Hermeneutics, the Austrian School and Ludwig Lachmann
First Draft
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Introduction: The problem

Can societies be examined like nature? This seems like one of the most important questions of the philosophy of social sciences. In retrospect, study of this question forms the polarization of two important trends in the literature of the social sciences: naturalism and anti-naturalism. Naturalism defends that the natural and social sciences should gather around positivist principles. In other words, methodologically there is no difference between natural and social sciences. On the other hand because of their different subject matter, anti-naturalist trend advocates that natural and social sciences should follow different methodologies while they are studying their areas. With respect to Hermeneutics, which belongs to the anti-naturalist camp, the essence of social sciences' is the interpretation of value laden social action and institutions and therefore interpretation of human action, that stems in the world of symbols (Taylor 1985b: 16-26). According to this thought, human beings are different than natural beings, such that, they live in a society made up of values and meanings. Human behavior transforms to meaningful human action if it is considered according to these values and meanings. Otherwise they cannot be taken any further than being a mere reflex or animal instinct. On the other hand natural sciences claim that knowledge can be obtained from the external world and embraces empiricism and causality as an analysis category (Bhaskar 1989a: 66). According to this point of view, knowledge is not abstract, it is tangible and it reflects the outer world exactly, as it is. However hermeneutics asserts in social sciences knowledge is conceptual and their analysis category is meaning (Bhaskar 1989a: 66, 67).

One of the questions that is going to be considered in this article is that if hermeneutics has really achieved a breakthrough from the positivist theory as it is aimed by the members of this school. The second question to be dealt here is if hermeneutics should be the only path to be followed by social sciences.

Hermeneutics is not a new movement. Although the concept stems from the distinction between phenomena/nous and nature/soul made by Kant and Hegel, the roots of the hermeneutic tradition can be traced back to Herder and Vico and even to Aristotle (Bhaskar 1986:17). The crucial distinction between the casual explanation that is part of the physical world and the natural science which doesn't include human in it (Erklären) and the hermeneutic understanding that is considered to be a part of the world of ideas, culture, history and art (Verstehen) has evolved at the end of the 19th century in Germany. This idealist line of thinking premiered by Dilthey, Simmel, Weber and Rickert is partly a protest against positivist social sciences of Comte and Mill. It's been noted that the reactionist ideas to this line of idealist thoughts that favor positivism in philosophy and social sciences have been put
forward by young Wittgenstein, Russel and Moore in the 1920’s and 1930’s. Later mature Wittgenstein has made an anti-positivist U-turn and a group of reformist, analytically more equipped hermeneutic intellectuals such as Anscombe, Charles Taylor and Winch has emerged in Oxford in 1950’s. We can count the names of Gadamer and Habermas in Germany and Ricoeur in France at this period of time among the names that form the critical hermeneutic movement. These intellectuals naturally have come under crossfire by Popper and his school (Bhaskar 1989b: 18).

Dilthey and Weber are the most important two names of 19.th century hermeneutics which we will call as “traditional” from now on. One of the most distinctive properties of traditional hermeneutics is the pre-occupation of trying to combine some of the aspects of positivist philosophy and the idealist “life philosophy” that regards the spiritual and the intellectual life above everything. In other words association between subjectivity and reality has been tried to be made in this tradition. As these intellectuals on the one hand emphasize the subjective side of social sciences, they on the other hand seek the “true” knowledge. We have put the word true between quotation marks because these intellectuals, although they oppose the positivist movement, have all accepted the criterion of the positivist method as a means of truth. In other words they all accept the naturalist point of view (Bhaskar 1989a: 132). For example according to Rickert who had influenced Weber widely, the real issue in cultural sciences is to produce true knowledge about the historical and social facts that are objects related to values (Schumpeter 1968: 777). In short, under the influence of positivism, these intellectuals are after a realistic approach rather than a subjective one. Outhwaite explains this accordingly: Subjectivity in traditional hermeneutics means a subjective, random, and even arbitrary condition, the realistic approach in contrast connotes an educated, disciplined and a methodical understanding (Outhwaite 1985: 25-26). In relation to this, the epistemology and the methodology of hermeneutics have played a crucial role. For example for Dilthey to place the life philosophy on a scientific ground and to suggest a kenlore for human sciences was very important and at the end he has accomplished this task (Akarsu 1979: 50-55).

