The Review of Austrian Economics, 14:2/3, 193–207, 2001.

Typicality and Novelty: Schütz and Shackle on the Paradox of Choice[1]

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Abstract. This paper discusses the thoughts of the Austrian/American phenomenologist Alfred Schütz (1899–1959) and the British economist George Shackle (1903–1992) and their views on choice, which are in many ways very different, perhaps even inconsistent, but also complementary and may even have some shared elements. This is in particular so 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* while Schütz has tended to focus more on how people are able to make non-random choices by referring to the "typical" features of action. The paper argues that there are many differences Schütz and Shackle. The possibility that they are complementary approaches is indicated.

JEL classification: B53; B31; D8.

I. Introduction

In this paper I shall discuss the views on choice of George Shackle and Alfred Schütz. At first glance, there seems to be rather little similarity between their respective views on choice. On the other hand they were both taken up with decision-making (albeit in different ways) from a subjectivist perspective which should stimulate and make comparisons between their views on choice easier.

Comparisons between Schütz and Shackle have been made in Koppl (1994, 2001). Koppl argues that the essential message in Schütz is the concern with "ideal-typical" knowledge upon which we base our interpretations in order to act. This "typical" knowledge is also the basis of decisions which in turn must rely on knowledge already present in its relatively familiarity, in its *typicality*. Shackle, in contrast, has written almost exclusively on the non-typical aspects of choice and behavior; on the (non-determinable) novelty and creativity involved in the process of choosing. Choice is by necessity something creative, involving "essential" novelty, and erects existing structures. It is in the process of choosing *itself* that the possibilities of actions emerge. As such, this has little to do with the "typical" knowledge already existing, but stresses the inherent *unknowability* for choice to be "originative." It thus appears that Shackle and Schütz say quite different things about the action of choice, each putting different emphasis on the role of novelty in the process of choosing; "Schütz has played down the role of novelty, Shackle has exaggerated it" (Koppl 2001).

In this paper I will propose a slightly different interpretation. While I truly acknowledge Koppl's analysis of Schütz and Shackle, it also seems that the possible intellectual collaboration between the ideas from Schütz and Shackle deserves a second chance. I

therefore plan in this paper to focus on the dimensions in which Schütz and Shackle may compliment each other. I shall argue that if we see it as the main purpose to explain and try to understand "the paradox of choice," it seems possible to argue that they may be seen as complementary, rather than inconsistent approaches. Both Schütz and Shackle are providing useful and necessary elements in an understanding of how choices occur and why they are not completely arbitrary. Additionally, we might even find that they partly overlap.

II. The Paradox of Choice I: Clarifying Remarks

The "paradox of choice" (a term borrowed from Loasby 1976:5) and the whole nature of decision-making go back to the very beginning of Greek philosophy, and have received intellectual attention for centuries. Already Heraclitus saw that "The sun is new every day" symbolizing both a cycle of regularity—or "typicality"—(in the sense that we know that the sun will rise in the morning), though at the same time involving the kind of openendedness—or indeterminacy—that makes the outcome of choice so problematic (we don't know exactly what tomorrow will bring) (cf. Koppl 2001).

The basic message from this Heraclition problem is the following. If the problems that confront the decision-maker are each day "novel" in the sense that we cannot rely on a sort of "pre-experienced" world when choosing, then the behavior of economic agents will be completely unpredictable. As a result, there will be no reason for claiming any kind of generalized patterns of behavior, such as rule-following or institutionalized action. Bertrand Russell said that "the metaphysics of Heraclitus are sufficiently dynamic to satisfy the most hustling of moderns" (1945:43). But it is perhaps too dynamic. There must be something that "holds the world" together in its constant change. And there must be some knowledge-grounds for choosing; some common-sense knowledge, rather than complete openendness.

More recently, this problem of the relations between the typical and the novel has showed up in the study of adaptive processes in the social sciences, including economics (Holland 1975). Yet, the relationship between knowledge (or 'typicality') and change ('novelty') is not easy to specify. Economics is about choice, so there must be some reasons for decisions and some possibility of predicting the outcome, but this is nowhere close to perfect. As Loasby says, "If knowledge is perfect, and the logic of choice complete and compelling, then choice disappears; nothing is left by stimulus and response. Yet there must be some knowledge, and some logic, for economists are concerned with reasoned choice" (Loasby 1976:5).[2]

The centrality of this problem of 'the paradox of choice' is no near novel to economists, and may even have motivated much of today's 'rational revolution.' Consider the following three examples. First, the role of expectations. Economists have long been intrigued by the role of expectations in the economy. Economists want to predict the future—and what links the present to the future if not expectations? Keynes had introduced the relevant theory of how expectations (later to be developed by Shackle) were formed by appealing to "the dark forces of time and ignorance which envelop our future" (Keynes 1936:155). Keynes followers build the future into their models by arguing that agents made guesses about the future by looking backwards. But economists didn't always want to bother with all

the difficulties of adaptive expectations, adjustment-processes, etc. They wanted instead to construct a rational agent who could take all the information into account and then simply discount that model into the future just by being rational. In doing so, they eliminated the paradox of choice by assuming stability, and neglecting the possibility of novelty.

