

WORKING PAPER SERIES

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**AN ASSESSMENT OF SUBJECTIVISM.
ITS MEANING AND ITS LIMITS**

Working Paper No. 1/2008

AN ASSESSMENT OF SUBJECTIVISM. ITS MEANING AND ITS LIMITS¹

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February 2008

ABSTRACT: This working-paper deals with the meaning of the subjective theory of value. It is argued that in spite of its wide utilization in economic theory, subjectivism is an equivocal concept generating incompatible interpretations. The affluence of various and incompatible interpretations is the consequence of a conception that is either too complex or too elastic. This is the case since the subjective theory of value cannot accommodate most of the features that are traditionally associated with it: utility, marginalism, ordinal evaluation, knowledge, expectations. Actually, this working-paper defends a specific view of subjectivism which is much simpler than most of its current interpretations.

¹ The author is grateful for the financial support and the facilities provided by ICER during his stay in Turin. He would also like to gratefully acknowledge the guidance and the helpful comments of Professor Enrico Colombatto on the previous drafts of this working-paper.

1 INTRODUCTION

This article deals with the equivocal character of the subjective theory of value. The subjective theory of value has a long and uneasy history (Grice-Hutchinson, 1952. Hutchinson, 1994). In the course of its wide utilization, subjectivism is often situated at the core of intricate debates. While von Mises ([1933], 2003, pp. 183-186) criticizes Menger's ([1871], 1994) conception of subjectivism, Böhm-Bawerk ([1884-1912], 1959) defends it against Jevons ([1871], 1888). Lachmann (1976, 1978b) looks for an extension of subjectivism beyond the extension advocated by Hayek (1952). Rothbard criticizes both propositions for extending subjective theory of value (1957, 1973, 1997) and defends Mises' definition ([1949], 1998). In more recent times, this debate has attracted the attention of other scholars. Hoppe (1995, 1998), who reiterates the rothbardian arguments, argues against Lavoie (1990, 1994a, 1994b), O'Driscoll and Rizzo (1985, 1986), who follow the lachmannian view on subjectivism. Caplan (1999, p. 827) states that the difference between the Austrian and the neo-classical subjective theory of value is insignificant. Block (1999, pp. 23-25) restates that subjectivism is a specific and exclusive feature of Austrian economics.

Clearly, if we want to reach a further understanding of these debates in economics, we first have to assess the concept of subjectivism. This paper will assert that the subjective theory of value can be given a very simple formulation. In the light shed by this definition, we claim that the affluence of incompatible interpretations is the consequence either of a too complex or too elastic concept of the subjective theory of value. Actually, as will be further expounded in this paper, the subjective theory of value cannot accommodate most of the features that traditionally are associated with it: utility, marginalism, knowledge, expectations. The aim of this paper is to assess the subjective theory of value defending a specific view of subjectivism much simpler than most of its current interpretations. Bolstered by this argumentation, further research can clarify the reasons of these debates on subjectivism.

Firstly, we are going to provide a clear-cut definition of subjectivism so we can illustrate further in our paper why some of the features traditionally associated with subjectivism have to be considered separately. Secondly, we will emphasize the heterogeneous character of subjectivism by identifying the variety of concepts usually associated with it: utility, marginalism, individualism, knowledge, expectations, and plans. Thirdly, bearing in mind our definition we will argue that utility is not a sine qua non ingredient of the subjective theory of value and that subjectivism is not another word for marginalism. Fourthly, using the same simple definition of subjectivism we will show that the reference to human knowledge and to expectations does not suffice to add supplementary degrees to subjectivism. Finally, we will conclude by pinpointing the theoretical perspectives opened by this article.

2 SUBJECTIVISM

At the outset of our analysis, we sustain that “subjectivity” is a property applicable to any feature of our world if its existence depends essentially on the acting subject (i.e. it would not exist otherwise). For example, the validity of the ideas expressed in this article is subjective if it depends on my own opinion. If some readers considered them correct too, then my ideas would be inter-subjectively corroborated. Conversely, the validity of an idea is objective if it is independent of any acting subject. For example, the validity of the ideas formulated in my article is objective if it can be established regardless of any subjective consideration. In that case, these ideas would be correct even if everybody considered them false. Actually, the origins of the dichotomy between subjectivism and objectivism are to be found in Plato’s dialogue Euthyphro. “Just consider this question: – Is that which is holy loved by the gods because it is holy, or is it holy because it is loved by the gods?” (Plato, Euthyphro, 10a) If piety depends on the subject then we have a subjective theory. Otherwise, if piety exists independently of the acting subject we may speak of an objective theory. Even though the terms are different, the structure of the dichotomy is the same as the dichotomy subjectivism-objectivism. A “feature-of-our-world” exists either as a result or independently of a subject’s action. In the latter case, the “feature-of-our-world” would be discovered by the acting subject.

In order to concretely apply this rather general definition of subjectivity we need to spell out the meaning of “feature-of-our-world.” Because in this paper we are concerned with the theory of value, we propose to restrict our analysis to the definition of the subjective theory of value. To begin with, we notice that value is conditioned by scarcity. An item is scarce if some specific means are required to obtain it. For example, a house is scarce since its construction needs specific skills and materials, i.e. it cannot be obtained out of nothing. It is precisely for this reason that things have value. A choice has to be made regarding the ends to be attained and forgone with a given amount of means. The existence of scarcity engenders the necessity to make a choice among various ends. Still, this does not tell us if value depends on the acting subject. We need a theory of value in order to establish the axiological paradigm to be used for ranging the value of various ends. It is only by placing the acting subject in a scarce environment that we can formulate such a theory.