Dilthey describes the difference between natural sciences and human sciences in such a manner: natural sciences are concerned with incidents that are given from the outside and that occur one by one. Whereas human sciences are interested in unique inner experiences that take place in a lively context in a social and historical frame. Therefore Dilthey has asserted that we explain the nature but we understand the incidents related to life. But how this understanding comes about? Understanding in Dilthey requires an open minded and unbiased perspective not a narrow minded perspective. The foundation of understanding the human actions or the cultural goods is the process of “re-enacting” and “re-experiencing” the inner experiences of others. In this context the one who wants to understand, tries to make his/her own the state of mind of the others’ by “seeing with” them by so to say “entering” them (Akarsu 1979: 51-52).
On the other hand Dilthey’s ideas are not so clear as to incorporate the subjectivity and the reality. For instance is it so easy to relinquish our own experiences in order to understand someone else’s experience? If we notice here, to try to understand the meaning on its own, to purify the meaning from any kind of foresight is like combing out an experiment of natural sciences from outer factors and/or trying to be objective.

We notice that the next intellectual we shall discuss here in the field of traditional hermeneutics, namely Weber has also been affected by the positivist concepts. According to Weber as every unique incident finds its meaning in a web of values, the underlying factor in social sciences is not the reality but the meaning that emerges in the context of that unique incident. Therefore the social scientist should be concerned with this meaning. But on the other hand, interpretation is not the only tool for knowledge for Weber. Weber thinks that it is part of the method of social sciences that the hypothesis put forward by way of understanding could be proven by the causality relations which could be generated by statistics. This is because according to Weber science is interested in things that are happening and any kind of value, that is to say any kind of moral, religious, political belief and value are related to things that should happen and in scientific thought there can’t be any transition between things that are happening and things should happen (Özlem 1990: 61).

We are convinced that because of the positivist elements involved, the issue of value is one of the problematic areas in Weber’s ideas. In his book Method of Social Science, Weber suggests two concepts: value judgment and value relevance (Weber 1949: 1). According to Weber, social sciences’ main concern is value. This is because empiric reality is infinitely miscellaneous and social scientist should choose his/her area of work. This choice will be inevitably about value as social scientist will choose a subject that he/she pays a special interest to. But at the same time according to Weber, social sciences should be stripped off value judgment. Value judgments are evaluation of facts. These kinds of factual investigations and social sciences are concerned with these can’t be judged by referring. In short, Weber holds that it is not possible to make rational and objective choices between values that are opposing.

But could there be a social science that is stripped off value judgments? Or as Weber points out, can social science be objective in spite of the scientist’s subjective choice? As Weber answers this question with a yes, he follows a positivist path and anticipates that the concepts of fact and value can be differentiated logically. He therefore thinks that there’s no going from reality to value.
Austrian School and L. Lachmann

One field in economics that we come across with hermeneutics is the Austrian School and especially the ideas of Ludwig Lachmann who is one of the important representatives of this school. The method that the Austrian School and its representatives follow is different than the positivist economics method. First of all, the Austrian School in contrast with the predictable and the neutral world, underlines the unpredictable and the political side of economics. The problem in economics actually is not the scientific prediction. In fact, the issue is to be able to form an expectation and to be able to show a reaction to the change in a world of economics where there are no regularities. Austrian School embraces the concept of subjectivity. For the Austrian economics, economic value and evaluation is subjective and this presents itself in trade. The distinctive feature of the Austrian School when it comes to its opinion about the individual is the high value it gives to subjectivity. The ideas of O’Driscoll and Rizzo about the subjectivity of the Austrian School quoted below are representative regarding the beginning of the Austrian School:

“Very broadly subjectivity can be explained with this pre-supposition: the contents of the human mind and decision making cannot be determined by outer factors. Subjectivity creates a living space for individual mind and individual decision making. Subjectivity is deeply involved in methodological individualism as it is interested in individual mind and individual decision making. All the market activity and the results of these activities should be explained in terms of the individuals’ own choices. Therefore generally speaking economics for all subjectivists and for all Austrians is about the ideas that lead to a choice.”

