How far away is Vienna from Chicago?

The theoretical and methodological distance between The Austrian School and mainstream economics.

This paper is part of a book’s chapter, which will be dealing with the origin of neoliberalism (the most persuasive doctrine of our time (Mirowski 2013)), and the role of neoliberalism within the history of economic thought.

The main thesis of the book is that neoliberalism is the cultural and sociological counterpart of the present mainstream (neoclassical) economics as it has been shaped in a definite way, after a long story, into the Chicago school of economics and that neoliberalism is not properly the post-modern version of classical liberalism, being for some aspect very different from it.

This chapter will be dealing with the differences between the Austrian school of economics and the Chicago school of economics following the neoliberal perspective¹. The main thesis of this chapter is that there are many differences between Austrians and Chicagoans.

¹ This is not to be intended as a sort of comparison between the two schools regarding different economic issues (Skousen 2005). This is an inquiry around methodological and theoretical differences between the Austrian approach and the Chicagoan one around themes that involve individuals rationality, the role of market, and the meaning of freedom. Conclusions are close to Aranzadi’s book on the differences between Mises’s vision and Becker’s one (Aranzadi, 2006)
Neoliberalism is a political doctrine that advocates free market, it supports a minimum role of the State, and promotes an increasing role of the private sector in any possible field: from education to health system; from civil and social rights to law system; from organizations to institutions\(^2\). The thesis of the book is that the neoliberal agenda has been developed within a particular way of thinking economic institutions as well as the economic behavior of individuals. The roots of neoliberalism are located in the present mainstream approach to economic theory.

Mainstream economics is grounded on the idea that economic agents are able to maximize an expected utility function in order to get some goals before a situation of scarcity. Mainstream economics considers institutions as a framework for economic agents to perform in the way described above; actually markets are supposed to be free in order to make individuals able to maximize their utility function. The outcome of this model is the efficiency of the system. Perfect competition guarantees a general economic equilibrium where efficiency reaches a Pareto-optimality state. Individual bias, errors, and deviations lead to some form of inefficiency that is Pareto sub-optimality.

Following this perspective, Mainstream economics is a doctrine, and neoliberalism is its political-cultural counterpart.

The origin of the neoliberalism as a doctrine has to be dated back in the late Thirties, when the fight among supporters and detractors started on whether the old classic liberalism could be considered as its main and original source. Two important differences between classical liberalism and neoliberalism are: a. the nature of the market and its role as a social institution; b. the meaning of individual freedom.

In classical liberalism, institutions like market were regarded as self-regulating systems where individuals could realize their aspirations and their natural rights (life, freedom, and property). In classical liberalism, individuals are both citoyens and bourgeois: they have a public life as well as a private life, and their goal is to achieve in both contests the higher degree of liberty, given some inevitable legal restrictions to be obeyed (laws) and social rules to be followed.

\(^2\) It is important to stress the distinction between neoliberalism and libertarianism today. Neoliberalism is a biopolitical doctrine (Foucault 2008), supported by mainstream economic theory; libertarianism is a much more ideologically oriented doctrine, and does not require any endorsement from any specific economic theory. Both claims to be the direct offspring of classical liberalism, which is a political philosophy where individual freedom is central (Smith 2013).
This description is very general and valid for either the version of classical liberalism à la Hobbes and Locke (based on the theory of contract) or the Scottish tradition à la Hume and Ferguson (based on the traditional organicism). Classical liberalism spread during the modern age as a revolutionary doctrine, which brought liberty and freedom to an increasing number of citizens in the Western society.

In neoliberalism, institutions have to be performed according to the dogma of efficiency, and the market economy performance becomes the benchmark for any other institution’s performance. In neoliberalism, the model of economic rationality able to maximize individuals’ and social aims dominates. The supreme value for individuals (and society) is no longer freedom, but efficiency: the maximization of an expected utility –as the only rational way to behave- forgives individual lives as well as societies. This frantic research for efficiency leads to sacrifice individual freedom: this is the counter-revolutionary aspect as well as the dogmatic trait of neoliberalism.

Another crucial aspect of the difference between classical liberalism and the present doctrine of neoliberalism is the role of ethics. Classical liberalism was rooted in a specific moral philosophy that implies the existence of natural and not-alienable individual rights, already mentioned above. A pessimistic anthropology (as in Hobbes and in the some other followers of the theory of contract) as well as an optimistic anthropology (either in the Scottish Enlightenment or in Rousseau’s philosophy) implies the necessity of having a moral philosophy in order to build a liberal society up. Neoliberalism has no need of any moral philosophy to perform society: the efficiency paradigm is value-free; it is a technical achievement. Ethics has been pushed away following the same process of de-moralization that has been happening in the passage from the classical notion of “political economy” to the more recent connotation of the neoclassical (mainstream) economics.