Second, Keynes' vision may also be given a microeconomic interpretation. The self-referential aspect of economics, which followed from the fact that outcomes depended partly on what people expected those outcomes to be, gave rise to enormous theoretical problems of indeterminancy (multiple equilibria) when people's expectations were left undefined. This is the problem illustrated by Morgenstern's (1935) Holmes—Moriarty story, Keynes' (1936) beauty context, and encapsulated by the phrase, 'paradox of choice' (Loasby 1976) or 'the problem of undecidability' (Binmore 1987). If rationality in the form of perceptions of the environment, including perceptions about the behavior of other people, were left as 'subjective,' then models in which people's behavior depended upon their perceptions could produce so many outcomes that they were useless as instruments for generating predictions and would end up in infinite regress ('I-think-that-you-think-that-I-think-that-you-think' etc.). But by assuming that people were rational, economists could escape these unpleasant problems.

Third, the rise of game theory can also be interpreted as being motivated by the paradox of choice. The 1930s were, as Shackle recognized (1967), the "years of High Theory." Some economists had come to a consensus that economics should be mechanistic and deterministic while others were fighting back and insisting on the inadequacy of general equilibrium (Hayek, Keynes, Hicks, etc.). Problems of knowledge and uncertainty became present and it suddenly wasn't so clear how to conceptualize rationality, in particularly after Morgenstern's (1935) demonstration that rational action (in the form of perfect foresight) was inconsistent with the idea of economic equilibrium. Seven years before, von Neumann had given the solution. "Every agent tries to achieve a result as advantageous as possible" (1928:14), was his intuitive formulation of rationality and with Morgenstern he demonstrated the rationality of strategic interaction. They wanted to "find the mathematically complete principles which define 'rational behavior' for the participants in a social economy, and to derive from them the general characteristics of that behavior" (von Neumann and Morgenstern 1944:31). Being rational in von Neumann and Morgenstern's world meant playing a minimax strategy. Von Neumann and Morgenstern formulated rational behavior but left the possibility of mistakes (the minimax strategy in 1944 didn't ensure the maximum use of the rival's mistakes) and the rational action only accounted for two-person zero sum games. We still had not general theory of rational action. Applying the fix point theorem to games, it was possible for Nash to continue von Neumann and Morgenstern's project and demonstrate the rationality of rational action (for a history of game theory, see the essays in Weintraub 1992).

Austrians, behavioral economists, post-Keynesians, institutionalists and other subjectivist have generally avoided finding the solution to the paradox of choice in terms of assuming rational agents. And although they have not (yet) been able to come up with any general theory of human decision making as it takes place between typicality and novelty, they have provided important tools for such an understanding. Examining any issues of how imperfect rational decision making take place (as in the tradition of Simon 1955, 1978), or discussing

the stabilizing nature of institutions and their role as guides for decision making (Lachmann 1970) provide many clues to understanding the relationship between the typical and the novel and the dual nature of the problem. Similarly, the way in which the organization of economic activities into various types of hierarchies may help organizing the typical in a way as to embrace the novel, have furthered our understanding of the dual nature of typicality and novelty (Loasby 1976; 1992, March and Simon 1958). Organizations constrain novelty by excluding many possible outcomes and interpretations, and by supporting the emergence of routines. In other words, organizations assist establishing *typicality*.

In studies of organizational adaptation, as well as in studies of institutions and institutional change, we are given important tools to addressing the paradox of choice. In what follows I argue that by examining the thoughts of Alfred Schütz and George Shackle, we might be closer to understanding this fundamental problem of the paradox of choice. Such an understanding will involve both (1) an emphasis to the creative, indeterminable aspect to avoid the pre-determinateness of choice, and (2) an emphasis on what is not so creative, rather constraining instead; on the typicality of knowledge, which allows choice not to be totally random. It will be argued that we get elements from the first from George Shackle, while the latter element can be found in Alfred Schütz.

