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**Rejoinder to Machaj on Indifference**

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**Abstract:** Nozick (1977) was a methodological critique of the Austrian School of economics. He took the view that the praxeological school was guilty of a logical contradiction. On the one hand, it eschews the concept of indifference. On the other, it utilizes that of supply. But, Nozick argued, for there to be any supply of a good, people must be *indifferent* to constituent elements of it. Block (1980) attempted to answer Nozick’s criticism, making the point that “supply” is a coherent concept, and people are indeed indifferent to units of which it is comprised, but *before* human action. *During* human action, there cannot be any such thing as indifference, in the technical sense. Machaj (2007) criticizes both Nozick (1997) and Block (1980). The present paper is a response to Machaj (2007).

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Both Nozick (1977) and Block (1980) were published a long time ago. I cannot, of course, speak for the former, but as author of the latter, I consider it an honor that Machaj (2007) would, particularly at this late date, see fit to subject my early publication to scrutiny and criticism. Better late than never: surely, the worst fate for a publication is to be ignored, not criticized. It is a privilege, now, to be able to respond to it.

Before introducing the specifics, and my criticism of him, let it be said that Machaj and I, paradoxically, at least to some not small degree, are on the same side of this issue. We are both Austrian economists, who see praxeology as the essence of this discipline. We both are attempting to defend this school of thought against the criticisms leveled at it by Nozick (1977). Our goals are the same; we diverge, only, in the different means we employ to this end.

In order to obviate confusion, let us consider Machaj's (2007) attempt at refutation of Block (1980) in his own words (cites, footnotes, deleted):

... the law of marginal utility can only be meaningful if we can somehow show that two units of a good are units of "the same good". Only then, after introducing the concept of homogeneity, can we derive from the law of diminishing marginal utility. If two units of some good are not homogenous, then we can only say that they are different goods, and there is no point in saying they are part of some wider concept of "supply".

Homogeneity is a central theme to the law of diminishing marginal utility, central to the concept of supply or stock, and the pricing process. We have three possible ways to define it.

The first one is a physical definition. This means that homogenous units are defined just by looking at the physical structure of a good that is controlled by an acting man. Austrian tradition, however, teaches us that the merit of being a good is not derived from the physical nature of a thing, but rather from the human attitude toward scarce resources. This means that two goods may have a perfectly identical structure, but can be treated by human beings in a radically different way. Take the example of a wedding ring. The ring that is given to a girl by her fiancé has a much greater value to her than the exact same ring, when it is given to her by a total stranger on the street. Although physically these two rings might be homogenous, they definitely will be treated as heterogeneous goods.

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Obviously, then, physical properties of scarce resources cannot be the source of defining homogeneity, if we are to speak of human action and valuation.

Machaj is, of course, correct in claiming that the girl is not at all likely to view the two wedding rings as part of the same supply, the one offered her by her beloved fiancé, the other by a stranger in the street. But this is a problematic way of putting the matter. Garrison (1985) correctly indicates that we cannot play fast and loose with the *ceteris paribus* assumption, but, surely, we must be allowed to retain *some* semblance of it; that is, we are entitled to rule *some* counterexamples of supply out of court, and, if so, this is certainly one of them. In order to make the case for a thymological or physical definition of supply, consider not those two wedding rings, the one imbued with sentimental value, the other not. Instead, look at the couple at the jeweler's store, *before* any of the wedding rings is chosen by the fiancé. *Here*, we have a true supply of wedding rings, dozens of them we may suppose, all of them physically indistinguishable from one another. There is no doubt that the law of diminishing returns holds in the case. The first of these rings is of greater value than the second, etc. Even if we assume polygamy, we reach the same conclusion. If the man contemplates marrying four different women, he will give the first of these rings to his favorite wife, the second to the second, etc.

Our problem with Machaj (2007) is that he is engaged in over-praxeologicalization. Just because praxeology is the core, the very essence of Austrian economics, does not mean that it is applicable in *all* contexts. Thymology, too, has a place, albeit a secondary one, in the Austrian edifice. And, when it comes to supply and demand, I contend that the latter takes on its proper role. This author, in contrast, insists that each element in the supply of a good must be of equal serviceability, namely, must be seen so by the acting man (or girl, in this case.) That is, of course, praxeologically correct, but it assumes that praxeology is always and ever appropriate, the very point in question. My claim is that this opens the drawbridge for the Nozickian (1977) attack: if supply is defined in such a manner, the economic actor *must* be indifferent to the various elements of the stock, and that will never do from an Austrian perspective.

We move, now, to a consideration of Machaj's third definition of homogeneity (his second is indifference, and we concur with his splendid rejection of that misbegotten concept):

How can we define homogeneity in this framework? It's very easy – two objects are homogenous *if they both can serve the same end*. If so, it follows these are two units of the same supply, because they are *capable of satisfying the particular need*. From the point of view of an actor's particular need they are *homogeneous* and *interchangeable* or *equally serviceable*. It does not have anything to do with psychological considerations or psychical characteristics, but rather with the possibilities of action.

Now, this point cannot be demonstrated through action, and cannot be observed in action. But as we emphasized before, economics is not only about actions, but also about different possibilities of acting toward the satisfaction of human needs.