In doing so, Ludwig von Mises pertinently describes the subjective theory of value. “An acting man chooses among various opportunities offered for choice. He prefers one alternative to others. It is customary to say that an acting man has a scale of wants or values in mind when he arranges his actions. On the basis of such a scale he satisfies what is of higher value, i.e., his most urgent needs, and leaves unsatisfied what is of lower value, i.e., what is a less urgent need.” (Mises, [1949], 1998, pp. 94-96) In contrast with Mises’ subjectivism, from the objectivist

perspective the value scale resulting from the action of an intentional subject is not necessarily the correct one. More precisely, when it is applied to prices, objectivism brings about various economic policies hailing for price fixing. (Galbraith, 1952) Actually, every interventionist economic policy implicitly supposes that the acting subject has failed in choosing the most valuable end. Now we can restate the subjectivist-objectivist dilemma more accurately. Does a good have value because an acting subject has chosen it? Does a good have value independently of the subject's choices? In this formulation, it appears obvious that the distinction between subjectivism and objectivism of values is exclusive and exhaustive. Subjectivism and objectivism do not overlap and they exhaust all possibilities regarding the theory of value. However, the key element of this distinction is the real action of an intentional subject. Within the objectivist paradigm action, it is possible to establish a value scale independently of the real action of an agent.

Contrary to objectivism, in order to describe a value scale within the subjectivist paradigm we must first observe the actual choice of the intentional agent. From the subjectivist perspective, there is no value scale in the absence of a completed action. In fact, the advocates of subjectivism in the misesian tradition firmly establish this idea. "The concept of demonstrated preference is simply this: that actual choice reveals, or demonstrates, a man's preferences; that is, that his preferences are deducible from what he has chosen in action. Thus, if a man chooses to spend an hour at a concert rather than a movie, we deduce that the former was preferred, or ranked higher on his value scale. Similarly, if a man spends five dollars on a shirt we deduce that he preferred purchasing the shirt to any other uses he could have found for the money. This concept of preference, rooted in real choices, forms the keystone of the logical structure of economic analysis, and particularly of utility and welfare analysis. (...) The clearest and most thorough formulation of the concept has been the works of Professor Mises." (Rothbard, [1956], 1997, p. 212)

To sum up, the subjective theory of value consists in saying that value is the outcome of a real action purported by an intentional subject. Any other definition of subjectivism is partial or overlaps objectivism. The absence of a clear-cut definition of subjectivism would produce misunderstandings. Keeping this definition in mind in the next section, we can better grasp the misleading applications of subjectivism in economic theory. In addition, we will then proceed to demonstrate that the subjective theory of value is neither broader nor more elastic than the definition provided in this section.

3 THE FUZZINESS OF SUBJECTIVISM

The main features of subjectivism have been formulated since the Middle Ages (Grice-Hutchinson, 1952. De Roover, 1971. Hutchinson, 1994. Rothbard, 1995.). “The School of Salamanca did make important contributions to economic theory. One of these was their theory of value. This theory was based on subjectivism.” (Gallardo, 2002, p. 3) During Modern Times, other scholars accurately defined the subjective theory of value: “Goods are more or less valuable only because we are judging them more or less useful and more or less scarce.” (Condillac, 1776, p. 17) However, it was at the end of the nineteenth century that the subjective theory of value became the source of important disagreements. At that moment, on the account of Carl Menger, ([1871], 1994) Léon Walras ([1874], 1952) and William Stanley Jevons ([1871], 1888), economists formed different economical schools according to the line of argumentation they adopted regarding subjectivism. “The subjectivism that developed out of those pioneering insights of Carl Menger who founded the Austrian School, has come to mean entirely different things to different doctrinal traditions within the modern economics.” (Kirzner, 1995, p. 11). Menger’s subjectivism for instance, which later inspired the Austrian School of Economics, is usually distinguished from other conceptions because of its emphasis on the ordinal evaluation of various commodities. “The value of a particular good or of a given portion of the whole quantity of a good at the disposal of an economizing individual is thus for him equal to the importance of the least important of the satisfactions assured by the whole available quantity and achieved with an equal portion. For it is with respect to these important satisfactions that the economizing individual concerned is dependent on the availability of the particular good, or given quantity of a good.” (Menger, [1871], 1994, p. 139)

Menger derives his conclusion from the idea that the value depends on the importance assigned by men to various commodities.

“Value is thus nothing inherent in goods, no property of them, nor an independent thing existing by itself. It is a judgment economizing men make about the importance of the goods at their disposal for the maintenance of their lives and well-being. Hence value does not exist outside the consciousness of men. It is therefore, also quite erroneous to call a good that has value to economizing individuals a ‘value’, or for economists to speak of ‘values’ as of independent real things, and to objectify value in this way. For the entities that exist objectively are always only particular things or quantities of things, and their value is something fundamentally different from the things themselves; it is a judgment made by economizing individuals about the importance their command of the things has for the maintenance of their lives and well-being. Objectification of the value of goods, which is entirely subjective in nature, has nevertheless contributed very greatly to confusion about the basic principles of our science.” (Menger, [1871], 1994, pp. 120-121)

Inspired by the mengerian theory of value, other authors drew attention to some specific aspects on topical issues related with subjectivism: utility, imputation, plans. Wieser insisted that the insight of evaluating the goods at the margin was made possible by the utility factor. In this way, he brought into focus the relation between subjectivism and marginalism. “Any one good, in a stock of goods of the same kind, will have in general the value of the final or marginal utility. (...) This law of value unites the conceptions of value and of utility in a way that is fully confirmed by facts.” (Wieser, [1889], Natural Value Bk. I Ch. 9, NV-I-9.2) On the same line of thought, Böhm-Bawerk hails for an incorporation of the law of costs into the marginal utility theory. “We, marginal-value theorists (...) instead of placing the law of costs outside or against the law of marginal utility, with which, indeed, we cannot do without in our own explanation of the height of costs, we systematically incorporate it into the universal law of marginal utility.” (Böhm-Bawerk [1892], (2002) p. 49) Kaufmann insists on the importance of economic plans for subjectivism. “According to the subjective theory of value the central economic problems, i.e. those of price determination, can only be tackled with the prospect of achieving useful results if the economic activity to which they refer is traced back to an economic plan.” (Kaufmann, 1933, p. 395)

However, other contemporary authors dissociate the subjective theory of value from the theory of marginal utility. “Subjectivism is more than the recognition that value is determined by subjective preferences at the margin.” (Peter Lewin, p. 235) Often, this difference between marginalism and subjectivism is assigned to knowledge or expectations. Within this theoretical perspective, subjectivism is considered as being much broader than marginalism. Various scholars propose to apply subjectivism not only to tastes but also to knowledge. “The next step forward in the subjectivist paradigm was to recognize that the subjectivity of value depended on a further subjectivity, namely knowledge.” (Horwitz, 1994, p. 18) This application of subjectivism to knowledge stimulates alternative ways of defining subjectivism: radical, dynamic or ultra subjectivism.

