

have paid to a world with no transaction costs: how could he have claimed for a realistic approach, if he indeed made such claims, and analyzed a situation that is totally unrealistic? It would have been important to have had these points clarified to give a more complete but also a more accurate picture of Coase. One may regret that the opportunity was not taken to use a lot of recent historical scholarship to straighten out Coase's image. Thus, when reading this book, one must also keep in mind that, on the whole, the book tends to reinforce the view on Coase that most economists have and are used to, rather than to propose a view closer to what Coase wrote.

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Erwin Dekker, *The Viennese Students of Civilization: The Meaning and Context of Austrian Economics Reconsidered* (Cambridge: Cambridge University Press, 2016), pp. xii + 220, \$110 (hardcover). ISBN: 978-1-10712-640-4.

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It is now more than forty years since the beginning of the Austrian revival, and despite its somewhat wobbly beginnings, Austrian economics has matured into a vibrant research program, albeit one that remains at odds with the mathematical/econometric core of contemporary economic analysis. Increasingly, the work of latter-day "Austrians" is concerned with the institutional and cultural setting within which economic activity takes place. During the last four decades, young Austrians have explored affinities with others who share some of their core assumptions and concerns in economics, such as public choice, constitutional economics, and experimental economics, as well as with insights from fields such as sociology, evolutionary psychology, history, and philosophy of science. One need only look at the table of contents of any issue of the *Review of Austrian Economics* to see how different it looks from most other economics journals.

Difference, however, comes at a price. Eschewing mathematics and econometrics leaves Austrians open to the charge of being "unscientific." Furthermore, since Austrian writings largely demonstrate the benefits of unrestricted markets vis-à-vis government management of the economy, they have been subject to repeated criticism that they

were nothing but free-market ideologues, at first to be dismissed and later to be demonized by the supposedly politically neutral scientists in the profession. The Austrians, on the other hand, counter that their methodology is more appropriate to the subject matter under study than is the spurious certainty that comes from mathematical modeling. As for being ideologues, they argue that their judgments about the nature and role of government vis-à-vis the economy are the natural implications of their technical analysis and hence separable from political proselytizing.

So, how is the Austrian project to be understood? Is it “scientific”? Is it merely ideology? Or is it part of a tradition in which these two challenges have little meaning? Erwin Dekker’s book, I am happy to report, goes far in answering these questions. In examining the “meaning and context” of Austrian economics, he documents a tradition of wide-ranging multidisciplinary conversation that began in late nineteenth-century Vienna and spread beyond the borders of Vienna as intellectuals in the interwar period brought their ideas and habits of thought to the English-speaking world. The nature of their conversation and how it was modified by political and geographical circumstances are a fascinating story that Dekker tells with great authority and insight.

Dekker’s central point is that from the late nineteenth century until the 1930s, Viennese intellectual life was centered less in universities than in the regular meetings of various scholarly circles, where serious thinkers with differing expertise—including but not limited to economics, politics, philosophy, and law—would discuss ideas and learn from each other. Intellectual discourse was not confined to labs or classrooms but was generated in a social and cultural context of civil conversation. Neither scientists nor ideologues in the modern sense, they are labelled by Dekker as “interested observers” or “students of civilization.” The important point he is making is that within these circles, all ideas were considered within a larger context than any one particular field. There were no disciplinary boundaries to discourse.

By the early 1930s, the circles began to disappear as an increasing number of Viennese scholars left Austria to escape the declining culture and the rise of Nazism. Among the economists who left, Friedrich Hayek went to the London School of Economics (LSE) and Ludwig von Mises to Geneva, while Fritz Machlup, Oskar Morgenstern, and Gottfried Haberler went to American universities. For all of them except Mises, their new environment required them to fit into the increasing specialization within economics and to couch their ideas in the language of economic science; although, as Dekker points out, often they produced modern economics with an Austrian flair. What was lost was the placing of economics within the broader political and social context common in the Viennese circles. Which brings us to Hayek and the problem of ideology.

As is now well known, Hayek began his tenure at the LSE as a capital theorist doing pure economics, but in 1944 he published *The Road to Serfdom*, a book that even he thought would damage his reputation because of its polemical nature; it went beyond just tracing likely consequences of the incentives facing planners and politicians to a moral condemnation of fascism and, by implication, socialism. While Hayek’s earlier work on the socialist calculation debate was limited to examining the flaws in the arguments of socialist economics, *Serfdom* was meant to condemn planning as inevitably totalitarian and to persuade readers of the salutary values of the liberal order instead. One would think that publishing such an argument immediately after WW II would have enhanced rather than detracted from Hayek’s reputation, but instead, it fell afoul of the contemporary requirements for “scientific” discourse. What Dekker argues,

however, is that Hayek's book should be considered as a reinvigoration of the earlier Viennese tradition of concern with the broader issue of the nature of civilization.