III. George Shackle[3]

George Shackle was an economist whose ideas were not only very *different* from his contemporaries, but also in many ways very *difficult*. For more than fifty years, from the late 30s and until the late 80s, Shackle produced articles and books of extreme originality which received surprisingly little attention from the economic profession.[4] This is perhaps so because his originality was not only strong, but moreover potentially damaging to the existing corpus of economic theory and its strike for determinacy. Shackle's writings were not only different in style, being extremely elegant and sometimes even poetic, but also different in essence. He approached economics from a concern with philosophical problems. "My books are concerned with philosophical problems," he said (in Earl and Frowen 2000:xx), "especially with the inescapable need to decide in the face of unknowledge." Key themes in Shackle's works include decision, uncertainty, and perhaps more than anything else, *time*. Indeed, at the crux of Shackle's analysis is the time-issue, which he elaborated in order to clarify the essential timelessness of neoclassical economics and the implications for decision and uncertainty.

Shackle stressed the essential novelty involved in decision-situations and insisted on the impossibility of making "rational" choices (1972:preface). He therefore criticizes game theory for assuming that the players will have knowledge about the rules of the games (1972:424). But, interesting, he implicitly assumed some degree of "structure" in the situations facing the decision-makers causing "choice" to be different from "fantasy or day-dream" (see, especially Shackle:1961). Choice is about *imagination* (1979), but within certain boundaries; "imagination" is constrained for choice to be possible. These issues will be central to the following.

Shackle came from London School of Economics, where he originally intended to do his doctoral thesis under the supervision of Hayek on the Austrian Theory of Capital. But he

changed his topic to do more Keynes than Hayek. Hayek, agreeing with this shift thus turned to prove "himself the most magnanimous man that I have ever met" (Shackle 1990:194). The thesis was complete in just one year and it appeared in a revised edition in 1938 as "Expectations, Investment and Income." But not until the mid 1950s did Shackle begin developing this theory of the concept(s) of time. Initiated by his article: "The Complex Nature of Time as a Concept in Economics" (Shackle 1954) and followed by his F. de Vries Lectures in 1957 (published as "Time in Economics" (Shackle 1958), Shackle presents a splendid, coherent and largely philosophical analysis of the significance of time. Much of his later work is build upon these early contributions and the questions he raises with regard to the relationship between time and choice.

Shackle begins by offering a direct, clear definition of the concept(s) of time. He criticizes economists for using a mathematical concept of time, which is not the appropriate basis for understanding human choice, for we cannot consider time as a "space" or a "point." Rather, Shackle suggests to view time as something "whose essence and also whose existence involves its continuous movement and continuous evolution" (1958: 14).[5] Although lacking references to Henri Bergson's distinction between 'spatialized' and 'inner' time, Shackle clearly sides with Bergson's idea on the flux of thoughts. This leads Shackle to a view on decision that is quite unique (1958:16). But what, then, is decision?

> Decision is choice, but choice amongst what? Not amongst actual experiences depending upon stimuli from without or our own motor responses, for when you are actually experiencing or physically doing something, it is too late to reject it in favor of something else. Choice is amongst imagined experiences. (Shackle 1984:7)

In arguing that decision concerns not merely choice among alternative experiences, but among *imagined experiences*, Shackle sneaks in another point, namely that no list can be made of the alternative imagined experiences among which choice is made—the "possible consequences of an act are *not* listable" (1966:75, cf. also 1958:21–22). This is so because when choosing, the decision-maker makes at "cut" between the past and the future; it shifts the bounds of the possible and represents a new beginning. Choice is then originative, continuous creation. And by originative we shall understand "an act of thought that is a *first cause*, so that choice in its essential nature is unpredictable in its effects" (Shackle 1986:206).

Such choices cannot be pre-determined (1958, 1961, 1979). Choice involves essential novelty and erects existing structures. By implication, this means that the future is inherently uncertain in the sense that no estimates can be made of future consequences of action. All action involves potential surprise because it is "embedded in the flux of time," as Mises (1949:58) noted. This has been labeled uncertainty, but Shackle preferred the term unknowledge (in Earl and Frowen 2000:xix).

Instead of only stressing the importance of novelty, Shackle argued that some alternative sequels of choice may be *imagined* (1961, 1979), and measured by their "degree of potential surprise." As a result, imagination is *constrained* by what the decision-maker deems possible (1961, 1979). That is, choice takes place facing bounded uncertainty (1961:5): "Decision . . . is choice, but not choice in face of perfect foreknowledge, not choice in face of complete ignorance. Decision . . . is choice in face of bounded uncertainty."[6]

Drawing upon these insights, Shackle objects to the role of "rationality" in choice-theory:

> Rational choice, choice which can demonstrate its own attainment of maximum objectively possible advantage, must be fully informed choice. . . . The paradox of rationality is that it must concern itself with choosing amongst things fully known; but in the world of time, only this is fully known which is already beyond the reach of choice, having already become actual and thus knowable. Rational choice, it seems, must be confined to timeless matters (1972:245–246).

Therefore, the scientist confronts according to Shackle a "stark choice"; [h]e can reject either time or rationality (1972:xi).