In the eyes of Shackle, “the essence of the radical subjectivist position is that the future is not simply unknown but nonexistent, and the notion of foreknowledge of human affairs is vacuous.” (Shackle, 1983, p. 33) Associating subjectivism with the concept of “active mind”, O’Driscoll and Rizzo adhere to what they call *dynamic subjectivism*. “[Dynamic subjectivism] views the mind as an active, creative entity in which decision-making bears no determinate relationship to what went before” (O’Driscoll & Rizzo, 1985, p. 22) However, the distinction between radical and dynamic subjectivism is not always clear. “According to O’Driscoll and Rizzo dynamic subjectivism is the essence of the Austrian tradition. Although the authors do not use the term

'radical subjectivism', they nevertheless adhere to a similar idea: the fact that human action takes place within time and that individuals act in a world of ignorance (in the sense of Shackle, not in that of Kirzner)." (Gloria-Palermo, 1999, p. 138)

Moreover, according to Kirzner there is a conception of subjectivism originated in mainstream economics that he defines as ultra-subjectivism. "There is a line of criticism of the subjectivist economics which we have outlined in this paper which proceeds from the diametrically opposite methodological direction (from that of mainstream economics). Such ultra-subjectivist criticism objects, not to our emphasis upon the subjectivist freedom of individual decision-making, but to our insistence that such freedom is entirely consistent with (in fact necessary for) the emergence of systematic microeconomic forces. The position taken by these critics is likely to emphasize the possibilities for entrepreneurial error and, in particular, the possibility that interacting entrepreneurial errors may magnify the scope for and likelihood of entrepreneurial errors. (This, for example, is what Keynes was referring to in comparing the stock market to a casino.)" (Kirzner, 2000, p. 71)

In addition to these very divergent versions of subjectivism, Buchanan proposes another one. "There are other versions of 'economic subjectivism' that can be distinguished from both its radical and Austrian variety, in particular the 'opportunity cost approach' that was systematically stated by one of the present authors (Buchanan)." (Buchanan & Vanberg, 1994, p. 330, n. 8) . Besides the variety of subjectivism names, the relation between subjectivism and methodological individualism is also contested. "Methodological individualism is a healthy, but perhaps redundant, principle to the extent that it makes the claim that explanations of action should refer to the subjectively perceived constraints and incentives faced by individual actors. (Don Lavoie, 1994a, p. 58)

Menger's reference to utility in its relation to value is very different from Walras. Actually contrary to Menger, Walras states that utility can be weighted. "The circumstance which obviously precludes numerical measurement does not by any means rule out pure and simple mathematical expressions. In physics as in mechanics, one operates mathematically with entities, such as mass, which are not directly measurable either. Let us follow the same procedure. We need only suppose that utility is measurable and we are at once able to give an exact, mathematical account of the influence utility exerts, along with the quantity initially owned, on demand curves and hence on prices?" (Walras, [1874], translated from French in Jaffé, 1977, p. 300)

The way that Menger associates value and utility also sharply contrasts with Jevons' statement that values of different commodities can be measured through the consumers' degree of utility.

“One of the first and most difficult steps in a science is to conceive clearly the nature of the magnitudes about which we are arguing (...) As was fully explained in chapter II, the ultimate quantities which we treat in Economics are Pleasure and Pains, and our most difficult task will be to express their dimensions correctly. In the first place, pleasure and pain must be regarded as measured upon the same scale, and as having, therefore, the same dimensions, being quantities of the same kind, which can be added and subtracted; they differ only in sign or direction. Now the only dimension belonging properly to feeling seems to be intensity, and this intensity must be independent both of time and of the quantity of the commodity enjoyed. The intensity of feeling must mean, then, the instantaneous state produced by an elementary or infinitesimal quantity of commodity consumed. Intensity of feeling, however, is only another name for degree of utility, which represents the favourable effect produced upon the human frame by the consumption of commodity, that is by an elementary or infinitesimal quantity of commodity. Putting U to indicate this dimension, we must remember that U will not represent even the full dimensions of the instantaneous state of pleasure and pain, much less the continued state which extends over a certain duration of time.” (Jevons, [1871], 1888, pp. 53-54)

Following Jevons, many authors stated that utility has to be cardinal so we can measure it. In this way, utility can find applications in various fields of economical theory. For example, Harsanyi also applies cardinal utility to welfare economics.