As can be seen from supra, we regard this as precisely the wrong tack to take. It opens us up to the charge that we must accept indifference, for, whatever else does indifference mean but Machaj's "*homogeneous* and *interchangeable* or *equally serviceable*."<sup>1</sup>

How, then, does this author attempt to obviate this possible rejoinder? He does do on the following grounds (Machaj, 2007):

It seems it is possible to have a cake and eat it. This solution rejects the neoclassical concept of indifference and saves the concept of homogeneity. Let us suppose while I'm cold, I have a need to wear a sweater. I have two kinds of sweaters available, blue and red. From the Mengerian perspective both sweaters can satisfy the same need. Both blue and red are capable of arriving at the same end. Hence, they indeed are the part of homogenous supply of goods – sweaters.

In some sense, we can even say that *from the point of view of satisfying his particular need* acting man will be *indifferent* toward the two sweaters. This "indifference" will not be psychological, as in the neoclassical analysis, but will be strictly praxeological: both sweaters are equally serviceable in the light of the particular need. In the means-and-ends framework those two become a part of the same supply of goods.

The difficulty<sup>2</sup> here is that Machaj stands condemned out of his own mouth, well,

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<sup>1</sup> Mises (1949, 354) does not disparage "equally serviceable" specifically, but he comes very close: "... valuing that results in action always means preferring and setting aside; it never means equivalence or indifference."

<sup>2</sup> Hoppe (2005) also tries to square the circle: reconcile a supply curve being composed of equally serviceable units in the eye of the economic actor, with a rejection of indifference. For a rejoinder, see Block and Barnett (forthcoming).

word processor. He *admits* that, on his account, there will be “indifference,” and, not, in the unobjectionable thymological or ordinary language sense; rather, horrors, as a matter of *praxeology*. But this completely tears it. What more does Nozick (1977) need to make his case that Austrianism is internally self contradictory? No, there is no having of cake and eating of it too; the circle simply cannot be squared. Once we concede that two units of anything are equally serviceable in the view of the economic actor, we might as well fold our tents and go home as far as warding off the charge of consorting with indifference is concerned.

Machaj continues (footnotes deleted):

They are homogenous before action and after action. One person acting and actually choosing one of the sweaters demonstrates his preference for it. But this does not change the fact that *if* the end is to keep one warm, *then* both sweaters are homogeneous and man is indifferent which one will satisfy *this* particular need.

But how would this read were we to substitute the word “indifferent” or the phrase “the same” for Machaj’s “homogeneous”?

They are ~~homogenous~~ [indifferent] before action and after action. One person acting and actually choosing one of the sweaters demonstrates his preference for it. But this does not change the fact that *if* the end is to keep one warm, *then* both sweaters are ~~homogenous~~ [the same] and man is indifferent which one will satisfy *this* particular need.

If that is not unwarranted appeasement to the Nozickians (1977), it is difficult to discern what would be. “... man is indifferent which one will satisfy *this* particular need,” indeed. Moreover, Machaj’s attempts to save his position by employing the keen insights of Long (2004) regarding non-precise abstraction, ignoring irrelevancies, avail him nothing. Machaj has surrendered the Austrian position to Nozick (1977), and no attempts to evade this will suffice.

Machaj has zigged when he should have zagged. Homogeneity is, properly, at least in the context of diminishing marginal utility, a thymological, *not* a praxeological category. If homogeneity is praxeological, if it is really equally serviceable, then

Nozick and the critics are correct; Austrians must jettison either the law of diminishing marginal utility, or, embrace indifference. No; homogeneity is thymological. It is satisfied when goods are indistinguishable chemically, or physically, not praxeologically.

Machaj (2007) is dissatisfied with my (Block, 1980) attempted refutation of Nozick (1977). Machaj states:

... the problem with Block's analysis (Block 1980, pp. 424-25) ... [is] he suggested that goods are homogeneous before action (people are psychologically indifferent, because there is no action taking place), but during action goods become heterogeneous. There are two problems with this approach. First of all, there is no suggestion how to group things into classes (different kinds of supply) and not treat all the billions of billions of goods as homogenous. Since before action all goods are not part of action, then cars can be homogenous with peanuts. The second problem is that in Block's framework homogeneity is psychological and cannot be praxeological. If that is the case, then the law of decreasing marginal utility cannot be praxeological and also must be psychological. But this law should stay within the realm of economics, not of psychology. Otherwise, we'll reach an absurd conclusion that the law of marginal utility applies to the state of non-action and when action is started this law is overthrown.

However, if the concept of supply (and demand) is thymological, not praxeological, as I aver, *supra*, then this objection loses its force. Of course cars and peanuts can be homogenous (non differentiable) when there is no human action taking place with regard to them. Their differences only come to the fore when addressed by human action. As to the second objection of Machaj, it is my view that decreasing marginal utility is praxeological, and, for this law to not logically imply illicit indifference, supply cannot consist of equally serviceable units; rather, it must be (thymologically) composed of physically or chemically identical units. Thus, cars and peanuts cannot be part of the same supply.

Everything doesn't have to be praxeology, even for the Austrian. There is also thymology; it, too, is a valuable aspect of overall Austrian economics. Machaj is guilty of praxeologicalization: over use of praxeology. To take an example from an unrelated issue, it is praxeologically true that all voluntary human action benefits both parties

in the *ex ante* sense. But, it is also thymologically true that all voluntary human action benefits both parties in the *ex post* sense, or, rather, at least, that this is a correct empirical or historical generalization. We would scarcely ignore this latter empirical point, merely because it is not grounded in praxeology. In like manner with indifference and the supply of a good.

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