

# Foreword to the Mercatus Center Edition

The revival of the Austrian School of economics was well underway by 1986, when Ludwig M. Lachmann published *The Market as an Economic Process*.<sup>1</sup> F. A. Hayek had won the Nobel Memorial Prize in Economic Sciences, and the famed South Royalton Conference, which arguably relaunched the Austrian School in the United States, had occurred more than a decade earlier.<sup>2</sup> Additionally, 1985 was perhaps the defining year in the Austrian School's revival, with the publication and release of Gerald P. O'Driscoll and Mario J. Rizzo's *Economics of Time and Ignorance* as well as of Don Lavoie's *Rivalry and Central Planning, National Economic Planning*, and his infamous working paper, "The Interpretive Dimension."<sup>3</sup>

Lachmann's *The Market as an Economic Process*, as he informs us in the first paragraph of his preface (p. xiii), both emerges from and contributes to this revival. Unfortunately, however, this work is arguably one casualty of market process theory's successful revitalization as a scholarly enterprise at the time of its release. Despite having received contemporary reviews, the book's arrival on the heels of multiple works written by scholars with Lachmannian influences may account for the book's relative neglect and extremely limited availability before the publication of this new edition by the Mercatus Center at George Mason University.

Lachmann's contributions to the Austrian School revival in this book are of two distinct kinds. The first is theoretical. For Lachmann, developing market process theory requires an insistence upon attending to the subjective origins of economic activity and is always a matter of comparative institutional analysis between intramarket, intermarket, and macroeconomic; asset markets and commodity markets; fix- and flex-price markets; and markets for information and markets for other

goods.<sup>4</sup> Readers familiar with Lachmann's other work will find significant continuities here, both in Lachmann's conception of economic phenomena and his reactions to the state of economic thought. In this respect, this book is a continuation of Lachmann's conception of subjectivist social science that is apparent in his work on expectations published in *Economica*.<sup>5</sup>

The second contribution is Lachmann's attempt to persuade fellow Austrian School economists involved in the revival. The members of any active school of thought necessarily confront questions of identity, emphasis, doctrinal interpretation, the relevant disciplinary interlocutors, and so on that are merely facts of intellectual history in the case of long-perished or inactive schools of thought. There is, therefore, ample room to alter the intersubjective meanings that comprise an active school of thought and to inspire and potentially direct the creative efforts of entrepreneurial action by scholars working within such a tradition. Lachmann's consistent efforts to orient market process theorists toward a particular vision provide an underlying unity to the range of topics addressed in this book. That vision is oriented toward appreciating the significance of interpretation, understanding historical experience, analyzing institutional heterogeneity, and embracing a thoroughgoing and radical subjectivism.

*The Market as an Economic Process* is arguably Lachmann's successful attempt to orient the school toward the research agenda that animates market process theorists today, despite its relative obscurity in the Austrian canon.<sup>6</sup> This new edition offers Lachmann's theoretical contributions and vision for the Austrian School to any students, scholars, or curious lay readers who are interested in the history and future of market process theory.

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1. Originally published by Basil Blackwell Ltd.
2. Karen I. Vaughn, *Austrian Economics in America: The Migration of a Tradition* (New York: Cambridge University Press, 1994).
3. For more on 1985's defining influence on the Austrian School's revival, see Peter J. Boettke and David L. Prychitko, "1985: A Defining Year in the History of Modern Austrian Economics," *Review of Austrian Economics* 24, no. 2 (2011): 129–39; Gerald P. O'Driscoll and Mario J. Rizzo, *The Economics of Time and Ignorance* (New York: Routledge, 1985); Don Lavoie, *Rivalry and Central Planning: The Socialist Calculation Debate Reconsidered* (Cambridge, MA: Cambridge University Press, 1985; repr., Arlington, VA: Mercatus Center at George Mason University, 2015); Don Lavoie, *National Economic Planning: What Is Left?* (Washington, DC: Cato Institute, 1985; repr., Arlington, VA: Mercatus Center at George Mason University, 2016); Don Lavoie, "The Interpretive Dimension of Economics: Science, Hermeneutics, and Praxeology" (working paper no. 15, Center for the Study of Market Processes, Fairfax, VA, 1985). The Lavoie paper was later published in *Review of Austrian Economics* 24 (2011): 91–128.
4. Don Lavoie, "The Progress of Subjectivism," in *Appraising Economic Theories: Studies in the Methodology of Research Programs*, ed. Neil de Marchi and Mark Blaug (Aldershot: Edward Elgar, 1991).
5. Ludwig M. Lachmann, "The Role of Expectations in Economics as a Social Science," *Economica* 10, no. 37 (1943): 12–23.
6. Virgil Henry Storr, "Ludwig Lachmann's Peculiar Status within Austrian Economics," *Review of Austrian Economics* 32, no. 1 (2019): 63–75.