Ludwig Lachmann, who is a member of the newer generation of the Austrian School, combines the Austrian individualism with phenomenology and hermeneutics (Addelson, 1995: 100). Lachmann is widely influenced from Max Weber and Weber’s concept of “Verstehen” and holds that Verstehen should be the basis of the Austrian School (Lachmann, 1970). But are Austrian individualism and hermeneutics in harmony with each other? We believe that we should take a closer look at Austrian subjectivism and its take on facts to answer such a question.

According to the Austrian School plans, knowledge, expectations, and motivation are all products of human mind and although they can’t be touched and seen, they still are realities of this world (Addelson 1995: 113). To express an economic fact in terms of human action, the Austrian economics associate the observable outside factors of the social world like market and prices with the actions of the individuals that create these factors like plans, expectations, and choices. Here knowledge, plans, and expectations are defined subjectively and consequently the method of the Austrian School is defined as subjectivist. That is, different people or different minds have different “realities”, different pieces of information. Accordingly, they do different plans and naturally create different actions. Having said that here individuals are not the active founders of their world. They are passive individuals that collect the
information coming from outside (Addleson 1995: 112-113). Another point of importance here is that the world exists as a system that involves the forces that stabilize and destabilize beyond the mere existence of these individuals. Individuals perceive this world and react to the changes in the world by acquiring new knowledge and by observing their expectations. Here when perceiving things happening around them, individuals own an active mind but they don’t create this world themselves with their perceptions. This has been described by Hayek in his works and also Lachmann agrees upon this line of thinking. Institutions come into existence involuntarily by the results of the actions of the individuals, not by conscious control of the individuals or not by how they interpret things in their minds. The thing of importance here is that, this interpretation of subjectivity doesn’t comply with hermeneutics. For the reasons mentioned above and specially the fact that the outside world is considered a fact irrespective of the individuals, create a paradox in the interpretation of the Austrian School. As a matter of fact, as the members of the Austrian School and some others regard the Austrian School as subjectivist, Uskali Maki, who thinks that the Austrian School is realist, holds that this paradoxical situation in classifying this school can be resolved by regarding this school as a combination of “ontic subjectivity” and “ontological reality”. Maki describes ontic subjectivity as such: Suggesting that economics is partly made up of individuals’ subjective evaluations, expectations and goals. And ontological reality is described by Maki as such: Although it is the object of economic theories, economics itself is not made up of these theories and has an independent presence beyond these theories (Addleson 1995: 78, 98). Individuals don’t create the world with their own will by actively interpreting it. Instead, there exists an involutariness and spontaneity. This situation doesn’t match up with neither hermeneutics nor methodical individualism because in both of these lines of thinking, individuals act with their own will power and create this world themselves. So if in the eyes of the Austrian School the individuals don’t create the world with their will power, than we need other factors that explain this “spontaneous emergence”. For instance maybe with the social formations throughout history the social structure and institutions emerge. However, the methodological individualism of the Austrian School is an obstacle to these kinds of social explanations. Consequently the Austrian School, neither grants enough will power to individuals, nor comes up with a social explanation to fill up this gap.

