

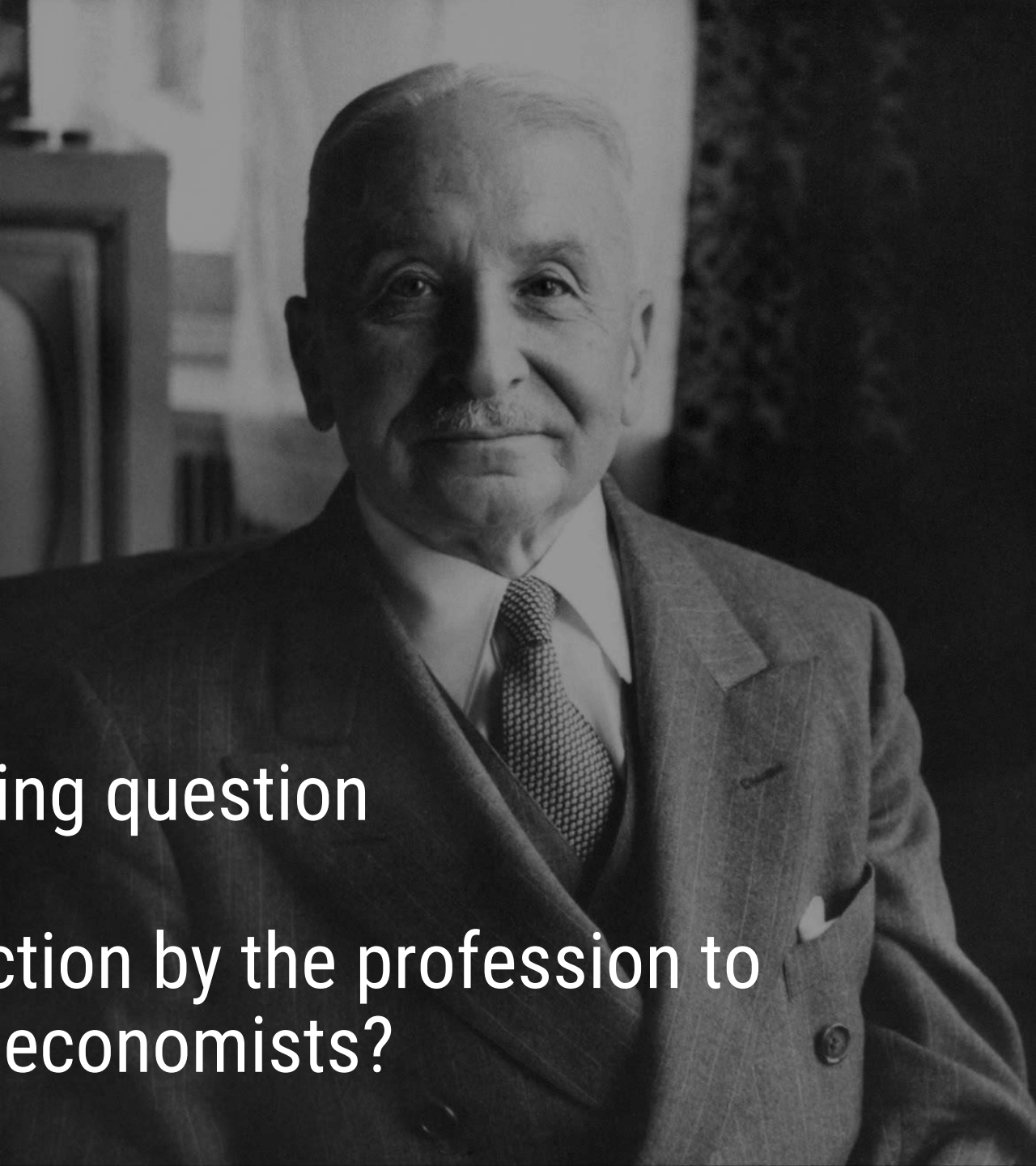
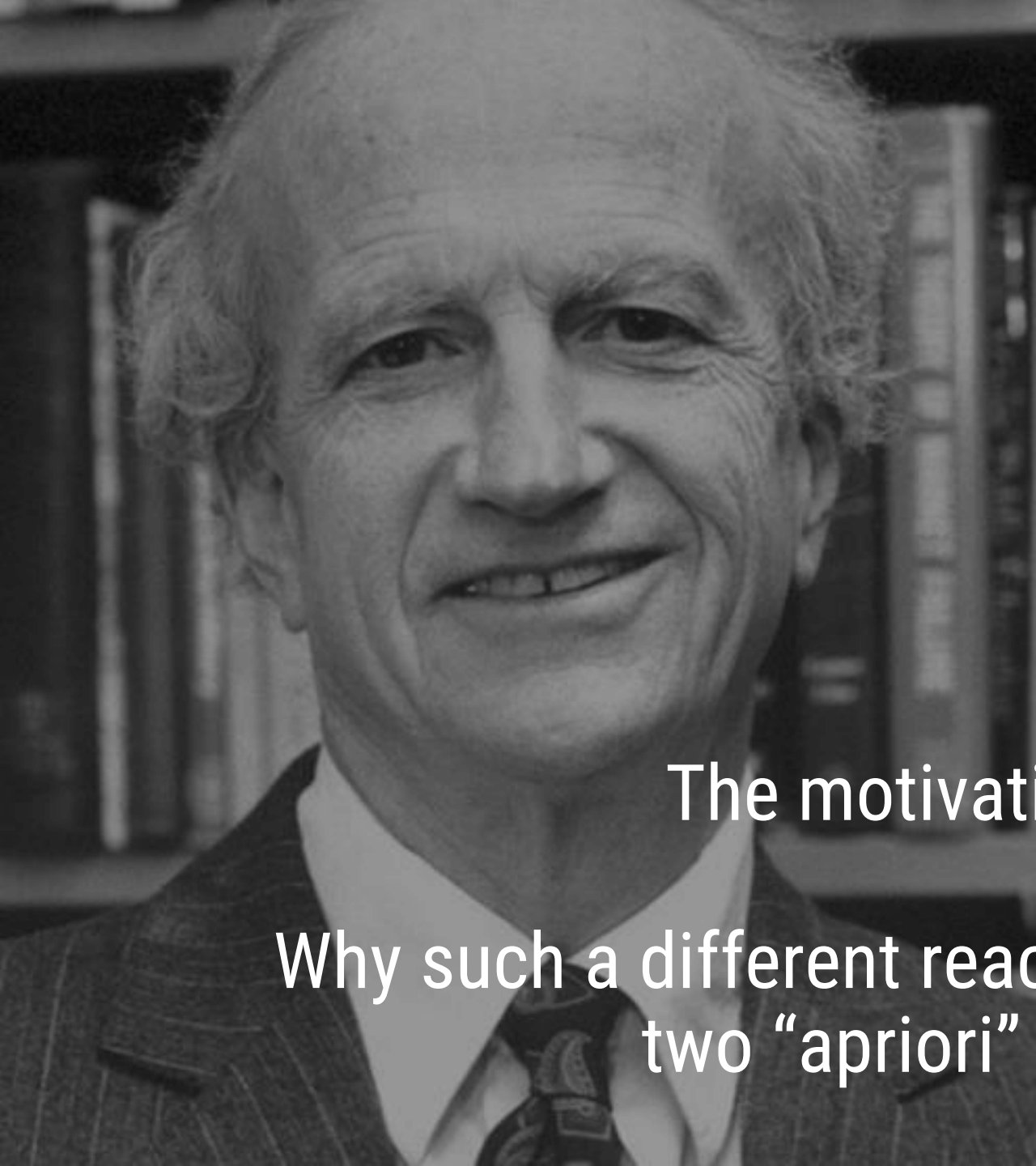
# Hermeneutics and phenomenology in the social sciences