This book is a tentative to show the dogmatic aspect of both mainstream economics and neoliberalism through an inevitable partial description of the history of their genesis and of their interrelation. In this story, the role of both the Chicago school of economics and the Austrian school of economics is crucial.

---

3 In this complicated story, the foundation of the Mont Pelerin Society had an important role (Mirowski 2009): even though there are no doubt that scholars like Hayek and Friedman enthusiastically joined the project, the theoretical differences between them still persists, in spite of a
Economists in Chicago, from Stigler to Friedman and Becker have been the pillars of mainstream economics, and consequently of neoliberalism (Emmett 2010, Mirowski 2013). There are many similarities between them and Austrian scholars, like Hayek and Mises, but there are many differences as well from a theoretical point of view as well as a methodological perspective.

The Austrian school of economics is embedded in the tradition of the classical political economy, rooted in a form of moral individualism, which was part of the tradition of classical liberalism; the Chicago school of economics is the most persuasive result of the transformation of the discipline in a mathematical science. The scientific character of economics is linked with the inevitability of reaching efficiency as the neoliberal system imposes.

The historical framework of this transformation is useful to understand some aspect of that process (Mirowski, 2002; Weintraub 2002): the frantic interwar political situation in Europe did affect the urgency for economists to shape a value-free economics and to present themselves as scientists involved neither into politics nor into ethical issues. In the following decades, neoclassical economics became hegemonic because of their theoretical strength (based on a strong model of rationality), and focused on its anthropological dimension (the ability of agents to adopt and to apply that strong model of rationality to the realm of individual choice).

The most important aspect of neoliberalism is the displacement of the neoclassical economic rationality within the realm of government in order to handle with the increasing complexity of the Western society, and to reshape it on the efficiency paradigm, able to include even the performance of values and justice.

The main source of the differences between the Austrian school of Economics and the Chicago school of economics are in their origins. Austrians are the heirs of Menger, Schumpeter, Mises and Hayek; Chicagoans –as we know them- are the heirs of Walras-Pareto general common vision about the most suitable form of society able to better guarantee wealth and freedom.

4 Another chapter of this book will be dealing with the rise of the Economics of the Law as an academic discipline.
The migration of scholars and ideas from Europe to America right before the World War II shuffled the cards. The use of the rational model of individual behavior was central in the process of transformation of economics in a physical and mathematical science. This process had its headquarters in several American departments of economics, above all at the University of Chicago.

The main differences between the Austrian school of economics and the Chicago school of economics are on the nature of individuals as rational agents, on the process of optimization as a benchmark for agents’ behavior and social performance, on the logic of pure science versus the problem of coordination in economics, and finally on the role of individual freedom. A different approach to the status of the discipline is also present.

**On individuals’ rationality**

Menger first introduced the role of individuals’ will in order to explain the nature of human needs and the meaning of economic goods. The four prerequisites for the definition of an economic good are strictly individualistic: an economic good *per se* does not exist, it depends on the utility it has for individuals who need it. The role of scarcity, which can be regarded as an objective trait of an economic good, has actually a second order value. Given the huge amount of individuals in a market contest, and assuming they have more or less the same needs to satisfy, in a homogeneous context, scarcity will determine price, not the value of an economic good *per se*. Menger’s definition of economic choice is strictly based on the relationship between individual needs and the effective amount of economic goods nature and market can actually provide. At the very first level, individuals are driven by their biological impulses, and the same process happens for human associations and institutions. Individuals as economic agents are very complex and dynamic in Menger’s work.

---

5 As Streissler wrote: “[H]ardly an author can be found, not even Keynes himself, who is so much the exact antipode of Milton Friedman in every part of that economist’s theoretical vision as Carl Menger; and this in spite of the fact that Menger and Friedman were of the same political persuasion, which goes to show that Weltanghaung and scientific vision need hardly be related at all” (Streissler, 1973, 164).

6 Although these differences, a sort of ambiguity of the Austrian school of economics persists: during the last decades when both the Austrians and the Chicagoans have been considering the pillars of libertarianism.
The dynamics of individuals is central in Schumpeter’s description of the role of entrepreneurs in the market: their creativity is the primary factor for social development and growth. Entrepreneurs are risk-prone and they are driven by instincts and intuition; they like to challenge the market by introducing innovations. Human action in Mises’ thought concerns dynamics too. Hayek’s methodological individualism sums up the previous contributes of his masters. Individuals make decisions because they have plans. Although their knowledge is limited, and information available is restricted and incomplete, they follow their expectations, and are able to achieve their goals by choosing amongst available means.

