

ARTICLES

REALISM: AUSTRIAN VS NEOCLASSICAL
ECONOMICS, REPLY TO CAPLAN

DR. WALTER BLOCK

This Reply is part IV of an ongoing debate that first began with Caplan (1999) as part I. Part II can be found in Block (1999), and part III in Caplan (2002?)¹.

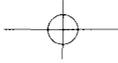
Overall, the debate concerns the issue of whether the Austrian or the Neo-Classical vision more closely approaches the truth in economics, with regard to such issues as methodology, indifference, envy, *verschtehen*, continuity, demonstrated preference, welfare economics, public goods and cardinality².

Dr. Walter Block holds the Harold E. Wirth Eminent Scholar Endowed Chair in Economics in the College of Business Administration at Loyola University, New Orleans.

¹There is a parallel debate to this one over many of the same issues taking place between Caplan and Hulsmann. It consists of first, Caplan (1999), second, Hulsmann (1999), third Caplan (2002) and fourth, Hulsmann (2002). I shall for the most part be focusing on Caplan's (2002) criticisms of Block (1999), tending to leave those parts of Caplan (2002) that criticize Hulsmann (1999) for the latter author's response. Another part of this debate is Barnett and Block (unpublished ms.)

²It is interesting to note that Caplan (1999) appeared in *Southern Economic Journal*. Block (1999) and Hulsmann (1999) were originally submitted to the *SEJ*, as befits the usual practice of such rejoinders being featured in the journal in which the "first shot" was fired. Only when these two papers were rejected by that journal did they appear in the *Quarterly Journal of Austrian Economics*. Even more curious, Caplan (2002) was published not by the *SEJ*, but by the *QJAE*. The debate between Caplan on the one side and myself and Hulsmann on the other is of course between representatives of neoclassical and Austrian economics respectively. The *SEJ* is a vehicle for the former position and the *QJAE*, as its name implies, for the latter. What conclusions can be drawn from this state of affairs? One possibility is that the praxeological school is interested in, and willing to debate issues that separate the two perspectives and the neoclassical (at least as represented by *SEJ*) is not. Another is that from the mainstream point of view, a critique of Austrianism is barely worth mentioning, and certainly not worth continuing, hence the acceptance of Caplan (1999) in *SEJ*, but the rejection by this journal of Block (1999), Hulsmann (1999), and even of Caplan (2002).

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The present article is limited to replying to section II. Probability, of Caplan (2002)³.

Before beginning my substantive reply, which will be entirely critical, let me say at the outset that I very much appreciate Caplan's willingness to engage with Austrians in intellectual debate, and, even more, the quality of his commentary. All too often the response of the neoclassical economists, of which Caplan is a splendid example, is merely to ignore criticism emanating from praxeologists. As is only human nature, I vastly prefer the former to the latter. But I go further. Caplan is unique amongst mainstream members of the profession in that he is actually knowledgeable about that which he criticizes. Further, it is marvelous to be taken to task for what one has actually said, rather than for what is falsely attributed to an author. In Block (1999) I complimented Caplan (1999) by comparing it favorably to Nozick (1977)⁴, as a critique of Austrianism extremely well informed about its subject matter. Nothing in Caplan (2002) has induced me to change my assessment in this regard; if anything, it is only strengthened.

PROBABILITY

For Caplan (2002, p. 1) "reading my critics convinces me that the issue of probability permeates every aspect of this discussion." For me, the last refuge of the neoclassical economist lies in probability, at least insofar as concerns the use of it being made by Caplan. For while this author may not realize it, he is using probability as a stick to beat up on the Austrian concept of the synthetic *a priori*—without directly confronting it. He states (2002, p. 2, emphasis added), "On topic after topic, Block and Hulsmann make *extreme* claims about"⁵

I can see why a non-Austrian would interpret matters this way, but this is not precisely correct. As a "friendly amendment" to his statement, I would substitute "On topic after topic, Block and Hulsmann make apodictic, logically necessary, or synthetic *a priori* claims about"⁶

³For a rejoinder to Caplan (2002) in its entirety, see Barnett and Block (unpublished ms.)

⁴For a rejoinder to that article, see Block (1980).

⁵This sentence ends: "... about how little people are able to know." This, in my opinion, is relatively unimportant. The real issue between Caplan and myself does not revolve upon what we claim people are able to know, a lot or a little. Rather, the debate focuses on the certainty, or the probability, on the basis of which this knowledge is held.

⁶This emphasis on the apodictic nature of Misesian (1957, 1999) economics should not be interpreted as some sort of grandiosity, or immodesty. It is not at all the case that praxeologists cannot make mistakes. There are errors of logic, errors of fact, errors of understanding, etc. Apodictic argumentation is no more free of the possibility of error than is mathematical or geometrical reasoning. Friedman (1953) claims that if two practitioners of apodictic discourse disagree, since they have no empirical experiments to help



