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Introduction

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Schütz's Early Life and Career

Alfred Schütz (1899–1959) was born into *fin-de-siècle* Vienna.¹ The old order was falling apart. The democratically elected mayor, Karl Lueger was an open anti-Semite. Conflicts over language rights, especially for Czechs, broke the system of constitutional monarchy in 1900, when the empire reverted to “enlightened absolutism” (Schorske 1981: p. 236). Vienna was fast becoming, in the words of Karl Kraus, a “research laboratory for world destruction” (Monk 1990: 3–27).

Political collapse of the empire came with World War One. In October of 1918, young Schütz returned from the army to find Vienna destitute. A severe coal shortage forced the



Alfred Schütz (1899–1959)

University to close for several weeks in the winter of 1919–1920. Before the war, Vienna had been an extraordinary center of cultural activity and innovation. The ferment continued after the war despite its ravages, material and otherwise. This was the Vienna of Sigmund Freud, Ludwig Wittgenstein, Kurt Gödel, Karl Popper, Gustav Klimt, Maurice Ravel, and Arnold Schönberg (see Janik and Toulmin 1973). The crisis of collapse had stimulated intellectual and artistic activity. Included in the ferment were penetrating and fundamental inquiries into the social sciences and their foundations.

It was in the fevered atmosphere of post-war Vienna that Schütz began his university studies. He studied philosophy of law under Hans Kelsen, who had been fast friends with Ludwig von Mises since they were children. Schütz met Mises in 1920 when Mises was selected to give Schütz and several other students their exam in economics. Mises seemed to have been interested in Schütz, and questioned him closely. Mises later invited Schütz to join his *Privatseminar*.² It was there that Schütz was drawn into urgent discussions of fundamental questions in economics and other social sciences. Schütz became a loyal member of the circle and an important figure in discussion surrounding the ideas of von Mises.

The seminar participants tended to share Mises' dislike of socialism, historicism, and positivism. Post-war Vienna was close to the Bolshevik Revolution in time and space. There, socialism was a popular idea with both the elite and the voting public. Bucking this trend, Mises wrote an important article in 1920, arguing, "rational economic activity is impossible in a socialist commonwealth" (p. 130). Socialists dominated the German historical school. They repudiated universal theory in the study of social life. Mises wrote several methodological essays defending universal theory and criticizing historicism. They were later collected and published in book form as *Epistemological Problems of Economics* (Mises 1933). By this time, positivism had become a force to be opposed. True to the times, positivists tended to be socialists as well. Otto Neurath was the leading example, at least in Mises' mind. Positivists rejected the interpretive methods of the *verstehen* tradition, which Mises was attempting to bring to neoclassical economics. Mises' 1960 introduction to the English translation of *Epistemological Problems* shows that he thought the arguments he used against historicism worked on positivism too.

The methodological position Mises defended was unusual in its day, and remains so now. On the one hand, he defended the idea of universally valid economic theory. In this sense, he was a follower of the classical and neoclassical traditions. On the other hand, he defended the method of "understanding" (*verstehen*) for history. His vision of economics left room for universally valid theory and interpretive methods. Mises thought this methodological position was important to his attacks on socialism, historicism, and positivism.³

Not all members of the *Privatseminar* shared Mises' opposition to socialism, historicism, and positivism, but many did. We do not know with what views Schütz entered the seminar. But after some time at least, he came to share the basic views of Mises. Socialism, historicism, positivism were mistakes needing critical attack. Moreover, Schütz adopted Mises' basic methodological position. Universally valid economic theory was compatible with the interpretive methods of the *verstehen* tradition. Schütz's classic book of 1932, *The Phenomenology of the Social World*, was a defense and rehabilitation of the Misesian methodological vision (Prendergast 1986).

