Humane Economics
ADVANCED STUDIES IN POLITICAL ECONOMY

Series Editors: Virgil Henry Storr and Stefanie Haeffele-Balch

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Nona Martin Storr, Emily Chamlee-Wright, and Virgil Henry Storr, *How We Came Back: Voices from Post-Katrina New Orleans*

Don Lavoie, *Rivalry and Central Planning: The Socialist Calculation Debate Reconsidered*


Peter J. Boettke, Stefanie Haefele-Balch, and Virgil Henry Storr, eds., *Mainline Economics: Six Nobel Lectures in the Tradition of Adam Smith*

Matthew D. Mitchell and Peter J. Boettke, *Applied Mainline Economics: Bridging the Gap between Theory and Public Policy*

Jack High, ed., *Humane Economics: Essays in Honor of Don Lavoie*
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Contents

List of Contributors vii
Foreword to the Mercatus Center edition ix

Solomon Stein and Stefanie Haeffele-Balch

About Don Lavoie xvii
Writings of Don Lavoie xix

PART 1 INTRODUCTORY

1. Humane economics: an introduction to the work of Don Lavoie
   Jack High

29

PART 2 SOCIALIST CALCULATION

2. Calculation, competition and entrepreneurship
   Israel M. Kirzner

3. Don Lavoie’s contributions to comparative economics
   Peter J. Boettke and David L. Prychitko

4. A typology of interventionist dynamics
   Robert L. Bradley Jr.

64

PART 3 INFORMATION TECHNOLOGY

5. Institutions as abstraction boundaries
   Bill Tulloh and Mark S. Miller

6. ‘New’ collaborative learning environments: the convergence of hermeneutics and hypertext
   Virgil Henry Storr

89

119
### PART 4 PHILOSOPHY

7. Hermeneutics and liberty: remembrance of Don Lavoie  
   **G.B. Madison**  
   141

8. Hermeneutics in economics: on the status of ‘as-if” functions  
   **Wayne J. Froman**  
   164

9. Humility and truth in economics  
   **Deirdre McCloskey**  
   173

### PART 5 CULTURAL STUDIES

10. The development of cultural economy: foundational questions and future direction  
    **Emily Chamlee-Wright**  
    181

11. Innovation of cardio-imaging technology at Hewlett-Packard and HP/Philips  
    **Don E. Kash**  
    199

### PART 6 APPENDIX

12. Subjective orientation and objective wealth: entrepreneurship and the convergence of groupware and hypertext capabilities  
    **Don Lavoie**  
    249

Index  
305
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Foreword to the Mercatus Center Edition

*Humane Economics* was edited by Jack High and published in 2006 as part of Edward Elgar’s series, New Thinking in Political Economy. The essays in this volume originated from a conference in memory of Don Lavoie, where a group of Lavoie’s colleagues and former students celebrated his life and legacy through papers that advanced the themes of his research program. The topics explored in this volume reflect the wide range of Lavoie’s scholarly interests, which he encouraged his colleagues and students to pursue also: knowledge problems in information technology; the analysis of comparative economic systems; cultural studies; and philosophical hermeneutics. While such diverse topics may appear disjointed, they instead highlight Lavoie’s unique ability to connect these disparate avenues of inquiry and the people working on them.

One way to approach *Humane Economics* is as a collaborative intellectual biography that gives context to Lavoie’s contributions in each of these areas, seeking to unite them in a connected research agenda and paving a path for future research in this tradition. As such, each contributor of this volume attempts to highlight the connection across Lavoie’s research program by examining the topics he studied and the types of questions he asked. The chapters of *Humane Economics* appropriately propose a set of connected but distinct answers. For instance, both High and Emily Chamlee-Wright suggest that social learning is the central theme of Lavoie’s work; Bill Tulloh and Mark S. Miller offer the knowledge problem; and in his review of the volume, Howard Baetjer Jr. suggests what he calls “the Lavoie principle”: Riches emerge in interplay; to produce riches, foster interplay.”¹ Still more proposals identify other defining features of Lavoie’s scholarship, such as the consistent theme of the market process or Austrian political economy, G.B. Madison’s emphasis on interdisciplinarity, and Deirdre McCloskey’s focus on humility.