In Austrian School this gap is filled with the market system that is thought to have a functional position. Specifically Hayek and Lachmann praise the market mechanism as a system that is inherent. That, the individuals make wrong decisions as a result of their lack of information, or the fact that the different decisions of different individuals are not in harmony don’t present an important problem, because institutions of capitalism have developed enough to overcome such negative factors. Lachmann describes in such a manner what kind of a role the future markets will play in the transmission and the usage of knowledge as a concept, the Austrian school pays a special importance to:
“Knowledge is not about what people thought in the past or what they think now, but about what people will think in the future. Although the future always remains unclear, it is possible for individuals to adjust themselves by observing the behaviors of other individuals. Thus by buying and selling with future expectations, they express their own ideas about the future prices...In other words, the future markets gather the expectations in consistence with each other and those markets are on the side of the factors that bring stability” (Kantor 1979: 1429).

It can be observed that, the market system is a factor that includes the forces that enable the equilibrium notwithstanding the individuals. But Lachmann, like Hayek doesn’t explain why the market system is on the side of the factors that enable the equilibrium. Maybe the question to be asked here is how different the Austrian School from the Neoclassic School is. The Austrian school could be richer than the Neoclassic School in terms of the portrayal of the actions of the individual and its being given importance to these actions. But also these two schools make similar explanations about the human behavior. For example the Austrian school doesn’t openly express the idea that the individuals make optimization. However the reasons of the individuals’ behaviors are fundamentally same and their actions are driven by the same outside factors such as market signals. In the light of this criticism, it can be said that Austrian school couldn’t differentiate itself from the positivist approach the way as they wished.

One of the reasons why hermeneutics couldn’t become more than a method to explain social sciences both in traditional hermeneutics and in Austrian School can be traced back to the perception of individualism these methods have embraced. According to Weber and the Austrian School, the society that is designed around the frame of unobstructed self is atomistic. The influence and the values of the society could not be explained in Weber and the Austrian School as this understanding couldn’t reach the sources that create the individual and the values and the symbolic factors that create the society. Yet as we have seen in reflexivity, the individual is a being in possession of an interpretive self (Taylor 1985a: 45-77) and the sources of this interpretiveness is deep rooted in social factors such as language and experience. For example as we will see in detail below, the more contemporary hermeneutics signifies the importance of language as the most important environment in which the human existence is founded or constituted in. Having applicability between subjects language is the basic condition of the individuals’ consciousness and therefore it comes before consciousness. Accordingly social factors are not only related to the individual to the self or the identity of the individual, but they are its structural precondition. In short the individual is not only a part of the society that is created by common values and principles but also a part of the society that creates these values and principles continuously and its identity cannot be exempted from this society. The line of thinking of the critical hermeneutics which constitutes the more contemporary tradition of hermeneutics regards interpretation not as a research model unique to social sciences, but as an existential condition of social life and therefore places it in a socially appropriate frame.
Critical Hermeneutics and Gadamer

Inspired by Heidegger’s “hermeneutic phenomenology” such intellectuals as Hans Georg Gadamer in Germany and Paul Ricoeur in France have taken the concept of “Verstehen” from a more traditional line to a privileged point in contemporary theory (Outhwaite 1985: 21-41).

In contemporary hermeneutics understanding is regarded not as a research model of social sciences but as the existential condition of social life (Outhwaite 1985: 35). Rather than relying on a psychological re-animating process, understanding is an issue of the language about conceptualizing the contents of familiar and foreign life forms. Hence understanding others is about having a dialogue with them (Giddens 2000: 250). Therefore the concept of dialogue is of importance. This at the same time is an approach that is far from the unbiased view as in Dilthey and Weber. Gadamer holds that an unbiased view is not possible as these pre-thoughts we have enables understanding. For example says Gadamer, understanding the Bible or the Communist Manifesto is not possible without knowing the role they played in our history (Outhwaite 1985: 25). Hence, understanding is not approaching a written work by leaving aside the world of meanings that we live inside or introducing ourselves into a foreign society in such a manner. On the contrary, understanding is mixing up our world of meanings with them, joining them together. Consequently, the differentiation of reality and subjectivity present in the traditional way of thinking dissolves in Gadamer’s approach (Outhwaite 1985: 30).