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The motivating question

Why such a different reaction by the profession to two “apriori” economists?

# The need for hermeneutics (in social sciences)

- Hermeneutics: The theory and methodology of **interpretation**
- Social sciences study phenomena composed of human actions
- Said actions **must** be interpreted one way or another
  - Individual minds are not observable
  - Human action has *meaning* and *purpose* (it is subjective)
  - The scientist and the actor have similar minds: Therefore, the scientist can interpret (*verstehen*) observed behavior
- The social scientist (knowingly or not) uses a theory and methodology of interpretation

# Two hermeneutic approaches

- Weber and Dilthey – *hermeneutics is the method of history*
  - Dilthey: Each historical case has its own interpretative categories
  - Weber: Universal categories of interpretation – *ideal types*
- Gadamer – *hermeneutics is the method of philosophy*
  - General theory of knowledge
  - References to Heidegger → Invitation to post-modernist interpretation
  - Reference to Husserl → Non-post-modernist interpretation
    - Life-worlds are historical and based on intersubjective relationships
    - Life-worlds have meaning that can be understood **through** its historical context – *no relativistic*

# Hermeneutics and the Austrian school

- The underlying problem
  - When trying to assimilate hermeneutic into its body, the Austrian literature conflated both types of hermeneutics
  - Method of History
    - Machlup and Lachmann
  - Method of Philosophy
    - Don Lavoie – *very influential in mentoring the next generation of Austrian economists*
  - A large secondary literature does not distinguish both types of hermeneutic

# Hermeneutics and the Austrian school

- The underlying problem (cont...)
  - We don't see major issues with Weber's hermeneutics
  - Gadamer can be problematic (but must not be the case)
    - Life-world: Historical and cultural environment
    - Life-worlds have *historical horizons*, limits imposed by the historical and cultural limit
    - Potential problem: Life-world can be interpreted in a "historicist" fashion – *there are no economic laws, just historical and cultural context*
    - Tension: (1) vs (2)
      - (1) There are undeniable subjectivity of different life-worlds
      - (2) Universal economic laws are at the foundational core of Austrian epistemology
  - Hermeneutics can connect (1) and (2)... but... not *any* hermeneutics will do the job

# Hermeneutics and the Austrian school

- How to escape historical relativism?
  - Ricoeur
    - His applications are too related to textual interpretation to be useful to economics
  - Husserl
    - Later work by Husserl allows for a realistic interpretation of intersubjectivity
  - Lavoie's work did not convince his peers that his work with hermeneutics is unrelated to postmodern relativism
    - Remember Rothbard's (1989) reaction?

# Hermeneutics, positivism, and post-modernism

- A realistic interpretation of intersubjectivity
  - *Subjectivity* is different from *arbitrariness*
  - Arbitrariness  $\Rightarrow$  subjectivity
  - Subjectivity  $\nRightarrow$  Arbitrariness
- Schutz example
  - For an alien, a classroom, a trial, or a religious ceremony look the same
  - How to differentiate each case?
    - It is not just behavior
    - It is the *purpose* of the observed behavior that matters



# Hermeneutics, positivism, and post-modernism

- Purposeful behavior
  - A foundational stone of Mises's epistemology
  - Each life-world (classroom, trial, religious ceremony) are not arbitrary *even if* they are intersubjective
  - Same behavior can have different meanings
    - Student in the morning vs attending a religious ceremony at night
    - Judge in the morning vs professor at night
  - “Meaning” also applies to physical goods
    - A hammer can be used to put nails in a wall or as a decorative piece

# Hermeneutics, positivism, and post-modernism

- “Universal” component of life-worlds
  - A class taught in the 19<sup>th</sup> century is very different from how it is taught in the 21<sup>st</sup> century
  - Yet, there is a common *intersubjectivity* that is common through time
  - Life-worlds can evolve and change in time
  - Different life-worlds must not be unconnected from each other
- Abstraction from life-worlds is possible
  - This is why we can have historical data
  - For example, money defined as “common means of exchange” is free of historical context

# Hermeneutics, positivism, and post-modernism

- Life-world experiences inform interpretation (needed in social sciences)
  - If in Mars there are no religious ceremonies, then Martians cannot comprehend what a mass is
  - A Martian would be unable to observe religious ceremonies when studying earth
  - Our (subjective) interpretation capacity constrains data

# Hermeneutics, positivism, and post-modernism

- The Austrian school: Neither positivist nor postmodernist
  - Phenomenological descriptions and analytical narratives allow for a better account of *purpose* and *meaning* than formal mathematical methods
  - The Austrian school is neither positivist nor postmodernist
    - For Austrian, economics is not just storytelling (postmodernist approach)
    - For Austrian, subjectivity defies empirical tests and limits the applicability (and even validity) of mathematical methods (positivist approach)
  - Now is clear:
    - Why Austrians rely on analytical narratives
    - Why Austrians do not oppose empirical work, even if not in a positivist fashion

# Hermeneutics, positivism, and post-modernism

- Divergent path for the Austrian school in the 1970s
  - Austrian school insights become more relevant
    - The Mises-Hayek-Kirzner research program gains momentum
    - Example: ABCT in the 2008 financial crisis
  - Loss of epistemological (scientific) pedigree – *three reasons*
    - Positivist turn by mainstream economics, to which the Austrian school epistemology does not fit well but “Becker’s approach” does
    - Rothbard’s *extreme apriorism*
    - **Incomplete hermeneutical turn, allowing a relativist (postmodern) interpretation of Austrian theory ← *this paper***