“This implies, however, (...) that an individual's impersonal preferences, if they are rational, must satisfy Marschak's axioms and consequently must define a cardinal social welfare function equal to the arithmetical mean of the utilities of all individuals in the society (since the arithmetical mean of all individual utilities gives the actuarial value of his uncertain prospect, defined by an equal probability of being put in the place of any individual in the situation chosen). More exactly, if the former individual has any objective criterion for comparing his fellows' utilities with one another and with his own his social welfare function will represent the unweighted mean of these utilities, while in the absence of such an objective criterion it will, in general, represent their weighted mean, with arbitrary weights depending only on his personal value judgments. In the former case social welfare will in a sense be an objective quantity, whereas in the latter case it will contain an important subjective element; but even in this latter case it will be something very different from the utility function of the individual concerned.” (Harsanyi, 1955, p. 316)

Cardinal utility applications also concern risk taking actions. “Recently, however, [J. von Neumann, O. Morgenstern, M. Friedman and L. J. Savage] introduced the concept of cardinal utility also in the theory of choices involving risk”. (Harsanyi, 1953, p. 434) Actually, von Neumann and Morgenstern consider that risk and uncertainty cannot be properly studied in the absence of cardinal utility. “The concept of cardinal utility theory was revived by von Neumann and Morgenstern in their analysis of behavior under uncertainty, and its application to game theory, based on the idea of expected utility maximization. When faced with an uncertain prospect, under which any of a set of outcomes could occur with known probability, von

Neumann and Morgenstern suggested attaching a numerical utility to each outcome and evaluating the prospect by calculating the mean value of the utilities. This procedure is feasible only for cardinal measures of utility.” (Quiggin, 1999, p. 592) This proposition criticizes the New Welfare Economics which dismisses cardinal utility. “The quantitative concept of utility is not necessary in order to explain market phenomena. Therefore, on the principle of Occam’s razor, it is better to do without it.” (Hicks, 1939 p. 18)

Despite its conciseness, this presentation suffices to show that the applications of subjectivism are extremely heterogeneous. Actually, the incompatibility between various interpretations of subjectivism leaves some questions concerning the very meaning of subjectivism unanswered. What is the relation between subjectivism, marginalism, utility, knowledge or expectations? Is the subjective theory of value identical with the marginal theory of value or with the methodological individualism? Is it possible to accommodate incompatible conceptions of subjectivism? What factors distinguish the advocates of subjectivism from their alleged rivals, the objectivists? Although the aim of this paper is not to provide systematic answers for each of these questions, we think that by explaining the meaning of subjectivism we can make such an endeavor possible for further research.

However, the absence of clear-cut answers to these questions suggests that the very signification of subjectivism is fuzzy. We can get a better picture of this fuzziness if we isolate the various elements usually mentioned as determinants of the subjective theory of value: utility, marginalism, knowledge, expectations. We now have to distinguish between the debates on the meaning of subjectivism and the propositions to extend subjectivism. On one hand, utility and marginalism are considered as essential components of subjectivism. There is a common idea that evaluating the goods at the margin and/or grounding this evaluation on individuals’ utility is enough to claim a subjective theory of value. On the other hand, knowledge and expectations are considered suitable for extending subjectivism. In the remaining part of this paper we will criticize both ideas. In the next section we will show why neither utility nor marginalism can account for the subjective theory of value. Further on we will also show that the reference to knowledge and to expectations cannot enlarge subjectivism.

4 THE MEANING OF SUBJECTIVISM

We previously outlined two different types of utility: ordinal and cardinal. The former was developed within the Austrian tradition initiated by Menger. The latter was built in the neo-classical tradition initiated by Jevons. Despite this difference we can observe that both authors think that utility is an extrinsic property of goods. Ordinal and cardinal utility are an intrinsic

property of human beings. For both authors and traditions, a commodity is not useful per se but only in relation with acting persons. This means that a commodity cannot be useful in the absence of intentional agents. As Jevons declares, “in the first place, utility, though a quality of things, is no inherent quality. It is better described as a circumstance of things arising out of their relation to man's requirements.” (Jevons, [1871], 1888, p. 44) Menger also states that value is “nothing inherent in goods, no property of them, but merely the importance that we first attribute to the satisfaction of our needs, that is, to our lives and well-being, and in consequence carry over to economic goods as the exclusive causes of the satisfaction of our needs.” (Carl Menger, [1871], 1994, p. 116)

This idea encourages the authors of economy textbooks to assert that notwithstanding their differences both authors have a similar conception of utility. “Carl Menger’s description of total utility and marginal utility was similar to that of Jevons.” (Hunt, 2002, p. 257) This remains true in spite of various endeavours to dehomogenize the “fathers of marginalism” (Jaffé’s [1971], 1983. Streissler, 1988). Actually, none of these endeavours does target the fact that, from the point of view of the “marginalist fathers”, utility is an extrinsic property of goods. “The question I propose to raise here is (...) whether the use of any single appellation to designate the three ‘revolutionary’ innovations of the 1870s obscures precisely those differences which the passage of time has revealed more important than anything they may have had in common.” (Jaffé, [1971], 1983, p. 311) Hence, economists maintain the fact that Jevons, Menger and Walras altogether emphasize the concept of utility thus producing what we usually call the marginalist or neo-classical revolution. “In the last quarter of the nineteenth century, the main interest in economics shifted totally: the so called marginalist or neo-classical revolution focused mainly on price determination; and prices were no longer thought to be determined chiefly by production or the supply of commodities, but above all by individual demand. (...) The neo-classical revolution was brought about by three distinct authors in three different places: Jevons, Walras and Menger.” (Streissler, 1988, p. 192)

Furthermore, this shift from labour to utility (as the authors of marginal revolution advocate it) is also seen as the angular stone of subjectivism. “The ‘marginalist’ revolution is often given the title of a ‘subjectivist’ revolution. Marginalists have set a theory based on the relationship of men and needs in relation to objects and their ability to satisfy such needs against the objective theory of value in terms of production costs construed by the classical authors.” (Gloria-Palermo, 1999, p. 33). The idea that utility is an essential component of subjectivism has become fashionable among economists especially since Hayek (1952, p. 38) evocated the advances in economic theory due to subjectivism. “The main component of the advances he had

in mind was presumably the replacement, after 1870, of the English classical value-theory, as a result of the 'marginal' or, in England, the 'Jevonian' revolution. A 'cost-of-production' theory of value was replaced by a theory based on utility or preference." (Hutchinson, 1994, p. 197) Since Hayek's statement, for many economists subjectivism has become recognisable by the reference made to utility. "Subjectivism often refers to one of a number of substantive explanatory claims in economics. (...) Subjectivism in explanatory sense is associated with the marginal utility theory of Menger, Jevons and Walras." (O'Neil, 1998, p. 41)