Previously we have mentioned the idea that hermeneutics in Dilthey is universal as a general method of human sciences. But for Gadamer the universality of hermeneutics means much more than this. As it finds its’ expression in language, hermeneutics is the foundation of whole human consciousness and it comprises everything in it the humans have created including the knowledge of nature. Therefore it is not enough to see understanding as a method, understanding is the social reality that we live in (Outhwaite 1985: 40). In this respect the actions of the individual in this new line of thinking of Verstehen are not disconnected from social foundations. Either natural or social knowledge that emerges in relation to understanding and interpretation is basically a social activity. In Heidegger, Gadamer and Ricoeur the most esteemed symbolic concept as a social activity is language (Giddens 2000: 249). Understanding the actions necessitates the usage of linguistic categories that are implicitly regulated and that are accessible to everyone. This can be explained as such: The individual can understand himself/herself only by using common concepts accessible to everyone. The tool that understands it is thus the language. As language is the basic condition of the consciousness of the individual, it must come before the consciousness of the individual.
Conclusion and the Boundaries of Hermeneutics

By underlining the concepts like “active human” and “acting individual” hermeneutics differentiates itself from the traditional line of social sciences dependent to the positivist criteria and tries to bring forth a different perspective.

Positivist theory perceives itself as an equivalence theory based on its assumptions and specially the naturalist ontological assumption. What is meant by equivalence theory is the viewpoint that the positivist thinking reflects the fact related to the outside world in an exact manner. Positivist way of thinking treats the social reality just as it treats the natural reality and interprets the social reality as a part of the “outside world”. In the perspective of this kind of thinking, the individual that form the society is somehow disconnected from the society that it forms and in an atomistic level this individual is passive. In this point of view the individual appears to be a mere observant. It observes the social facts and describes what these facts are. However the individual doesn’t have the ability to interfere with these facts and change them with his/her own consciousness and reflexivity. Therefore in positivist theories the individual seems to be a “fool” of the social structure that is defined by the social factors in a deterministic way and not as a person who in this way or another is in control of his/her own fate and not as an acting individual with knowledge (Giddens 2000: 244).

In contrast to positivist theories, in hermeneutics and especially in critical hermeneutics the reflexivity and the actions of the individual are highlighted (Giddens 2000: 244). The individual is reflexive because to understand other’s actions and him/herself in social life the individual constantly observes the other individuals and tries to understand and interpret their actions. Meanwhile he/she thinks about him/herself and controls his/her actions accordingly. Therefore as Gadamer has also pointed out understanding and interpreting is the foundation of the social life. Moreover the individual is not passive. The social structure not only limits the individual but also creates possibilities for him/her and the individual as a creature who creates his/her “own history” even under restrictions, doesn’t give up such endeavors (Giddens 1999: 71). Therefore the individual is an acting being who is partly in control his/her own destiny and the society is a creation of such individuals. In relation to the things mentioned here the individual-society relationship also finds its’ appropriate foundations. Both active individual and individual-social structure relationship is handled more appropriately in hermeneutics in this context.

The point that has to be underlined here is this: We reach all these conclusions when we consider hermeneutics as the basis of existence of the social life. Therefore both social knowledge and the knowledge of nature is the result of the individuals’ understanding, interpreting and partly shaping the outside world. This understanding, interpreting and shaping is only possible by the usage of symbolic factors such as values and meanings. In short, the scientific knowledge appears to be an activity founded, created by the individual. Otherwise when we don’t regard
hermeneutics as the basis of existence of the social life, hermeneutics is destined to be a mere method that differentiates the natural sciences from the social sciences.

Interpreting accounts for much of the things that happen in the social world, and our belonging to the social world is only possible with the understanding of this interpreting process. But are all the things that exist and all the things that that are thought to exist consist of this? The intellectuals specially belonging to the critical realist line of thinking answer this question with a no (Outhwaite 1985: 37). That is to say that hermeneutics doesn’t show us all the possibilities in the social world. For example according to the critical realists the deeper causes that are not visible are the main factors that the sciences should investigate. We think that the critical realists who don’t oppose the positivist point of view, but who also don’t embrace the anti-naturalist line of thinking need more of our attention.