All of these central themes are indeed important elements of Lavoie’s research agenda. For instance, *Rivalry and Central Planning: The Socialist Calculation Debate Reconsidered*² and *National Economic Planning: What
Is Left? are, at their core, interdisciplinary inquiries into the market process, social learning, and the knowledge problem, which result in a vision that stresses the importance of interplay. In later work, Lavoie continued to explore and expand upon these themes. For example, Culture and Enterprise: The Development, Representation and Morality of Business, coauthored with Chamlee-Wright, emphasizes the importance of social learning and interaction in understanding culture and economics. For a comprehensive list of Lavoie’s research, see page xix.

However, Humane Economics is not merely a retrospective appreciation of the conceptual vision that unified Lavoie’s research. These essays also represent a forward-looking research agenda. A reader with interest in one or more of the topics explored in this volume will find much of value. In the remainder of this foreword, we group many of the chapters in this book into two fields in which Lavoie was in the vanguard: comparative economic systems and culture and economics. His influence continues to be deeply felt in these fields today.

COMPARATIVE ECONOMIC SYSTEMS

Lavoie’s contributions to Austrian political economy are grounded in his work on economic calculation. Rivalry and Central Planning reexamines the Socialist Calculation Debate, arguing that the Austrians—specifically Ludwig von Mises and F. A. Hayek—successfully refuted both the possibility of economic calculation under socialism (through the removal of property rights) and the efficiency claims of market socialism (through an inability to overcome the knowledge problem of central planning). These alternative systems are therefore unable to match or overpower the material production and progress of market systems. Lavoie highlights and expands upon the process theory of Mises and Hayek, pointing to rivalry in the market as the mechanism for social learning, knowledge dissemination and use, and innovation and progress. As Peter J. Boettke and Virgil Henry Storr point out in their foreword to Lavoie’s recently republished Rivalry and Central Planning, understanding the Socialist Calculation Debate is of central importance to understanding the Austrian concept of the market process. Boettke and David L. Prychitko’s essay (chapter 3) places the publication and reception of Rivalry and Central Planning in context, highlighting the entrepreneurial moment within economics in the mid-1980s. Lavoie offers a new interpretation of the Socialist Calculation Debate, demonstrating that the emphasis of the knowledge problem within Austrian economics is still relevant and crucial to analyzing the effectiveness of various comparative economic systems. In National
Economic Planning, Lavoie analyzes contemporary government action and shows how both complete and mixed versions of central planning are unable to overcome the knowledge problem and thus fail to achieve their goals. Further, he argues that political action also suffers from a power problem, which—when coupled with the knowledge problem—leads to paternalistic interventions. Lavoie also argues that central planners and social engineers are extremely constrained and calls for humility in social engineering.

Several chapters in this volume advance applied Austrian political economy in the tradition of Lavoie. Israel M. Kirzner’s essay (chapter 2) extends the theoretical insights into the nature of knowledge in the market process, not only to provide insightful philosophical reflections on a key moment in doctrinal history, but also to offer conceptual refinements to our understanding of the knowledge problem. Consideration of the knowledge problem, Kirzner argues, reveals that the impossibility of economic calculation under socialism is not confined to an inability to achieve an efficient allocation of resources from society’s perspective. Faced with the knowledge problem and unable to rely upon the knowledge communicated via market prices, a central planner has no access to the given means and ends needed to allocate resources. Without any possibility of reference to the knowledge required to construct the allocation problem, central planners cannot even begin to assess their actions in economic terms or to adjust their actions based on feedback from society.

Tulloh and Miller’s more concrete essay on abstraction boundaries (chapter 5) shows the intersection between computer science and Lavoie’s emphasis on the knowledge problem. As software programs become increasingly complex, programming technique becomes increasingly important to ensure coordination between different parts of the code. Tulloh and Miller point out that complex coding begins to resemble a system of property rights and law-governed interactions rather than a centrally orchestrated plan. While a decade of change might make some examples more salient than others (for instance, application program interfaces rather than object-oriented design), the themes remain relevant and useful in looking at the institutions that allow for increasingly complex software interrelationships.