It is precisely this we want to criticize first of all. In the light shed by the definition of subjectivism provided previously, we sustain that utility does not account for subjectivism. Furthermore, the evaluation (being ordinal or cardinal) of a good at the margin does not coincide with the subjective theory of value. The nineteenth century revolution(s) (marginalist and/or neo-classical) should be clearly distinguished from the subjective revolution. The nub of this superficial assimilation of subjectivism in marginalism is the concept of utility. The incontestable fact that marginalist authors switched Adam Smith's economic discourse about value from labour to utility does not suffice to credit them as subjectivists. "It must, however, be insisted that though such a fundamental shift might be regarded as a potential advance in a 'subjective' direction, it remains highly questionable whether, or how far, any 'consistent application of subjectivism' can be said to have taken place, either in Britain, Austria or Lausanne. (...) To accept that the tastes of individuals differ is not necessarily to treat them as 'subjective'." (Hutchinson, 1994, p. 197) Let us now explain further why it is erroneous to assume that utility is a sine qua non condition of subjectivism.

To begin with, we should observe that Jevons' assertion "that value depends entirely upon utility" (Jevons, [1871], 1888, p. 25) does not actually explain value. One must first define utility in order to build up a theory of value. When does a thing become useful? A good can be considered useful either because or in spite of the acting subject's choice. Saying that value depends on utility does not clarify this dilemma. In order to solve it, we need a criterion for establishing when a good becomes useful. For example, a house is useful because an intentional subject chooses to construct it. But we can say also that the house would be useful even if the same subject decided to do something else with the same amount of means. These two ideas underline two opposed views on utility: subjective and objective. If a good becomes useful because it is chosen in the course of a real action, then we formulate a subjective theory of utility. Otherwise, if it is said that a good is useful independently of the acting subject, we establish ipso facto an objective theory of utility. This is the main reason why value can not be explained in the merit of utility. Now it is clearer to see that the concept of "utility," in addition to the subjective

theory of value, can also support the objective theory of value. It suffices to say that a commodity is useful independently of the fact that it is chosen by the acting subject. If we establish a “map of tastes” (Pareto, [1909], 1972, p. 120) independently of the real actions of intentional subjects we formulate ipso facto an objective theory of value based on the concept of utility. There is no logical contradiction in saying that the utility of the intentional subjects exists independently of them.

The same thing can be said about marginalism. There is no contradiction in embracing both marginalism and objectivism. The evaluation of a commodity at the margin is not equivalent to the subjective theory of value. Actually, the idea of evaluating a commodity at the margin can be obtained without any reference to the subject’s choice. The “marginalist revolution” only introduced the idea that there is a scale of different units of the same good. Marginalism deconstructed goods by showing that the acting subjects do not consume “water” or “diamonds” but precise units of these commodities. Consequently, we have to take into account a scale of values. But marginalism does not say which criterion should be used in order to sort the value of the various units of a specific commodity. We may sustain that any subject sorts it in the course of his action (subjectivism), but we could also state that this scale is given for the acting subject (objectivism).

Furthermore, not only the simple evaluation at the margin is not equivalent to subjectivism, but neither is the ordinal evaluation. With the help of the definition of subjectivism previously exposed, we may now observe that not even the distinction between cardinal and ordinal utility has an impact whatsoever on subjectivism. While the champions of cardinal utility are not unanimously considered as subjectivists, things are different when it comes to the advocates of ordinal utility. “As Streissler and Jaffé have argued, not all versions of the marginalist revolution were the same, and the distinct contribution of Menger’s marginalism was its subjectivism.” (Horwitz, 2003, p. 266). According to some scholars, even if we may question the fact that Jevons and Walras formulated a subjective theory of value, we should accept without further discussion the fact that Menger’s version of marginalism is synonymous of subjectivism. “Of the three fundamental features of marginalism (...) it is subjectivism which appears, a priori, to present the fewest problems. We can certainly not deny the subjectivist foundation of Menger’s approach.” (Gloria-Palermo, 1999, p. 33)

Historians of economics derive the specificity of the Austrian school of economics from this idea. “In many ways it is only natural that Austrians adopt a full-blown subjectivist perspective, in that it was Carl Menger who founded the Austrian school on the basis of the subjective theory of economic value. Rather than adopt his predecessors’ labour theory of value ,

Menger argued that value is entirely subjective in nature.” (Horwitz, 1994, p. 18). In the merit of our previous argumentation, we will now argue against this idea. To be sure, our argumentation disputes the fact that “Menger was in many ways a subjectivist” (Jeremy Shearmur, 1990, p. 190) and the existence of a “dynamic subjectivism in Menger’s approach.” (Gloria-Palermo, 1999, p. 33, original emphasis). We sustain that ordinal evaluation of commodities is not equivalent to subjectivism. Obviously, we can have an ordinal evaluation of goods which is objective, i.e. given for the acting subject.

Menger distinguishes himself from other marginalists by his emphasis on the ordinal ranking of goods. “In order to restate the preceding argument numerically, to facilitate comprehension of the subsequent difficult investigation, I shall designate the importance of satisfactions on which life depends with 10, and the lesser importance of other satisfactions successively with 9, 8, 7, 6 etc. In this way we obtain a scale of the importance of different satisfactions that begins with 10 and ends with 1.” (Menger, [1871], 1994, p. 125) Indeed, the choice of an ordinal evaluation of commodities (which excludes the attribution of cardinal magnitudes) does not allow further mathematical calculus. Nevertheless, the ordinal evaluation of goods does not completely match with subjectivism. There is no logical contradiction between adopting an ordinal scale of values and sustaining that it is objective, i.e. independent of the acting subject. In fact, in Menger’s work we can observe the predisposition to an objective scale of values.

