

WHY JUAN CARLOS CACHANOSKY WAS FINALLY RIGHT?

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I was beginning my own PhD dissertation in Philosophy when Juan C. Cachanosky finished his PhD in Economics. At the time we were both working at the Research Department of Buenos Aires' ESEADE (Graduate School of Economics and Business Administration) and shared similar academic interests. While I was working on the philosophical foundations of Mises's praxeology, we had already demonstrated that mathematical language is not the language needed in Economics Science. There was overlap between our dissertations and we agreed in most methodological issues.

At the time, we both thought that:

- a) The methodology of economics is *apriori* and Rothbard's (1957) interpretation of Mises is accurate,
- b) Economics has to deduce economic theorems from praxeology, but this deduction does not have to be, or use, mathematics
- c) Economics' methodology has nothing to do with the hypothetical deductive methodology of natural sciences,
- d) Mathematics is more coherent with non-realistic neoclassical equilibrium models, while the market's process Austrian approach is non-compatible with any attempts of formal mathematization.

These four items imply that I considered that the second part of Juan Carlos's dissertation is completely right, that is to say, that economic mathematical models are equivalent with the hypothetical deductive methodology used in natural sciences.

I also agreed completely with the third part: the language problem. The mathematical language is correct for an object of study that could be measured, but it is incorrect when applied to human actions that must be "defined". Therefore, the mathematical language is neither clear nor accurate for economics as a science of human action even when, apparently, enjoys the image of precision.

However, even when our conclusions were the same, our philosophical backgrounds were different, a topic we frequently discussed. Juan Carlos was an orthodox Misesian so that his philosophical approach to praxeology and economic science was neo-Kantian. On the contrary, I was working on a Thomistic and Husserlian approach to praxeology's foundations. The interesting point is that my philosophical position was closer to Juan Carlos than other philosophers. The third part of Juan Carlos dissertation was obviously directed at me: mathematics has nothing to do with the "essence" of human action or the "phenomenological description" of any inter-subjectivity relation between human beings.

Over time, something curious happened. I stopped thinking like a typical aprioristic Rothbardian. I began studying more and more Hayek and Popper. I thought, and I still think today, that economics needs auxiliary assumptions that cannot be deduced from praxeology. We need to postulate them so that the entire structure of economics is closer to a Popperian methodology, even when praxeology could have more certitude than the entire system. Even more, I came to the conclusion that Mises himself was not as aprioristic as Rothbard had thought and, in addition, Machlup's interpretation of Mises is better than Rothbard's. My last "treason" to the Rothbardian tradition was to conclude that modelization in economics is not against the Austrian tradition as long as Uskali Maki's theory of models is introduced.

I remember my dear friend Juan Carlos teasing all the time because of my "treason" and saying to me that when younger, I thought better.

But, fortunate for Juan Carlos, over time I emphasized my phenomenological approach to the methodology of economics. Even when my methodology is now more Hayekian and I see myself as a follower of Machlup's (1955) famous essay on the "Problem of Verification in Economics", I see with deeper foundations that the *definitions* of the objects in economics -as Hayek has already seen- is properly done with phenomenology. And

that is the ultimate reason why Juan Carlos was ultimately right. The third part of his dissertation is completely right because mathematics is not a proper language for a phenomenological description of the “essence” of “things” such as prices, interest, capital goods, and so on. Economic science, in the Austrian tradition, has always “defined” (*but not with closed definitions that would close the door to further discussion*) what those “things” are because they are part of the universal meaning of inter-subjective relations between individuals. This is also why Don Lavoie was right in introducing the phenomenological approach to hermeneutics. Not relativistic hermeneutics, but a phenomenological one, like Paul’s Ricoeur’s interpretation of Gadamer’s hermeneutics.

This is the reason why I think Juan Carlos was right. I think that contemporary Austrian economists must take back Lavoie’s phenomenological road, with no confusion of Heidegger’s hermeneutics. At the same time, there should be an evolution from a Rothbardian apriorism towards a Machlupian apriorism, which is totally compatible with Hayek and Popper (Zanotti & Cachanosky, 2015).

This is the underlying reason why mathematics is never going to be the language of economic theory, like Juan Carlos already stated back in 1985. He deserves all the credit for his anticipation. He has facilitated the path of a more advanced Austrian methodology, that is, the work done by Don Lavoie and his students, such as Peter Boettke and his colleagues.

References

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<https://doi.org/10.1017/S1053837214000777>