Just what were the Viennese attitudes toward the study of civilization? According to Dekker, in liberal Hapsburg Austria, the earliest Viennese saw themselves solely as observers and students who could at best learn about society but not actively affect it. Indeed, in the nineteenth- and early twentieth-century environment where liberalism was the prevailing norm, their view was that attempts to prescribe remedies for social ills were likely to do more harm than good. However, the collapse of the Hapsburg Empire and the rise of socialist and anti-liberal ideas post-WW I led them to debate the responsibilities of scholars and their role in bringing about change. Their dilemma was that any attempt to change society would have to recognize the central fact of human ignorance and limitations. Hence, there emerged a "reluctant belief in progress," which entailed "a respect for institutions that have proven their worth combined with a willingness to critically examine them" (p. 183). Mises's *Liberalism* is a case in point. *The Road to Serfdom* was clearly within the tradition of diagnosing and deploring social ills, yet advocated liberalism only by implication. That was to change with *The Constitution of Liberty*.

In 1947, troubled by an intellectual environment increasingly hostile to liberalism, Hayek invited a group of scholars, all with a liberal outlook but from differing fields, to form the Mont Pelerin Society, a group that was to become a "platform for scholarly discussion that transgressed political boundaries and the fact-value divide" (p. 179). Dekker views the Mont Pelerin Society as a reinvigorating of the Viennese tradition of "broad conversation about culture, morality, politics and economics, the conversation about western civilization" (p. 178) that had begun in the late nineteenth century. He further notes how that kind of wide-ranging but informed discourse also characterized the Committee on Social Thought at the University of Chicago, Hayek's academic home from 1950 to 1962. *The Constitution of Liberty* was the product of both those intellectual environments.

One of the problems identified by Hayek in postwar discourse was that socialism offered people an ideal, a spurious one, perhaps, but an ideal to inspire its followers. Liberals had no such ideal with which to counter the socialist vision. The conversation about liberalism so far had been descriptive and cautiously prescriptive: what was needed, Hayek believed, was an articulation of the ideal of liberalism. *The Constitution of Liberty* was Hayek's attempt to offer his understanding of that ideal of individual freedom constrained by limited government within the rule of law. Drawing on economic analyses, philosophy, law, politics, and ethics, it was in many respects an embodiment of the Viennese conversation about civilization. In one respect, however, it appeared to deviate from Viennese attitudes as well as his own previous scientific work. Central to the Viennese "students" was the belief that they possessed very incomplete knowledge of their civilization (p. 5), an attitude that supported Hayek's own work on the nature of knowledge that informs economic action. Critics argued that the very act of describing an ideal was inconsistent with Hayek's own work on the problem of limited and often inarticulate knowledge and the dangers of constructivism.

Dekker seems to share this criticism to a degree, yet I think the problem is overstated. In fact, *Constitution* was Hayek's first attempt to describe in detail the parameters of a society that was based on the very problem of limited knowledge. His earlier economics work on the 1930s and 1940s argued that because of limited and dispersed

knowledge, people trading in markets inadvertently solve complex problems that could not be solved by a central agency. Constitutional limits on governmental power are important exactly because in most cases, human beings acting within a set of organically grown institutions and with cultural and moral norms do better than rule by “experts” who believe they know better. Hayek’s notion of constitutional government is implied by our ineradicable ignorance. It should also be noted that in *Law, Legislation and Liberty*, Hayek paints a more cautious picture of civilization, recognizing that cultural evolution cannot be controlled but hoping that it can be influenced by people who value the contours of the liberal order. One can argue with the specifics of Hayek’s project but, I think, not the project itself.

Much the same can be said for contemporary Austrians who learned from and built upon Hayek. Dekker describes how, like with the first-generation émigrés, the requirements of academic orthodoxy led the younger Austrians to phrase their analyses in conventional terms in order to communicate with their professional colleagues. Nevertheless, underlying much of the modern-day Austrian analysis is the recognition of scientific fallibility and the limits of one’s capacity to know. Skepticism about planning and regulation emerges as a by-product of their understanding of the limits of knowledge. Moreover, the Austrians’ unwillingness to be limited by a contemporary stricture of economic “science” leads them to be sensitive to, as Dekker calls it, “the stuff in between: the institutions, relations, traditions and values which exist between individuals. The stuff-in-between that exists between markets and governments, our civil society” (p. 187). Hence, we can see most of the Viennese project echoed in the work of current Austrian economists: for them, economic analysis can take place only within an understanding of cultural and political norms. There is no doubt that the ideal of a free, liberal order invigorates much of their writings, especially in the choice of what to examine as well as the set of assumptions they bring to their analyses, but, to my mind, this is little different in kind from the choices made by economists who see their work as an adjunct to government management of the economy.

As is obvious from my comments, I found this a fascinating read. I have perhaps focused too much on the parts of the story that particularly interest me, but to tell his story, Dekker explores over a century of cultural and political history. Moreover, he shows connections between the Austrian tradition and others who share some of their concerns—among them, continental philosophers Theodor Adorno and Hans-Georg Gadamer, sociologist Peter Berger, and economist Kenneth Boulding. He handles critics fairly, even sympathetically, while arguing his case with skill. Readers of this journal, however, will be particularly pleased with his concluding chapter, where he gives a spirited defense of the study of the history of economic thought. He argues that “through the practice of the history of our discipline, we understand where our current beliefs, prejudices and theories come from ... [allowing us] to critically reflect on our current *sensus communis*, the knowledge that we currently take for granted.” He continues, by stating that “separating between the history of a subject and the subject itself is wrong-headed. This book, even though it discusses scholars of the past, is concerned with economic thought and the study of civilization, rather than with ‘merely’ the history of that study” (p. 199). That is a distinction historians of economic thought can all applaud.

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