Menger discerns real from imaginary value. “Regarding this knowledge, however, men can be in error about the value of goods just as they can be in error with respect to all other objects of human knowledge. Hence, they may attribute value to things that do not, according to economic considerations, possess it in reality, if they mistakenly assume that the more or less complete satisfaction of their needs depends on a good, or quantity of goods, when this relationship is really non-existent. In cases of this sort we observe the phenomenon of *imaginary value*.” (Menger, [1871], 1994, p. 120) At the same time, Menger tends to objectively attribute a superior value to some goods to the detriment of other goods. “As concerns the difference in importance that different satisfactions have for us, it is above all a fact of the most common experience that the satisfactions of greatest importance to men are usually those on which the maintenance of life depends, and that other satisfactions are graduated in magnitude of importance according to the degree (duration and intensity) of pleasure dependent upon them. (...) With the same intensity, they will prefer pleasures of longer duration to pleasures of shorter duration, and with the same duration, pleasure of greater intensity to pleasure of less intensity.” (Menger, [1871], 1994, pp. 122-123).

It is symptomatic that Mises, although recognizing Menger's merits in formulating the law of marginal utility, criticizes him for approving the existence of an intrinsic value of goods. "Unfortunately, Menger did not adhere to this principle of subjectivity in his description of the qualities that make things good in the economic sense. (...) Menger distinguishes between real and imaginary wants. To realize how pointless this dichotomy between real and imaginary goods is, one need only consider the examples cited by Menger. Among others, he designates as imaginary goods utensils used in idolatry, most cosmetics, etc. Yet prices are demanded and offered for these things too, and we have to explain these prices." (Mises, [1933], 2003, pp.183-186).

In fact, Menger's hierarchy of values can be considered akin to the classical utilitarian one. Actually, Bentham, John Stuart Mill and other authors writing within the utilitarian tradition had already formulated and discussed the taxonomy of pleasures or utilities. "To a person considered by himself, the value of a pleasure or pain considered by itself, will be greater or less, according to the four following circumstances: its intensity, its duration, its certainty or uncertainty, its propinquity or remoteness." (Bentham, 1823, pp. 49-50). However, ranking values or utilities on an ordinal scale still does not say anything about the acting subject. This ordinal scale can be subjective (i.e. revealed in the course of action of an intentional subject) or objective (i.e. discovered by and/or imposed on the acting subject).

Until now, we have demonstrated that utility and marginal evaluation of commodities (also in its ordinal variant) do not match with subjectivism. We argued that it is not sufficient to declare that value depends on utility or that value is ordinal in order to formulate a subjective theory of value. As previously stated, subjectivism is related (essentially and inseparably) to the acting subject. To put it shortly, the core of subjectivism is the fact that the acting subject reveals the value scale in the course of his own action. In the last part of this paper, we will apply the definition of subjectivism formulated at the beginning still further, in order to show that subjectivism has no degrees. We will show that neither "knowledge" nor "expectations" are able to change the proper meaning of subjectivism.

5 THE LIMITS OF SUBJECTIVISM

Numerous contemporary scholars, who claim their affiliation to the Austrian school of economics, assert that subjectivism is constructed in several steps. They also state that the elasticity of subjectivism depends on its various applications (knowledge and expectations). "Austrians call this either 'thorough-going' or 'radical' subjectivism, to differentiate it from the more limited subjectivism of neo-classical economics that is content to posit subjective

preferences with little attention to other manifestations of human subjectivism in its theories. Such other manifestations include the subjectivism of expectations and of knowledge itself.” (Vaughn, 1994, p. 4) It is precisely this point that we want to criticize in the present section. We sustain that the meaning of subjectivism does not allow us to extend it beyond the definition provided at the beginning of our paper.

In considering subjectivism as being the main feature which brings about advances in economic analysis, F.A. Hayek suggests that the subjectivist revolution has not been completed. “Every important advance in economic theory during the last hundred years was a further step in the consistent application of subjectivism.” (Hayek, 1952, p. 38) Since there is room left for new applications of subjectivism, Hayek indicates the concept of knowledge as the new “last frontier” in the extension of subjectivism. “What is more important is that the term subjective stresses another important fact to which we shall yet have to refer: that the knowledge and beliefs of different people, while possessing that common structure which makes communication possible, will yet be different and often conflicting in many respects. If we could assume that all the knowledge and beliefs of different people were identical, or if we were concerned with a single mind, it would not matter whether we described it as an ‘objective’ fact or as a subjective phenomenon.” (Hayek, 1952, p. 57, original emphasis)

When Hayek emphasizes knowledge as an additional application of subjectivism, he takes into account the subject’s knowledge of the circumstances of his action. He argues that no single individual could possibly have a complete knowledge of all the circumstances of his action. In addition, knowledge is dispersed within society. “The concrete knowledge which guides the action of any group of people never exists as a consistent and coherent body. It only exists in the dispersed, incomplete, and inconsistent form in which it appears in many individual minds, and the dispersion and imperfection of knowledge are two basic facts from which the social sciences have to start.” (Hayek, 1952, pp. 57-58). From the theoretical standpoint that knowledge is diffused, Hayek concludes that the correct use of knowledge within society has become the main economic problem. “The peculiar character of the problem of a rational economic order is determined precisely by the fact that knowledge of the circumstances of which we must make use never exists in concentrated or integrated form but solely as the dispersed bits of incomplete and frequently contradictory knowledge which all the separate individuals possess. (...) The economic problem of society (...) is rather the problem of how to secure the best use of resources known to any of the members of society, for ends whose relative importance only these individuals know. Or to put it briefly, it is a problem of the utilization of knowledge which is not given to anyone in its totality.” (Hayek, 1945, pp. 259-260).