Robert L. Bradley Jr.’s essay (chapter 4) presents a typology of forms of intervention. A well-crafted typological scheme aids interpretation by focusing attention upon distinctions with significant consequences. For Bradley, existing typologies of intervention—such as Murray N. Rothbard’s distinction between autistic, binary, and triangular interventions—can be improved upon by introducing classifications with dynamic qualities and by adding new typologies that highlight the diverse range of motivations contributing to the cumulative nature of many processes of intervention.
Bradley’s typologies also complement other conceptions of interaction between private and public entities, such as the fiscal sociology of Richard E. Wagner. The sophisticated understanding of the knowledge problem developed by Mises and Hayek and further advanced by Lavoie remains a central theoretical tool in the toolkit of contemporary Austrian political economy.

The main takeaway of the debate—that the absence of property rights, monetary prices, and the pursuit of profit (and threat of loss) found in the market renders efficient distribution of resources by a central administrative body impossible—has been applied to both historical and modern bureaucracies and government interventions. The articulation of the capabilities and social benefits of the coordination within the market—such as knowledge generation, entrepreneurial discovery, and error correction—has also been applied to historical and modern phenomena. For instance, Christopher J. Coyne examines the failures of nation building after war as well as the limits of state-led humanitarian aid. Boettke, Coyne, and Peter T. Leeson articulate a framework for institutional change, noting that exogenous change that does not match the culture of a community will not be as effective as change driven from the bottom up. Likewise, Storr, Stefanie Haefele-Balch, and Laura E. Grube explore the downfalls of top-down disaster management and highlight the importance of local entrepreneurs and community leaders in driving postdisaster recovery. In addition, recent research on self-governance and the process of institutional entrepreneurship includes Edward Peter Stringham’s work on the evolution of financial markets and David Skarbek’s exploration of the creation and purpose of prison gangs.

CULTURE AND ECONOMICS

One can most clearly see the direct lineage of contemporary research in Austrian economics from Lavoie’s work in the analysis of the relationship between culture and economics. Those interested in cultural economics should read this literature for two reasons: First, it enriches the meaning and context of subsequent work in the Austrian tradition of cultural economics. Second, it provides insight into the connections and complementary approaches of research pursued in this tradition over the past decade.

Lavoie’s concern with the role of culture in economic action has its roots in the subjectivist methodology of the Austrian tradition. The goal of economic inquiry is to achieve an understanding of human action that is rooted in the meanings individuals assign to their actions. Pursuit of this kind of understanding cannot be obtained purely through recording
obtainable events or statistical outcomes; it requires the economist to also interpret the significance of these events and to engage in a dialogue with the actors. This interpretive turn is not an exclusive procedure restricted to social scientists. Individuals’ meaningful actions (those needing interpretation by the theorist) are based upon their understanding of the circumstances in the world around them (and thus in need of their own interpretation). Those interpretations occur within the structure of meaning through which individuals confront the world; that is, their culture. In exploring culture, Lavoie paid particular attention to how cultural meanings influence entrepreneurship, for example in the work he coauthored with Chamlee-Wright. This topic is further developed by both Chamlee-Wright and Storr.

Storr’s essay on hypertext (chapter 6) is an excellent reminder of the drastic pace of development in computing technology. But more importantly, it shows how an emphasis on interpretation and meaning leads naturally to concerns for how our conversations change as technology changes and for the way in which those conversations enable us to discover, process, and create knowledge. Chamlee-Wright (in chapter 10) outlines both the background and the potential for future research in cultural economy and presents the conceptual preamble to the past decade’s empirical work on the role of culture in postdisaster community recovery. Research in this tradition emphasizes qualitative analysis—particularly data collection through extensive interviews in the field—as a way to better understand the specific contexts and knowledge of communities, their cultural ties, and the details of their recovery from disaster.