But how, then, is knowledge produced? The knowledge that causes imagination and uncertainty to be bounded? And how should we analyze the process of choosing? Shackle implicitly assumes that there is indeed some knowledge available to the agents, on the basis of which they are able to make decisions. This knowledge, in turn, causes "imagination" to be different from "fantasy or daydream," to be *constrained* imagination. A relevant problem to solve for those praising Shackle's ideas seems to be—to borrow a phrase from Earl and Kay—: "How economists can accept Shackle's Critique of Economic doctrines without arguing themselves out of their job?" (Earl and Kay 1985). There must be some *knowledge grounds* for choosing.

Shackle leaves the fundamental epistemological question unaddressed; he was not interested in questions concerning apriori knowledge (like Mises); nor did he take steps towards addressing the problem of coordination, appealing to the significance of rules and institutions (as did Hayek and Lachmann), or to appeal to the Simonian tradition of "bounded rationality" on the basis of his own theory of bounded imagination although these emphases, admittedly, have much the same implications. His mission was different, though complementary to these traditions; Shackles' main foci was to demonstrate that neoclassical economics, in its general-equilibrium manifestations, excluded the relevant problem of economics:

> General equilibrium is the natural and even the logical arrival point of that procedure of theorizing that men pursue their interests by applying reason to their circumstances . . . reason can only be applied to circumstances in so far as those circumstances are taken as known. But the circumstances relevant to the choice of actions include other men's chosen actions. If the solution is to be general or symmetrical, if it is to accord to any and every person, if the rules of the games are to be precisely the same for all, the various actions of all these persons must be pre-reconciled. But choices which are pre-reconciled are effectively simultaneous. . . . Sequential actions, transformations of one situation into a subsequent and different one, occurring successively, are excluded in the nature of things from being studied as the consequences of pure reason, unless these successive transformation all belong to simultaneously pre-reconciled plans (1972:90–91).

Thus, Shackle gives us one—hugely important—part of the story of decision-making; one which, addressed to the paradox of choice, is complementary to the one of Schütz. But he leaves us unable to answer the question: How do we know? (Loasby 1992). And this is a

question which is logically prior to the question of "how we make decisions." A Shacklian answer to the question about "how do we know" seem to be: "we don't," although he clearly had a lot to say about how decisions originates. In this way, Shackle needs Schütz' analysis to assist in order to rescue him from, as Koppl rightly observes, paying "inadequate attention to the fact that all "originative" choices occur within the horizons of the typically familiar" (Koppl 2001).

So, it would appear that Shackle left the paradox of choice unfinished, after pointing out some of the complications that arises in the face of time, although he did suggest the possibility of constrained imagination. But although I shall later argue that there are passages in Shackle where he talks about the importance of the 'typical,' it is novelty that is the underlying theme in all his work. Shackle was raised as an economist, but grew to dislike many aspects of neoclassical theory, such as the assumption of rationality and the neglect of time. And whereas this led to important insights with regard to the paradox of choice, as discussed above, his overall motive kept him from seeing the answer to the problem, namely how is the knowledge that people decide on basis on, produced. One that has been occupied with this important question is Alfred Schütz.

IV. Alfred Schütz[7]

Alfred Schütz spent his student years in Vienna in a period which was a quite unique and important period in the history of ideas (Craver 1986). It was as Vienna with a lot of intellectual "Kreise" going on, including the logical positivist Wiener Kreis centered around Moritz Schlick, and the Mises–Kreis, the latter being where Schütz was participating with scholars such as Hayek, Harbeler, Machlup, Morgenstern, Fürth, Kaufman and Voegelin (Mises 1978:100). It was due to Schütz' participation in the Mises-Circle that Schütz (unlike Shackle) developed close relationships with some Austrian Economists, especially Mises, Hayek and Machlup (Wagner 1983). And it was probably in this connection that Schütz made the first steps towards the phenomenology that he later elaborated.[8] Also, unlike Shackle, Schütz' interests were not limited to one special field, but were intended as a basis for all social sciences, including economics and, according to Wagner, especially a methodology which was useful for the split between economics and sociology.[9] In 'The Phenomenology of the Social World,' Schütz (1932) examined the important question of how people obtain understanding of each other in their "everyday" world. He argued that such an understanding had nothing to do with disciplinary boundaries between, for example, economics and sociology. "Science," said Schütz,

> is always an objective context of meaning, and the theme of all sciences of the social world is to constitute an objective meaning-context either out of subjective meaning-context generally or out of some particular subjective meaning-context. The problem of every social science can, therefore, be summarized in the question: How are sciences of subjective meaning-context possible? (1932:223)