The Phenomenology of the Social World and Economic Theory

The Phenomenology of the Social World was first published in 1932. It is the founding text of phenomenological sociology. In this work, Schütz integrated the phenomenological philosophy of Edmund Husserl with the ideal type methodology of Max Weber. Prendergast (1986) shows that Schütz took this phenomenological turn in the attempt to shore up the methodological foundations of the Austrian school, whose “titular head” was Mises. The main difficulty seems to have been Mises’ theory of interpersonal understanding. It is this theory that Schütz tried to improve on. To be fully understood, Schütz’s classic work must be read as a contribution to the Austrian version of neoclassical economics.

In its style, its sources, and its methods, Schütz’s book seems the very antithesis of neoclassical economics. In it, we read of Husserl’s “inner time consciousness” and Bergson’s “durée,” of the “essence of meaning in its primordial sense” and the “reflective glance” that “constitutes” a portion of life’s “elapsed flow” as meaningful. What economist could feel at home here?

Lionel Robbins’ *Essay on the Nature and Significance of Economic Science* was also first published in 1932. It seems very distant from Schütz’s work. Robbins’ *Essay* is the leading manifesto of neoclassical economics. In it, we read of “scarcity” and “allocation,” of “rationality,” “prices,” and “equilibrium.” What economist would not feel at home here?

The two books of Robbins and Schütz, both published in 1932, seem worlds apart. But both can be traced to a common source, namely, Ludwig von Mises.⁴ Schütz’s book contains many references to Mises, direct and indirect. One of the book’s central achievements is to reinterpret Max Weber’s method of ideal types in a way that leaves it immune to Mises’ (1933) criticism. The concluding chapter on “Some Basic Problems of Interpretive Sociology” includes a reconciliation of the ideal type method with economic theory (1932: 242–246). Schütz begins with a lengthy quote from Mises. Mises rejected Weber’s claim that economic theory uses the method of ideal types; ideal types lack the universal validity of economic theory. “No doubt Mises’ criticism is valid against Weber’s earliest formulations of the concept of ideal type, and it is these to which Mises is here referring” (p. 243). But “the theory of ideal types which I have set forth the present work,” continues Schütz, “is an entirely different one” in crucial respects. In his, Schütz’s, version of it, the theory “covers the concepts and propositions of the theoretical social sciences, including those of pure economics” (p. 244). Schütz goes on to expand on the justice of Mises’ critique of Weber and the conformity of his own system to that of Mises. He quotes approvingly Mises’ remark that economic principles “are not a statement of what usually happens, but of what necessarily happens” (Mises 1933, as cited in Schütz 1932: 245).

Robbins’ book, too, is rich with references to Mises. In the preface, he expresses his “especial indebtedness to the works of Professor Ludwig von Mises” and to Wicksteed. “The considerable extent to which I have cited these sources is yet a very inadequate reflection of the general assistance which I have derived from their use” (p. ix). The position he then lays out contains many characteristically Misesian features such as apriorism (p. 74ff.), the rejection of psychologism (p. 83ff.), and utility as an ordinal ranking (p. 56). He even has a brief passage on methodological dualism with footnote references to Wilhelm Rickert and Max Weber, two important representative of the *verstehen* tradition (p. 74 n.2). When Robbins

gives his famous definition of economics as “the science which studies human behaviour as a relationship between ends and scarce means which have alternative uses,” his footnote cites Menger, Mises, Fetter, Strigl, and Mayer (p. 15 n.1). Of these, only Fetter was not an Austrian national. All, however, Fetter included, were members of the Austrian school.

Schütz is the theorist of subjective meaning and the social construction of reality (Berger and Luckmann 1966). Robbins is the epitome of rational-choice economics. Both draw from the same tradition and have the same principal source, Ludwig von Mises. We are thus faced with a paradox. How could two figures so very different be building on the same figure?⁵ To resolve the paradox fully would require some reinterpretation of all three figures. That is not our purpose today. But the paradox can be at least partly dispelled by recognizing the rational-choice dimension in Schütz’s work. (See Helling 1984, Prendergast 1986, and Esser 1993.) The papers of this volume further the critical reinterpretation of Schütz in context of the Austrian School.