In Chicagans’ (neoclassical) perspective, economic agents are individuals who are able to maximize a utility function. In a framework of perfect competition, they are able to optimize their behavior. Given a model of full knowledge and complete information, their rationality is a tool that allows them to calculate benefits and costs in order to make the optimal choice. The prerequisite to achieve an optimal choice is the fact that individual preferences can be ranked in a special way. As Stigler claimed: “the utility theory allowed a unified explanation of behavior: everyone was a utility-maximizer, and all economic problems became simply problems of tastes and obstacles (so, Pareto)” (Stigler 1972, 578).

In neoclassical model, individuals are homogeneous agents; their behavior follows a linear pattern where differences are exogenous. It is a holistic procedure to describe the realm of economic choice that reminds what Hayek named “false individualism”, dominated by the Cartesian rationalism mainly derived from the measurability of utility.

In the Austrian perspective, individuals are unique, and their behavior composites the dominion of economic choice. Hayek called this “true individualism”, and according to Hayek himself, true individualism “is primarily a theory of society … it is the contention that, by tracing the combined effects of individual actions, we discover that many institutions on which human achievements rest have arisen and are functioning without a designing and directed mind, [they] are result[s]of human action but not the result[s] of human design” (Hayek 1948, 6-7). True individualism can also be recognized in Mises’s work. In defining economics as praxeology (the science of “human action as purposeful behavior”), Mises clarified that “action is not simply given preference”, because “action always involves both taking and renunciation”, and it is a “real things always rational” (Mises, 1949, 12).

**Rationality versus spontaneity in social performance**
Chicagoan economic agent and Austrian economic individual are not described starting from the same kind of rationality. The former is a computational agent: no matter whether human rationality is full or bounded, agents are able to “construct” the best way to make rational choice. This ability derives from what Hayek called “Cartesian rationalism”: a form of hubris according to which humans have the ability to plan their achievements in private sphere as well as in public life. The rationality of economic agents perform the society as a whole. As Barone shown (1912), hypothetically a Minister of Production can perfectly allocate resources in order to get the best possible social performance. In a free contest, human rationality, being fully equipped for a process of optimization or, as a second best of satisfaction, can do the same: the theoretical meaning of the concept of a social utility function as well as the two Pareto welfare theorems represent that translation into social terms of neoclassical model of individuals’ behavior. The result in terms of society is the ability to reach a general economic equilibrium: this model is static, and does not allow describing how really societies work.

This is not the meaning of competition, which is dynamic by definition, this is the meaning of competitive equilibrium, based on unrealistic conditions which “not only underlie the analysis of perfect competition but are equally assumed in the discussion of the various imperfect or monopolistic markets” (Hayek 1948, 94).

In Austrians, the social performance is not determined by the rationality of individuals as neoclassicals intend it; on the contrary, it is a spontaneous order, determined by free individuals whose rationality is much closer to a reasonable common sense than to a computational planning tool. Society results as a complex system where order can be only described, not fully explained. This perspective allows to include historical framework, sociological determinants, and demographic differences within the economic model of an ordered society.

As Lavoie wrote, subjectivism and spontaneous order were the two related principles that defined the Austrian way to describe how the process of communication makes social performance ordered (Lavoie 1990); there is nothing spontaneous in neoclassical model of describing social performance, and subjectivism is reduced to a mere ability to maximize a utility function.

---

7 As reminded by Hayek, this does not mean that “Pareto and Barone have solved the problem of socialist calculation. What they, and many others, did was merely to state the conditions which a rational allocation of resources would have to satisfy and to point out that these were essentially the same as the conditions of equilibrium of a competitive market [emphasis added]” (Hayek 1948, 90).
As Kirzner pointed out, it is necessary to distinguish the principle of maximization (the objective allocation of scarce means among competing ends)\(^8\) from the principle of economizing (a subjective choice based on the scarcity of means that will be later defined once at all by Robbins)\(^9\), being both neoclassical and formalized; while the Austrian principle of economy is “acting in the praxeological sense: [it] consists in selecting a pattern of behavior designed to further the actor’s purposes” (Kirzner 1960, 161).