Moreover, Schütz provided, based on his interest in how people behave and make decisions in their "every-day" life, a philosophical basis for the analysis of the process of

choosing. Not in terms of constructing models for rational choice, routines or heuristics, but more by clarifying our *understanding* of the processes of choosing. He was not, as Shackle, much interested in the originality of the process of choosing—but more in all these features which did not concern "originality"—but "typicality." He was, like Shackle, opposed to the (maximizing) rational-choice framework, but he agreed with Mises (1949) that rationality is more about purposeful and forwardlooking action. That is, since "[a]ction is behavior based on an antecedent project . . . it follows that every action is rational. Without such a project, one does not "act"; one merely "behaves" or "has experiences" (1932:239). Human choices (what Schütz calls "projecting"), are always relating to a "project"—a plan, and "it is not the ongoing process of action, but the fantasized act as having been accomplished which is the parting point of projecting" (Schütz 1953:20).

Schütz' interest in the process of choosing was probably an outgrowth of his interest in knowledge; in how individuals gain understanding of each other in order to make a coherent theory of intersubjective understanding. That is, contrary to Shackle for whom it is the choice-issue itself that is central, Schütz was more concerned with the knowledge we use when choosing and interpreting events in a social world, the "knowledge at hand." To this stock of knowledge belongs "typifications" which enables the decision-maker to see a world of relatively familiarity or typicality. Typifications arise spontaneously through social interaction where people gradually learn the typical elements about each other. Schütz discussed how this typicality enable us to act and make decisions: "[A]ll projecting involves a particular idealization called by Husserl the idealization of "I-can-do-it-again," i.e. the assumption that I may under typically similar circumstances act in a way typically similar to what in which I acted before in order to bring about a typically similar state of affairs" (1953:20).

It is in the process of typification that the social reality is so constructed as to provide meaning to the different individuals as well as the social scientists. It is in the "everyday life" that individuals through typifications pursue the meaning and the knowledge which is to be interpreted. "Let us try," Schütz recommends,

> to characterize the way in which the wide-awake grown-up man looks at the intersubjective world of daily life within which and upon which he acts as a man amidst his fellow-men. This world existed before our birth, experienced and interpreted by others, our predecessors, as an organized world. Now it is given to our experience and interpretation. All interpretation of this world is based on a stock of previous experiences of it, our own or those handed down to us by parents or teachers; these experiences in the form of "knowledge at hand" function as a scheme of reference. To this stock of knowledge at hand belongs our knowledge that the world we live in is a world of more or less will circumscribed objects with more or less definite qualities, objects among which we move, which resist us and upon which we may act. Yet none of these objects is perceived as insulated. From the outset it is an object within a horizon of familiarity and pre-acquaintanceship which is, as such, just taken for granted until further notice as the unquestioned, though at any time questionable stock of knowledge at hand. The unquestioned pre-experiences are, however, also from the outset, at hand as typical, that is, as carrying open horizons of anticipated similar experiences (1953:7).

Thus, the existence of intersubjectivity is to Schütz *unquestionable*; the world consist of a number of "typical" actions, types, relations, and problems. And we know some part of the world precisely because of this typicality; its character as ideal-typical knowledge which we interpret in order to be able to act. And it is because of this typicality that the individuals can obtain general scientific knowledge of "others" by referring to subjective meanings and knowledge of other people.

The question of typicality is, however, not straightforward, because even though we know some part of the world in its "typicality," there are other aspects of life, the "unique and irretrievable events" (1953:21). As recognized by Koppl (2001), this aspect is somehow downplayed in Schütz' work although he did have an underlying temporal orientation which is clear in his emphasis on "free will," "stream of consciousness," "unique and irretrievable events" (see, e.g. 1930, 1932, 1941), in which situations there are no "I-can-do-it-again"-knowledge. This aspect Schütz gets from especially Bergson (and perhaps also William James, see Schütz 1941) and his theory of inner duration, which was seminal to Schütz' opening of Chapter 2 in "The Phenomenology of the Social World" (Schütz 1932), which he begins discussing Bergson's distinction between spatialized and inner time (Schütz 1932:45).

That Schütz did not fail to regocnize the significance of Bergson is especially clear in his "Fragments Toward a Phenomenology of Music" (1944), where he discusses music as existing in the inner time of consciousness. Schütz asks how are we able to see music as being meaningful and how is meaning constituted if music is always in flux? The answer goes through the importance of experiencing the projected action, whereby "[i]nner time projected into space becomes the dimension in which our actions take place, *the dimension which we share with our fellowmen*" (1944:254, emphasis added). That is, since living in a world of "everybody's experience," representing an objectivization of the representation of the experiences of the different individuals, there is an important distinction between *the subjective meaning as intended*, and *its objective representation*, which will be known in its "*typicality*."[10] This has remarkably little to do with "unique events" or "novel experiences," but refer to the unquestioned pre-experiences" of "everybody's experiences," which are "from the outset . . . typical" (1953:8), while eliminating the "unique and irretrievable events . . . as being irrelevant for my purpose at hand" (1953:21). Whatever novelties may occur, they do so within a sphere of common-sense whose structure and significance was Schütz' main point of investigation.