The critical realism that is opposed to the empirical realism that the positivists embrace, holds that ontologically the world is not only comprised of facts and conditions that we perceive through our experiences and senses. According to the critical realists, independent of our being aware of the situation or not, the world is consisted of complex things that have systems and complex structures. For example according to Bhaskar, the reason of making an experiment is not to find the facts and the regularities between these facts as Hume and his followers suggest. The main reason of the experiments is to discover the structures, generative mechanisms forming the real basis of laws of causality that mostly appear to have no connection with visible facts (Bhaskar 1989a: 9). If we have to elaborate on these ideas of Bhaskar with a few words: Let’s consider the topic of how plants grow. An observer will notice that the plants will grow faster in hot weather than in cold weather. If we don’t notice the fact that a plant is exposed to sun rays longer in hot weather than in cold weather, we might tend to think that air temperature effects the growing of plants. Hence, what needs to be done here is to discover the growing process of the plants and finding out the mechanisms effective in this process through other experiments. Because only the discovery of these mechanisms will tell us how the plants grow. As a matter of fact, through investigating these mechanisms it was proven that the necessary factor in the growth of the plants was the light and consequently photosynthesis (Harré 1985: 39-40). Or that we know for a fact that vibration causes metal fatigue not only by the mere fact that the metals subjected to vibration tend to break down easier than the metals not subjected to vibration, but also from the knowledge we have over the structure of metal. In fact vibration causes changes in the structure of the metal in various ways (Harre 1985:41) In short, according to the critical realist thinking we can talk about three kinds of realities (Outhwaite 1987: 22). These realities are:

[a-] Empirical, meaning the reality we experience through our experiences and our senses (empirical).
[b-] The conditions that are actually present (actual).
[c-] Real structures, mechanisms and inclinations (real).
According to the critical realists, these ontological distinctions can neither be reduced to each other, nor they are separate from each other and appear at the same time contrary to what the positivist line of thinking holds. The two examples given above explain this situation. In fact, the process of photosynthesis is a mechanism that can’t be sensed by mere observation but one that requires further experiments. Thus, the real subject of the science is to discover these deeper causes.

The critical realist movement believes that the situation in social sciences is not so different from the situation in natural sciences. In social world there are social structures just like in natural world. Social rules, relations, positions are examples of these social structures. These structures are re-created by individual actions but also at the same time they are the premises of these actions and they regulate these actions. These structures, just like in natural incidences, may not be discovered directly. Thus, according to the critical realists, in contrast to the hermeneutic movement, the main purpose of the social sciences is to unearth the structures that cannot be foreseen directly. Here we should add that most of the properties that we mentioned above are not contradict with Lachmann’s ideas or the issues that Lachmann wants to establish. This might be a complementary research project.

Another difference that takes critical realism a step further than hermeneutics is the fact that critical realism is open to methodological plurality whereas, hermeneutic movement suggests one single method for social sciences and leaves us with a methodological singularity like in naturalism.

It has been argued above that radical subjectivity, which insist on the priority of individual creates agent/structure duality. On the other hand not to have a proper action theory brings the structure -mainly the market- to the front, which Austrian school members try to escape. To overcome of these kind of problems and dichotomy, incorporation of a theory which emphasize the reciprocal determination of both agent and structure is necessary. For a long time, debates over these kind of theories are quite lively. Some of these are: contemporary hermeneutics, such as Habermas’s theory of communicative action, or Gadamer’s hermeneutical dialogue; or Giddon’s theory of structuration, Hodgsons’ systems theory, Joas’s theory of action, Bhaskar’s critical realism and the list can get longer. If members of Austrian school don’t want to go so far and away from their own school, to visit Menger’s approach may create a common ground in between these two sides of a social theory.

References


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