The role of market for individuals and societies: efficiency versus coordination

The market is a sort of Cartesian plan, or a kind of stage, where individuals exchange information, in order to achieve their goals. It is also one of the most ancient social institution able to make connections amongst individuals possible. The more freedom there is in the market, the more proficient is the outcome of these connections. Particular markets as well as market as a whole allow individuals to get what they need and they are demanding/supplying. They also allow society to avoid violence in order to get individuals’ aims, as Schumpeter claimed (Schumpeter 1942).

These remarkable goals are achieved by market thanks to the spontaneous ability it has to coordinate individual choice in a framework where there is uncertainty and heterogeneity of intents. Society as a whole benefit from the role of market as an institution. Development is guaranteed by innovations, and growth is an effect of developments. From a cultural point of view, emancipation of people happens because of this dynamics.

This approach is typically Austrians: the place of uncertainty, first introduced by Menger in his *Principles* (Menger 1871), is also present in Böhm-Bawerk’s idea of uncertain income expected in future, as well as in Mongerstern (Borch 1973). Uncertainty is also central in Schumpeter’s idea of entrepreneur’s risk in the process of innovation, and above all in Hayek’s theory of knowledge. Hayek’s *The Use of Knowledge in Society* (Hayek [1945] 1948) should be fully quoted in order to show the direct attack against to what was becoming in those years the mainstream economics, based on the *Pure Logic of Choice* (in Hayek’s

\(^8\) “The conception of economic activity as maximizing behavior suffers from two weaknesses. On the one hand, it involves setting up such an ultimate end, with the presumption that it can be meaningfully “maximized”; on the other hand, it ignores the multiplicity of intermediary ends and the effects that their very number has on the allocation of resources” (Kirzner 1960, 116).

\(^9\) The allocation of scarce resources among competitive ends.
words), that reduced “the economic problem of society [to a] merely problem of how to allocate “given resources” (Ibid., 77).

Neoclassical approach describes the role of market in the same way, but the procedure is differently explained. Uncertainty has no room. Market works in an efficient way, because of the rationality of economic agents, because of perfect knowledge and complete information available, because of perfect competition. The possibility to calculate benefits and costs at margin allows economic agents to choose by following the principle of efficiency. Society is performed by this principle. Becker’s “rationality at the market level”, which includes irrational behavior, properly describe market’s performance under the theory of individual rational choice (Becker 1962).

In this passage, from the nature of human rationality to the nature of market, the role of neoliberalism emerges. The society as a whole, which includes every sphere of public and private life, not only economic exchange, is shaped by efficiency: policy, culture and organizations are ruled according to this principle.

**On freedom and liberalism**

Are both Austrians and Chicagoans really fighters for liberty for individuals? Are both Austrians and Chicagoans the offspring of classical liberalism? Austrians are in that tradition indeed; about Chicagoans, the story is different. The paradigm of efficiency as the only principle to describe a rational way for individuals to behave properly as well as for a society to function in a good way is much closer to a designed and constructive model than a spontaneous and free pattern. Hayekian economic agent is supposed to be free in order to get his plan coordinated with others’ ones; a society shaped on an Austrian point of view is free in a classical way.

The following long quotation from Knight clarifies the point:

“The substance of society, in so far as it is free or moral, is the body of such rules made by human beings for their own association, with a view either to making their activity itself as interesting and satisfying as possible, or else to fulfilling what they conceive to be their “task” as human beings. Economic efficiency and economic liberty are beyond doubt vitally important in this connection; but their relations to the project and to each other are not of the sort pictured in a mathematical function to be maximized.” (Knight 1934, 237).

---

10 The role of Knight in this story is the object of another part of this chapter.
The classical liberalism promoted individual freedom within free institutions. The urgency to get the optimal outcome from any individual and collective choice is far away from the classical notion of freedom, which includes and is embedded into a moral framework. On this point, the last big difference between the Austrian school and the Chicago School is grounded. The presence of moral values determines not only any free choice, because without ethics there is no choice by definition, it also determines the status of a human discipline, as political economy is. A human discipline involves the active role of human beings as agents. A natural science does not imply any kind of involvement of the human will, unless the human will is not reduced to an extremely complex set of neuro-biological mechanisms. This will consequently deny the existence of human freedom. As long as neuroscientists will not demonstrate that possibility, social scientists are legitimate to include freedom within human actions.

This fits the classical meaning of political economy, which is shared by Austrians. In Mises’s definition, liberalism is: “a political doctrine, not a theory, developed by praxeology and especially economics to define problems of human action within society…. As a political doctrine liberalism is not neutral with regard to values and the ultimate ends sought by action. It assumes that all men or at least the majority of people are intent upon attaining certain goals. It gives them information about the means suitable to the realization of their plans” (Mises 1949, 154).