And yet Bergsonian (or Shacklian) elements can actually be found in the analysis in "Choosing Among Projects of Action" (1951) where Schütz considers the *time structure* of choosing and acknowledge the possibility of "novelty." With regard to this possible Shacklian element, it is worth quoting Schütz at length:

> [The] time perspective peculiar to the project has rather important consequences. First, I base my projecting of my forthcoming act in the Future Perfect Tense upon my knowledge of previously performed acts which are typically similar to the prescribed one, upon my knowledge of typically relevant features of the situation in which this projected action will occur, including my personal biographically determined situation. But this knowledge is my knowledge now at hand, now, at the time of projecting.

> and must necessarily be different from that which I shall have when the now merely projected act will have been materialized. . . . [P]rojecting like any other anticipation carries along its empty horizons which will be filled in merely be the materialization of the anticipated event. This constitutes the intrinsic uncertainty of all forms of projecting (1951:69).

This element of time and uncertainty involved in choosing seems recognizable compared to Shackle. But a few pages later Schütz turns to the importance of what is "typically similar" when choosing (p. 72–73) thereby providing a structure within which choice can take place to avoid choosing to be just fantasy.[11] Perhaps, then, Schütz's thoughts do involve both the typical and the novelty aspects from the paradox of choice.

In Schütz' main contribution, *The Phenomenology of the Social World*, he does admit the presence of "novelty," of the unique and irretrievable events in general. Concerning the incorporation of these aspects into the analysis, he eliminates them in analyzing "choosing"; or "projecting," relating to the anticipation of future action: "I look in my imagination at this anticipated action as the thing which will have been done, the action which will have been performed by me" (1932:215). In doing so, Schütz eliminates the Shacklian element in choice. He did not tell us from where new structures emerge, or howcome we could (sometimes at least) expect unique events to occur (cf. Koppl 1994, 2001). Thus, just as Shackle misses a part of the story about choice, so did Schütz: the element of creativity. It might be true that Schütz' approach is exactly the clue to understand how decision-making is at all possible. But how do we explain the origin of different courses of action? Of possibilities for choosing? These questions open the door for the analysis of G.L.S. Shackle to assist.

V. The Paradox Of Choice II: Lessons from Schütz and Shackle

> Projecting . . . is retrospection anticipated in phantasy. In this anticipated retrospection, and only in it, the projected action is phantasized as accomplished; the ways after the bifurcation—to keep to Bergson's metaphor—have been traced, although merely as pencil strokes on a map and not as trails in the landscape. (Schütz 1951:87)

> There is an orderliness in our surroundings which we rely on, only needing to understand a fairly small part of the whole process which gives effect to our wishes. Each of us builds the unique structure of his or her personal existence out of countless stereotyped patterns of action. (Shackle 1984:11)

To Shackle, the world is full of surprises. To Schütz, what is much more interesting is that the world consists of some knowledge already present. To put it in Bergsonian terms, Shackle is occupied with the "becoming," rather than the "being"-aspects of choice. If we maintain this dichotomy, we might say that Shackle asks the question and Schütz provides the answer, each delivering a part to address the paradox of choice. That is, Shackle asks the question of the difficulty of choice. In Schütz, we find the solution. He could be seen as solving a problem quite fundamental for Shackle: Why is it that imagination is in fact

constrained? Because, following Schütz, we are born into a "life-world" which is to a very large extent taken for granted. On this we base our interpretations: "All interpretation of this world is based on a stock of previous experiences of it, our own or those handed down to us by parents or teachers; these experiences in the form of "knowledge at hand" function as a scheme of reference. . . . [T]he unquestioned pre-experiences are . . . at hand as typical, that is, as carrying open horizons of anticipated similar experiences" (Schütz 1953:7–8).

Having the paradox of choice as a main-issue, it seems then possible to align "knowledge" and "novelty" because the process of making decisions has itself both a foreseeable and unforeseeable aspect (cf. Loasby 1976). What would be essentially "originative" or new could not be anticipated, while what could be anticipated would not be essentially new, and in choosing we use both elements: "We anticipate events as to their typical features, but we cannot fill in the "details" beforehand (O'Driscoll and Rizzo 1985:78).