Overview

Peter Kurrild-Klitgaard examines ties between Schütz and the Austrian School of economics. He examines several papers Schütz wrote on economics. Most of them have only recently been published in English, or at all (Schütz 1996). “What is obvious from these writings,” Kurrild-Klitgaard reports, “is that Schütz shared all the basic points of the economics of the Austrian School of the inter-war period.” Kurrild-Klitgaard’s analysis of the correspondence between Schütz and Adolf Lowe points to the same conclusion. Schütz was his own thinker, and Kurrild-Klitgaard identifies some important points of difference with Mises. These differences, however, are in the nature of friendly amendments to a research program in the human sciences he supported. Kurrild-Klitgaard draws an important inference from his inquiries. Schütz was “a contributor to and even proponent of” rational-choice theory, though he insisted on some limits to its application.

Christopher Prendergast wrote the definitive article in revisionist Schützian scholarship (1986). (In it, he cites the earlier and still undervalued work of Helling 1984.) In his contribution to this volume, he carefully examines Schütz’s 1927 essay on double taxation. As executive secretary to the Austrian Banking Association, Schütz wrote many commentaries and reports on matters related to banking. We believe Prendergast is the first Schütz scholar to look carefully at any of them. His study shows that Schütz was influenced by Austrian economics in more than just method. “A positive vision of international commerce, market efficiency, and legal guarantees for property rights underlies” Schütz’s analysis. “It is a familiar vision,” Prendergast concludes, “a vision that was widely shared among his friends and associates in the Austrian school of economics.”

Lazare Ki-Zerbo brings a Schützian perspective to bear on the question of African economic development. Schütz can play a vital role, Ki-Zerbo argues, in mediating a debate between rationalist and relativist theories of African development. Rationalist theories rely on “thin descriptions” of human action. Rationalists are universalists. Culture and institutional detail disappear. Relativist theories rely on “thick descriptions” of human action. Relativists are particularists. Culture and institutional detail crowd out other considerations. Schütz is uniquely suited to negotiate these two competing positions. His theory of

meaning, the root of his system, has the richness and depth required to span both thick and thin description and assign to each its proper role. The field of African development would profit from more studies based on Schütz's system. Ki-Zerbo calls for a research program in "African Austrian economics."

Wayne Froman applies Schützian considerations to the economic question of individual equilibrium. His argument bears on a long-standing debate within the Austrian School. Israel Kirzner argues that the market process tends toward equilibrium, though it never arrives to overall equilibrium. His argument includes a theory of entrepreneurship that implies we must reject the concept of equilibrium at the individual level. Ludwig Lachmann opposed both halves of Kirzner's position. Lachmann denied that markets necessarily tend toward equilibrium. Equilibration is a sometime thing. His argument included a theory of "the plan" that views agents as having achieved individual equilibrium. Froman carefully examines Schütz's analysis of "problematic" and "open" possibilities. Problematic possibilities are constituted as such only when a deliberation is completed and a choice has been made. Though once they are so constituted, they are no longer problematic! Real, ongoing choice always occurs in disequilibrium. Froman concludes that equilibrium concepts at both the level of the social system (e.g. the market) and at the level of the individual are misplaced. He prefers to "address the question of an order of human interaction in the absence of the notion of equilibrium." Implicitly, this argument is a critique of both Kirzner and Lachmann.

Roger Koppl's paper serves two purposes. First, it is useful primer on Schütz for the uninitiated. Second, through a comparison with George Shackle, it draws attention to the problem of change and novelty in Schütz's work. (Students of Israel Kirzner's work will be aware of a similar problem in Lionel Robbins' *Essay*.) Koppl's primer leaves out many things, such as Bergson's *durée* and the theory of relevance. But it does introduce Schütz's central ideas about the structure of knowledge in social action. His comparison with Shackle shows that Schütz may have underemphasized the role of novelty in society.

Mie Augier argues that Schütz and Shackle present their readers with set of complications. Both are among the leading theorists of the subjective perspective in the social sciences in the 20th century, yet their thought is in many ways radically divergent and in others strangely complementary. This is especially true with regard to the problem of the *paradox of choice*, the overall insight that for choice to be informative, it must neither be predetermined nor random. Shackle has mainly focused on the *creative* aspect—on how choice *originates* (and hence it cannot be predetermined) while Schütz has tended to focus more on the part about how people are able to make non-random choices by referring to the "typical" features of action. Thus Augier is able to argue that despite the many differences in Schütz and Shackle, they are ultimately complementary.