Stimulated by Hayek, Lachmann hails for another advance in economic theory by applying subjectivism to expectations, i.e. to knowledge of the future. “The first and most prominent feature of Austrian economics is a radical subjectivism, today no longer confined to human preferences but extended to expectations. It found its perfect expression many years ago in Hayek’s statement, ‘it is probably no exaggeration to say that every important advance in economic theory during the last hundred years has been a further step in the consistent application of subjectivism’.” (Lachmann, 1978a, p. 1) Don Lavoie sees in the lachmannian proposition the clear influence of Shackle and Keynes. “In macroeconomics, subjectivism was advanced by Keynes’s introduction of expectations into economics. (...) One of the Keynesians who did not abandon Keynes’s move into subjectivism, but instead radicalized it, was Lachmann’s close friend George Shackle.” (Don Lavoie, 1994b, p 17) Thanks to Lachmann, radical subjectivism became the label of the extension of subjectivism to expectations. “I will call the problem of building a radically subjectivist theory of expectations the ‘Lachmann problem’.” (Koppl, 1998, p. 61).

In Lachmann’s opinion, to understand human action correctly we should consider not only the knowledge of the circumstances of action, but also the knowledge of future actions or events. By applying subjectivism to expectations, Lachmann concludes that we are completely ignorant with regard to the future. “The future is to all of us unknowable.” (Lachmann, 1976, pp. 55-59) Not only the acting subject has a partial knowledge and that knowledge cannot possibly be embodied in one single individual, but moreover, according to Lachmann, he is completely ignorant of the future. This means that there is nothing which the acting subject can possibly know. In addition, Lachmann asserts that by considering the divergence between expectations, the last frontier of subjectivism can be pushed even further. “It is quite possible that a bastion of extended subjectivism, enhanced by the inclusion of divergent expectations, will offer us an excellent vantage point from which to watch the happening of such a society in a dispassionate perspective, a perspective superior to what we have had before.” (Lachmann, 1976, p. 61). Furthermore, the potentialities of subjectivism which can be extended are not exhausted with “knowledge”, “expectations” or “divergent expectations.” According to Lachmann, there is still room for other extensions of subjectivism. “In this century subjectivism has been extended from human preferences to expectations. In years to come it may be extended to the interpretation of so-called information.” (Lachmann, 1978b, p. 57)

Another label associated with the extension of subjectivism is dynamic subjectivism.

“Explorations of subjectivism in recent years have drawn our attention to several quite different levels at which individual choice may be discussed. In particular two levels have been identified; one terminology identifies them as (a) ‘static subjectivism’ and (b) ‘dynamic subjectivism’ respectively. (...) From this Shacklean

perspective, a 'dynamically' subjectivist view of social history sees it as being governed by forces that must be traced back to choices being made, at each and every moment, by individual market participants whose decisions can in no manner or form be treated as flowing inexorably out of the objective circumstances prevailing at the instant prior to these respective decisions. (...) The 'statically subjectivist' view portrays the decision as indeed expressing the subjective preferences of the decision maker, but makes it appear as if these preferences are somehow separate from (and in some versions, chronologically prior to) the decision itself, and as if these preferences then 'determine' the specific decision taken." (Kirzner, 1986, pp. 138-139)

Although this claim overlaps radical subjectivism, the concept of dynamic subjectivism gives preeminence to changes and to the individuals' reactions to these changes. Under the name of dynamic subjectivism, Gerarld P. O'Driscoll Jr. and Mario J. Rizzo summarize the "four major features of subjectivist analysis."

"First, the analyst employs the method of mind constructs by modeling fictitious consciousness endowed with goals, knowledge, expectations and constraints. (...) Second, the mind construct is portrayed as existing in real time. Real time, or more precisely, the subjective perception of the passage of time, is inextricably linked to ineradicable uncertainty, irreversibility of processes and continuous flow of information. (...) Third, agents are seen to be capable of creative and not just passive decision-making. (...) Fourth, there is a recognition that different individuals have different knowledge. Just as there is a division of labor in society, so too there is a division of knowledge." (O'Driscoll, & Rizzo 1986, pp. 253-254)

At the core of all propositions to extend subjectivism is the idea that it is an elastic concept with several degrees. "I have to confess that I know of no criterion that would permit us to decide whether a movement of thought has reached its 'end' and is thus 'complete'." (Lachmann, 1978b, p. 57) In addition to its elasticity, there is a claim that a higher degree of subjectivism would be preferable to a lesser degree. "Throughout, the emphasis is upon a high degree of subjectivism." (D. P. O'Brien, 1990, p. 158) These are precisely the ideas that we are going to criticize. We will argue that subjectivism is not an elastic concept. We previously stated that value (subjective or objective) implies the existence of degrees. By no means can **it** be inferred from this that subjectivism has degrees. To be sure, the existence of value degrees does not entail subjectivism degrees. The very existence of scarcity implies that not all ends can be accomplished with the same amount of means. Hence, we should at least distinguish between more and less urgent ends to be satisfied with the same amount of means. This does not imply that value is more and less subjective.

Let us now explain what the existence of value degrees presupposes. The conception of subjectivism previously provided clearly states that a value is subjective if, and only if, it is revealed in the course of an action. What would it mean then to have degrees of subjectivism? There are only two ways to define subjectivism degrees. Either value is more or less revealed in the course of the subject's action, or the subject is more or less a subject. If we follow the latter

alternative, the degrees of subjectivism would be varying alongside the degrees of determination of the subject. If we consider the former alternative, the degrees of subjectivism would be varying alongside the subject's aptitude to reveal value through his action. In both cases, subjectivism degrees depend on the subject's autonomy. If we suppose that the acting subject is not a fully autonomous person (i.e. his actions are caused by society, nature or moon cycles), then the subjective value will be varying alongside the degree of causation. The more the acting subject is determined by society (let us say 10%), the less the subjective theory of value applies (90%). Now, it becomes obvious that a maximum extent of subjectivism will be possible when the acting subject is fully autonomous. Once we admit the acting subject's full autonomy, subjectivism cannot be enlarged anymore. We can now understand why neither knowledge nor expectations can allow extensions of the subjective theory of value.

