotle as a possible objection to God's knowledge of singular future contingents:

However, this is a logical difficulty that concerns how we should speak. Thus as Sorabji (1980, p. 124) notes one can remedy the point by revising the usual definition of knowledge, "to allow for knowing propositions that will *become* true."<sup>15</sup> This entails that certification of knowledge of future contingents can only come retrospectively, and this marks a difference with knowledge of the past which can be certified in the present.<sup>16</sup> However, it does not entail that knowledge of future contingents is impossible. Given this revision, the question of the possibility of knowledge of particular propositions about the future would be back in the domain of traditional epistemic Austrian arguments which concern not the existence of the future, but rather the nature of decision and the unpredictability of future knowledge. Whether or not one accepts Sorabji's suggestion, when it comes to prediction, the difference is more clearly ultimately one of modes of speech. Suppose the entrepreneur predicts or guesses "over  $n$  consumers buy  $P$  at  $\pounds m$  at  $t_1$ " and it comes to pass that over  $n$  consumers do indeed buy  $P$  at  $\pounds m$  at  $t_1$ . Given the purely epistemic Austrian position which accepts the principle of bivalence, one can say "the entrepreneur's prediction was true." On the radical subjectivist position this may be, strictly speaking, false. What one should say is that "the entrepreneur's prediction became true." Likewise to say "he guessed correctly" is strictly speaking, false. One has to say "the guess turned out to be correct." However, again these are shifts in modes of expression, not in substantive economic theory.

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Nothing but the true can be known, as is said in the *Posterior Analytics*. But, as is said in *Interpretation*, there is no definite truth in singular future contingents. Hence, God does not have knowledge of individual and contingent futures. (Aquinas 1952)

See also the comments on Alexander of Aphrodisias in Sorabji (1980, p.124).

<sup>15</sup>Sorabji also argues for independent reasons against the acceptance of the Aristotelian position.

<sup>16</sup>A version of Sorabji's move is apparent in the work of Kirzner, who makes a similar move with respect to the certification of error. Kirzner is concerned with possibility of error about the future contingents. More specifically he addresses an argument offered by Buchanan and Vanberg questioning the possibility of error about future contingents: "There can only be 'error' if the future can be known. But if the future is acknowledged to be created by choices that are yet to be made, how can it be known?" Another simpler argument from the non-existence of the future to the impossibility of error that parallels the impossibility of knowledge, might run thus:  $A$  is in error believing  $P$  only if  $P$  is false; for a statement about a future contingent event,  $P$ , it is not the case that  $P$  is true or  $P$  is false; hence, as far as knowledge of future contingents are concerned, a statement " $A$  is in error in believing  $P$ " cannot now be true. Kirzner's (1992, pp. 21–26) response to the first argument would also run with the second, is to grant the radical subjectivist's premise—the future is indeterminate—and to grant with it that now, *ex ante*, one cannot ascribe any error, but to argue we can say in retrospect, *ex post*, that an error was made. To bring out the parallel with Sorabji's suggestion, our belief that proposition  $P$ , an event  $E$  that happens at a particular future date  $t_n$ , is in error if it becomes the case that  $P$  is false— $E$  does not happen at  $t_n$ .

The radical subjectivist conflates points about the logical status of bivalence for assertions about future contingents with a quite distinct set of claims about the availability of well-grounded economic theory and statements about future contingents. Nothing licenses that shift. The substantive question is this: can economic theory make claims about contingent future events or must it confine itself to claims about the present and past? The radical subjectivist has to reject one response to that question; that economic theory can make statements about the future which are, now, true. However, it is quite open for the radical subjectivist to assert that economic theory can make well-justified claims about what will become the case in the future. This involves a shift in verbal expression as to how the question might be answered, but not in substance. The claim that the future is indeterminate does not entail that there cannot be well-grounded beliefs, theories and predictions about how future contingent events will turn out, nor that some theories and predictions about how the future will turn out are not better than others. The rejection of bivalence for statements of future contingents does not entail that there is nothing to choose between propositions about the future, that there is not good reason to believe some forecasts of future state of affairs—shifts in market outcomes, election results, the actions of workers and employers in industrial disputes and so on—and to deny others. Where those beliefs are well-grounded and turn out to be true, it is a verbal dispute as to whether or not we say “the forecast was true” or “the forecast turned out to be true.” The rejection of economic theory about the future does not follow from the indeterminacy of the future. Correspondingly, it does not entail that economics can only speak of the past. While there may be other empirical arguments that radical subjectivists make which might entail revisions of economic theory, nothing as such about economics or the aims of economics follows from the core claim of radical subjectivism, that the future is indeterminate.

While in physics and logic important issues do hang upon the indeterminacy of the future, as far as economics goes nothing of substance hangs upon the claim. Radical subjectivism does not have, as far as I can see, any proper implications for economic theory that could not be stated by someone who accepted the principle of bivalence together with the Popperian claim that future states of human knowledge are in principle unpredictable. Thus, insofar as specific claims in economics are concerned, the debate between radical subjectivists and their opponents is an argument about preferred modes of speech.

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