The essays by Lavoie (chapter 12) and Storr (chapter 6) also foreshadow refinement of the tools of a culturally informed economic analysis. The current state of this approach includes Storr’s Understanding the Culture of Markets, where he argues that many of the open questions in cultural economics are problems of interpretation of texts (e.g., a new interpretation of Max Weber sheds new insight on cultural economics). Storr and Arielle John explore the role of entrepreneurship and sociability in markets, and Storr and Grube take an interdisciplinary approach in their edited volume, Culture and Economic Action. In addition, Chamlee-Wright explores the connection between culture and economics within the institutions of liberal arts education.

CONCLUSION

The suggested thematic groupings above are—like the chapter divisions used by High in the table of contents—particular interpretations offered to
help readers structure what is, ultimately, their own personal conversation with the text. For the reader seeking to understand the implicit, but unarticulated, worldview that animated Lavoie, each chapter in *Humane Economics* represents another partial view of those connections. While enriched by their interconnected nature, these essays also remain valuable contributions on their own, both as contextual background for the directions currently pursued by those influenced by Lavoie and as opportunities to explore previously overlooked avenues of scholarship.

These essays, written and now republished in honor of Lavoie’s passion for understanding the world around him, highlight not only his contributions in numerous fields but also his legacy in the research by his colleagues and students. Republishing this volume continues a celebration of his life and work, but it also represents a call to action for future research in this rich tradition.

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**NOTES**

6. Christopher J. Coyne discusses these two concepts, as well as the importance of Lavoie’s work on contemporary mixed economic systems, in his foreword to *National Economic Planning: What Is Left?*, by Don Lavoie (Arlington, VA: Mercatus Center at George Mason University, 2016).
Don Lavoie was the David H. and Charles G. Koch Chair of Economics at George Mason University, where he taught from 1981 until his death in 2001. Beginning in the early 1970s, Lavoie was a crucial figure in the revival of the Austrian school of political economy, and he played an important role in building the Austrian economics program at George Mason University. His research focused on comparative economic systems, the use of knowledge in economic and organizational contexts, and the implications of hermeneutical philosophy for economics.

Lavoie received a BS in computer science from Worcester Polytechnic Institute in 1973 and a PhD in economics from New York University in 1981.


Through research in his many fields of interest, Lavoie sought to reveal the fundamental nature of social learning processes. Along with Jack High, he cofounded the interdisciplinary Program on Social and Organizational Learning at George Mason University.
Professor Lavoie was twice the recipient of George Mason University’s Distinguished Faculty Award and was one of the university’s leading innovators in teaching methods, developing new ways to use software to enhance the learning experience of his students. He developed and used groupware and hypertext software environments to enhance communicative processes and promote interactive learning both in organizations and in the field of teaching. He was also an active faculty member of the economics, public policy, and cultural studies PhD programs at George Mason University, where he influenced a generation of contemporary Austrian economists. Don Lavoie’s legacy continues in the ongoing contributions of the students he mentored.
Writings of Don Lavoie

Compiled by William Tulloh

Updated for the Mercatus Center Edition

1975


1977


“The Spirit or the Sword,” review of My Mind on Trial by Eugen Loebl. Libertarian Review 6 (5).


1978


**1979**


**1980**


**1981**


1982

*Solidarnosc z Wolnoscia* [Solidarity with Liberty], essays collected, edited, and introduced by Don Lavoie. Translated into Polish by Ewa Rurarz. Washington, DC: Cato Institute.


1983


1984


1985


1986


1987


Editor’s Note. Market Process 5 (1).


Editor’s Note. Market Process 5 (2).
1988
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1989
“Lessons from History on Central Planning and Central Banking.” Market Process 7 (1).
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1991


“Increased Productivity through Reuse: An Economist’s Perspective” (with Howard Baetjer and William Tulloh). *Proceedings of the Third Annual Workshop on Reuse*, Software Productivity Consortium, Herndon, VA.


“Order in Complex Systems: Object-Oriented Programming and the Economists’ Critique of Central Planning” (with Howard Baetjer and William


**1992**


**1993**


1994


1995


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1997


1998

Preface to the Japanese translation of *Rivalry and Central Planning*, Seizansha, Ltd.

1999


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