Mat Forstater's paper extends his important sequence of publications on Adolf Lowe and the Austrians school. Recognizing Schütz as an Austrian, Forstater points out that his influence on Lowe has not been adequately appreciated or studied. A phenomenological economics must build on Schütz. But it must also build on the work of an important economist who was greatly influenced by Schütz, namely, Lowe. A vital concept in phenomenological economics as imagined by Forstater is "transsubjectivity" (Milberg and Pietrykowski 1994). Individuals are socially constituted and socially constrained, as in traditional Marxism. But

individuals participate as active agents in the social processes that constrain and constitute them. "For Lowe," Forstater notes, "trassubjective structures are as essential as—and inseparable from—intersubjective structures." The "crucial role of structure in economics" should be examined with the concept of transsubjectivity as informed by Lowe and Schütz.

Finally, Jonathon Mote issues a challenge to Schützian social science. In company with others, Mote finds Schütz's analysis too static. Social change seems problematic in the Schützian framework. The work of Erving Goffman is a candidate for inclusion in the new pantheon of phenomenological economics. Goffman gives us the important notion of the "interaction order," which "can be easily viewed as the consequences of systems of enabling conventions, in the sense of the ground rules for a game, the provisions of a traffic code or the rules of syntax of a language" (Goffman 1982: 5). This "supra-individual" order contrasts with Schütz's focus on the individual. Mote builds on Goffman's discussion of gambling to propose a kind of "action space" in which change and risk-taking happen. The broadly Goffmanian framework Mote sketches out can, he argues, bring more satisfactory notions of change and social order to phenomenological economics.

Conclusion

In Lester Embree's video tribute, *Alfred Schütz: Philosopher of Social Science in the 20th Century* (1999), he states that Schütz's ideas have found adherents in 19 disciplines and 14 different languages who are continually working on the refinement and further development of the Schützian phenomenological program for understanding our social world. The breadth of Schütz's intellectual influence leads Embree to describe Schütz as a "transdisciplinary" scholar as opposed to merely interdisciplinary. Schütz wrote on topics ranging from philosophy and the social sciences to music and art. In short, the entire range of the cultural sciences and the human experience came under examination in Schütz's work and that of those influenced by him. This volume reflects this breadth of influence in the human sciences with contributors representing the fields of philosophy, sociology, political science, and economics.

The papers brought together in this volume herald a new period of activity in Schützian and phenomenological economics. Each of the editors agrees with some of the positions taken and disagrees with others. We welcome diversity of opinion and analysis. This diversity is a sign of the richness of Schütz's *oeuvre* and the open possibilities standing before us.

Notes

1. Schütz lived in Vienna until 1938 when Hitler forced the family to flee to the United States. Schütz's wife had to move to the US first to establish residency and then he followed a year later. Schütz despite his commitment to scholarly activities held his daytime job in the world of banking throughout his career. Schütz is reported to have argued that he was a better businessman because he was a philosopher and a better philosopher because he was a businessman. In the US, Schütz maintained his dual life even while earning the rank of Full Professor and Chair of the Departments of Philosophy and Sociology at the New School for Social Research.
2. On Mises's *Privatseminar* see Hayek (1963), Haberler (1961) and Mises (1940, 97–100).

3. Mises' methodology has no obvious implications regarding the feasibility of socialist calculation. But many socialists bolstered their position by arguments denying that society is constrained by laws. Theory identifies such laws. Thus, Mises' methodological defense of theory is a part of his attack on socialism.
4. Mises's personal influence on Robbins, as with Schütz, was through the *privatseminar*, in which Robbins had participated during the period he visited Vienna.
5. The key figure in exploring this paradox would be Fritz Machlup, the main defender of the Schützian approach in economics and also a defender of neoclassical economics against its critics.

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