A full autonomous subject being ignorant and having personal expectations cannot become ipso facto more or less autonomous. To put it differently, the type of knowledge or expectations does not influence the subject's autonomy. Different subjects have different knowledge and different expectations as Hayek, Shackle, Lachmann and other advocates of an enlarged subjectivism state. "Living within a universe where information is imperfect, every individual, because of his action, benefits from additional knowledge which should necessarily alter his perception of the environment and of the opportunities for satisfaction open to him. The consumer's subjective judgment is thus modified by the choice made. As at the outset players have different knowledge processes at their disposal concerning their nature, quantity and also their structure, this further information brought by time is unlikely to be interpreted in the same way by each individual." (Aimar, 2004, p. 309)

Indeed the type of knowledge and expectations is able to modify the subject's value scale. However, from this fact we cannot infer that the acting subject becomes more or less an acting subject. It is not because a "consumer's subjective judgment" changes in function of his knowledge, expectations etc. that the subjective theory of value changes accordingly. The acquisition of new information may lead the consumer to regret his past actions. But this does not change the fact that, within the subjectivist paradigm, the consumer made the best choice. Even if ex post the acting subject judges his previous preference scale to be unsatisfying, we cannot infer that ex ante he would prefer less. Regrets about past evaluations do not influence the subjective features of the respective scale of value. Considering that neither knowledge nor expectations can have an influence whatsoever on the agent's autonomy, we can conclude that subjectivism cannot be extended in this direction.

However, there is no possible direction in which subjectivism can be extended. Actually, it would be absurd to acknowledge degrees within the subjective theory of value. Even admitting a subject less-than-fully autonomous, he would still make choices according to his remaining free will. Given the scarcity of our world, we still need to consider a theory of value (subjective or objective) in relation to the choices of a less-than-fully autonomous subject. For this remaining slice of autonomy, we will apply a theory of value (subjective or objective). When considering the slice of external determination, the theory of value simply does not apply. A less-than-fully autonomous agent can be less responsible of his own actions but he cannot reveal the value less. This is precisely why the theory of value (subjective or objective) applies only to an intentional agent in a scarce world. To sum up, in this section we have argued that subjectivism has no degrees. The limit of subjectivism is given by its own definition.

6 CONCLUSION

In this paper, we have concentrated our argumentation on the proper meaning of subjectivism. We provided a clear-cut distinction from objectivism and we explored the fuzziness of traditional conceptions of subjectivism. In the light shed by the initial definition, we argued that neither utility nor marginalism imply subjectivism. In addition, we showed that subjectivism is neither extensible to knowledge nor to expectations. Let us now conclude our paper by making explicit the theoretical consequences and the perspectives opened by this work.

The most significant consequence on the history of economic thought is that the debate on the concept of utility has to be distinguished from the debate on subjectivism. Textbooks on economic history (Hunt, 2002, p. 126. Hutchinson, 1994. Schumpeter, 1954) identify labor as being determinant for the objective theory of value, and utility as being determinant for the subjective theory of value. Our argumentation pinpoints precisely the inadequacy of this assimilation. We argued that the mention of utility and the proposition of an ordinal hierarchy of value do not provide a subjective theory of value. This is why neither utility nor the ordinal scale of values are necessarily revealed in the course of the action of an intentional agent.

It is precisely for this reason that historians of economic thought should operate a distinction in the analysis of the modern debate on imputation. The debate on the value ingredients (labor versus utility) should be distinguished from the debate on the theory of value (subjective or objective). Furthermore, the endeavors to revisit the groundbreaking character of marginal revolution (De Roover, 1971, Rothbard, 1995) may find a support in the main idea exposed in this paper. The acting subject is the proper criterion to distinguish between subjectivism and objectivism. With this criterion at hand, we should find a greater support for the

idea that medieval scholars and pre-classical economists have formulated the subjective theory of value more accurately than the celebrated marginalist authors. For instance, the definition of subjectivism provided in the first section (value is revealed in the course of action of an intentional subject) matches better with the definitions formulated by Condillac and the scholars of the Salamanca School than with the definitions by Jevons, Menger and Walras.

In addition to the effects of our argumentation on the history of economic thought, it is also important to stress its theoretical consequences. Hence, we have to observe that advocating subjectivism is an essentially different matter than advocating utilitarianism. Since utility is not an essential ingredient of subjectivism, the results of the debates on value measurability and/or cardinality have no influence whatsoever on the subjective theory of value. Whether value is ordinal or cardinal, it makes no difference in the opposition between subjectivists and objectivists. The issue of value measurability does not influence the subjective theory of value. Although neither utility nor measurability have an influence whatsoever on the subjective theory of value, we have to pay attention to this relation considered the other way around. Further argumentation should be elaborated on the consequence of subjectivism on interpersonal comparisons of value. If a value scale is revealed in the course of a subject's action, then we can observe as many values scales as acting subjects. Therefore, the absence of a common scale of values should impede further comparisons and measures, i.e. interpersonal comparisons.

Furthermore, the difference between the objectivist and subjectivist paradigm can also be highlighted when considering the consequences on economic policy. While objectivist scholars may advocate a hypostatization of values, subjectivism establishes an indissoluble link between values and the acting subject. For this reason, the advocates of objectivism can sustain a correction of the individuals' scales of preferences through redistribution of resources and price fixation. Conversely, subjectivists cannot defend any interventionist policy. This idea should better explain the non-interventionist opinions of Austrian economists. It is therefore important to underline that the Austrian economists' free market orientation is due neither to the emphasis on utility as value ingredient nor to the defense of ordinal values, but exclusively to the defense of subjectivism. Actually, the absence of a clear-cut definition of subjectivism and its superficial assimilation to utilitarianism may be at the origin of much confusion concerning the type of policy defended. At any rate, a further research should look for a clarification of the implications of subjectivism on economic theory and policy. The attention paid by Mises to the methodological issues, and the fact that Mises represents the nub of recent debates on the redefinition of subjectivism are sufficient indicators to stimulate a deeper research on Mises's

own conception of subjectivism. In the meantime, this research can check the debate on radical subjectivism so fashionable within the Austrian school of economics.

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