As seen from the previous sections, Shackle has focused mostly on the "creativity" part of the paradox of choice, while Schütz has focused mostly on what is "typical" and known. However, Schütz was aware of the "unique" events but downplayed them in order to analyze the importance of the everyday knowledge (Koppl 2001). Shackle, on the other hand, had also some Schützian elements (cf. the quotation above) which is in particularly clear in his "General Thought-Schemes and the Economist" (1984). Shackle here talks about "stereotypes" as being tools for economic theory (p. 11). And, "it is, I believe, in the developments of these comprehensive "schemes of coherence," embracing the whole economy and yet, like a great microscope able to resolve an astonishing degree of detail, that economics has the best hope of justifying itself as a tool of the human mind able to match, though not to imitate, the achievements of the natural sciences" (1984:13).

This seems important. "Schemes of coherence" is what causes imagination to be different from phantasy (cf. Schütz 1951); it is what restricts the individual's possibilities for imagination. Hence, not only do Schütz and Shackle analyze different aspects of the paradox of choice and thus might be seen as complementary in this respect, there are also some affinities which, if elaborated, will perhaps indicate a possibility for a fruitful dialogue between the ideas from Shackle and Schütz. This suggest that neither typicality nor novelty is the universal answer to the paradox of choice. Novelty and typicality are both major components in any effort to improve our understanding of human decision making (March and Simon 1958, Holland 1975). The present argument has been that the ideas of Schütz and Shackle may provide important insights to the fundamental problem of the paradox of choice. And they are also in many ways complementary. The ideas developed by Schütz and Shackle, with Shackle coming from economics and criticizing economic theory, and Schütz coming from austrian-inspired Weberian sociology, both provide a subjective perspective on decision making and they need each other. Whereas Shackle left himself subject to criticisms due to his radical insistence of novelty, Schütz had done so due to his abandonment of novelty altogether in favor of an analysis of typicality.

VI. Closing

In this paper I have tried to discuss some rather foundational aspects of choice. In doing so, I have tried to argue that the views of choice of Alfred Schütz and George Shackle

can be seen as complementary and as sharing some important characteristics that not only set them part from the neoclassical way of looking upon choice, but also indicate some similarities.

In the phenomenology of the Austrian-American philosopher and sociologist, *Alfred Schütz*, we are offered a coherent and consistent theory of intersubjective understanding (1932, 1953). An important point is here that we know the world in different degrees of anonymity, in which the different individuals are able in different degrees to grasp the meanings which are significant for the other individuals by referring to typical motives of the other's actions. In other worlds: we know some part of the world because of its "*typicality*"—its character as *ideal-typical knowledge*, which we interpret in order to act and make decisions (1951, 1953).

Not everything in the world is, however, "typical"; Schütz mentions also the "unique and irretrievable events" (1953). The emphasis on typicality is, however, without doubt the central feature in Schütz, and has as such little to do with the "unique and irretrievable events," which we need as a part of the analysis of decision-making, if we want to understand why the determination of choice is not straightforward and in fact quite difficult. This—the problems relating to determining the outcome of decision-making—is of paramount importance in the works of *George Shackle*, who—on the other hand—could be seen as missing the element of typicality, by only focusing on the novelty aspect and especially on *choice as a creative act* by which new possibilities for choosing and acting are created (1958, 1961, 1979). But just as elements of Shackle can be found in Schütz, so does Shackle (1984) recognize the importance of "schemes of coherence," of "structures." This is what causes imagination to be constrained (1961, 1979).

The main-purpose of this paper was to argue that the two views of choice in Schütz and Shackle are *complementary*, rather than inconsistent. That is, we need both an emphasis on *the creativity of choice* and its role in setting up possibilities for the future, and creativity when *establishing* typicality; creating new structures which potentially can contain "typical" knowledge. This we get from Shackle (1961, 1979, 1986). But we also need a theory on why choosing is not an arbitrary act; why choice is in fact possible, by an emphasis on the importance of "common-sense" knowledge and the *typicality of the pre-experienced world*. And this latter element we get from Schütz (1932, 1953).

As we have seen, Shackle and Schütz have tried to broaden up their analysis they have remained close to their initial position, defending novelty and typicality, respectively. Yet, as we have seen, Shackle and Schütz have (implicitly) attempted to make part of each other's theory part of their own, which indicates the possibility of further elaboration along these lines.

Notes

1. An earlier version of this paper has been presented at a session on 'Alfred Schütz and the Economists' at the 1998 Eastern Economic Association Meeting in New York. I am indebted to Mat Forstater, Kristian Kreiner, Roger Koppl, Evelyn S. Lang, Richard Langlois, Brian Loasby, James G. March and an anonymous referee for valuable discussion on the topic and/or comments on earlier drafts. Unnecessary to add, all errors, shortcomings, etc. are entirely my responsibility. The research has been supported by Copenhagen Business School, and the Spencer Foundation.

2. This has some affinity with the paradox of knowledge expressed by Frank Knight:"We live in a world full of contradiction and paradox, a fact of which perhaps the most fundamental illustration is this: that the existence of a problem of knowledge depends on the future being different from the past, while the possiblity of the solution of the problem depends on the future being like the past" (Knight 1921:311).
3. Among Shackle's most important works are "Time in Economics" (1958), "Decision, Order and Time" (1961), "The Years of High Theory" (1967), and his opus, "Epistemics and Economics" (1972), in addition to numerous articles. Here I will focus mainly on the writings relating to time and decision-making. Other subjects on which Shackle wrote but which will not be mentioned here include his work on Keynesian economics, monetary and macroeconomic theory. For a more substantial introduction to the biography of George Shackle, see Ford (1994), Loasby (1994), and Earl and Frowen (2000) for some speculations about Shackle's intellectual development.
4. Important exceptions inlude whose who have used Shackle to develop the subjectivist perspective in economics (Witt 1989, 1992); to point out the affinities between Austrian Economics and post-Keynesianism (O'Driscoll and Rizzo 1985); in the theory of the firm (Earl 1995, Dunn 1997); in the New Institutional Economics (Littlechield 1986) and, of course, in elaborating upon the intricacies of decisionmaking (Loasby 1976).
5. In 'Time and Choice', the contrast is reinforced: "Are there, I would first of all ask, two utterly different views of time, the outside view and the inside view? What I mean by the outside view is illustrated especially by the ways of thought of academic people in their academic capacity. The mathematician treats time as a space, or as one dimension of a space, in which all points have an equal status or importance or validity together, within one and the same prospect of the world; they have, as I would paradoxically say, a simultaneous validity, each of them means the same to him when he thinks about them all in one thought" (1959:285).

   In contrast to this, Shackle (Ibid:286) defines the inside view,

   "which each of us has in the very act of living, the time in which we sense-perceive, feel, think, imagine, and decide. From this inside view, the time of our actual psychic experience is but a moment, utterly solitary in its isolation from all other moments. It is what I would like to call the solitary present or the moment in being. . . . [F]or any one person, no two distinct moments can be actual together."

6. This is a hugely important aspect of Shackle, carried further in (1984). It is essentially here he could be seen as being actually close, rather than opposite, to Schütz. I will return to this later (Section V).
7. Among Schütz' most important writings are "The Phenomenology of the Social World" (1932), the essays in his "Collected Papers," Vol. I–IV (Schütz, 1962, 1964, 1966, 1996) and his writings with Thomas Luckmann (Schütz and Luckmann 1973, 1989). In the following, I will focus mainly on his 1932, 1951, 1954-writings. The most profound study of Schütz is probably the one written in 1983 by Helmuth Wagner.
8. On Schütz and Austrian Economics, see Prendergast, 1986; Craver, 1986, Koppl, 1997. Two of the speeches which Schütz presented at the Mises–Kreis (Schütz 1928, 1930) can be found in the recently published Volume four of Schütz' collected papers (Schütz 1996).
9. "When Schütz began to consider himself a social scientist, he paid homage to established Central European traditions. Only the technicians in applied fields respected the boundaries of given academic disciplines. All serious theorists, regardless of their approaches, knew that the social reality was larger than any theoretically defined domain. They may have assigned a preferential position to their own discipline within the conglomerate of social-science disciplines, as von Mises did. But they readily took in territories which, by definition, lay outside the boundaries of their discipline or the fields of social sciences. And his economic studies beyond the realm of his technical-professional specialization encouraged him to bridge the formal gap between theoretical Economcs and Sociology" (Wagner 1983:13). See, however, also Prendergast who in a famous article argued that Schütz' "The Phenomenology of the Social World" was explicitely intended for the Austrian School, that is, for "the group of scholars interested in the methodological problems of the social sciences, especially those defending or modifying the epistemological standpoint of the Austrian School of Economics" (Wagner, 1983:3).
10. A well-known example is Schütz' use of the concept of the ideal-type to explain how the drop of an envelope into a metal bin will be interpreted by an anonymuous "other" as a wish to have that letter sent to the person named on the envelop: "Putting a letter in the mailbox, I expect that unknown people, called postmen, will

act in a typical way, not quite intelligible to me, with the result that my letter will reach the addressee within typically reasonable time" (1953:17).

11. "It is ... the reference of projecting to the stock of knowledge at hand which distinguish projecting from mere fancying. If I fancy to be superman or to be endowed with magic powers and dream what I will then perform, this is not projecting. ... Projecting ... is a motivated phantasying, motivated by the anticipated supervening intention to carry out the project. ... Projecting ... is, thus, phantasying within a given or better within an imposed frame, imposed by the reality within which the projected action will have to be carried out" (1953:72–73).

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