Chicagoans were, on the contrary, supporters of a notion of economic theory that is recognized as a science, and like any science, it is value free. Science does no need of freedom: Chicagoans, claiming to be scientists because economics is a science, cannot belong to the tradition of the classical liberalism, which implies the value of free choice based on freedom. As Friedman himself stated in 1953, Chicagoans are followers of neoliberalism: “a new faith” (“which in America is associated particularly with the name of Henry Simon”) able to avoid “the errors of 19th century political philosophy”, that was a “negative philosophy” which assigned to the state “the role of maintenance of order and reinforcement of contracts”; neoliberalism is supposed to act in order to create conditions for making laissez faire effective and for reducing any state’s interference (Friedman 1953, 90).

Friedman wrote: “Neoliberalism would accept the nineteenth century liberal emphasis on the fundamental importance of individual, but it would substitute for the nineteenth century goal of laissez-faire as a means to this end, the goal of the competitive order. It would seek to use competition among producers, to protect consumers from exploitation, competition among
employers to protect workers and owners of property, and the competition among consumers to protect the enterprises themselves. The state would police the system, establish conditions favorable to the competition and prevent monopoly, provide a stable monetary framework, and relieve acute misery and distress.\footnote{The fact that the state would relieve misery and distress is due –according to Friedman – to the complexity of today world and because people have become “too sensitive to leave this function entirely to private charity” (Friedman 1953, 93).} (Ibid., p 90- 91).

This is a specific political program mainly caused as a counterproposal to the opposite political program that was becoming popular in the country during the same period, and that was based on Dewey’s liberalism that can be regarded as one of the philosophical pillar of the twentieth century’ version of socialdemocracy as well as the welfare state (Dewey [1935], 1987).

In both perspectives, the role of the state is active, both perspectives require a positive liberty within a framework of individualism: both perspectives are different from the classical liberalism. The main difference between these two approaches is the fundamental role of ethics: in Dewey’s individualism, ethics is central, because political sphere –democracy- is supposed to dominate the economic sphere; in Friedman’s approach, ethics is absent not because of a pessimistic anthropology, but due to the fact that economics (a value-free science, as any other science) rules.

Friedman’s neoliberalism has been not embedded into Hayek’s \textit{Constitution of Liberty} (Hayek, 1960): in this work, Hayek promoted the urgency to go back to classical values of liberalism (the Rule of Law), and he reformulated his idea of spontaneous order as a natural order where free individuals can makes their plans possible, according to Hayek’s theory of knowledge. Friedman’s agenda for neoliberalism looks more like of what Hayek will call later a form of legislation (Hayek 1973, 1976, 1979).

\textbf{On economics as a science}

In defining economics as a theoretical science that has the “task of investigating and describing general economic phenomena” (Menger 1985, 39), Menger claimed that this particular meaning of economics, the “scientific” aspect of the discipline is only a part of the general meaning of the discipline itself. In fact, besides theoretical economy, there are the historical sciences (history and statistics) as well as the practical sciences of national economy (economic policy and science of finance). Those three different disciplines constitute what has
been called “political economy”, i.e. the economy as a whole. Chicagoans cut off the historical science and reduced the practical science to formal economics, that Hayek defined “a branch of pure logic, a set of self-evident propositions which, like mathematics or geometry, are subject to no other test but internal consistency” (Hayek 1937, 34), being economics, according to Hayek, the problem solving of “how the spontaneous interaction of a number of people, each possessing only bits of knowledge, brings about a state of affairs in which prices correspond to costs, etc., and which could be brought about by deliberate direction only by somebody who possessed the combined knowledge of all those individuals” (Ibid, 39).

Walras-Pareto’s tradition, Weber’s notion of science, Robbins’ definition of economics, Samuelson’s and Friedman’s definition of economic science are the pillars of the present meaning of economics that has reached its apogee in the Chicago school.

Walras-Pareto’s tradition includes the formalization of a human behavior based on preferences as well as the formalization of a system of general economic equilibrium that is able to describe the rational functionality of a society. This approach made economics closer to physics, and it includes mathematical economics and econometrics, both developed in the past century.

Weber’s notion of a value free science gave to social scientists, not only economists, the proper definition of social science: the formalization of politics, laws, economics, and even ethics that derives from Weber’s approach, allows excluding historical sense of contingency from those disciplines that finally can reach the degree of science.

Robbins’ definition of economics as “the science that studies human behavior as a relationship between ends and scarce means which have alternative uses” (1935, p. 16) is the popularization of this approach that became the common definition of economics after the World War II. "Economics – according to Robbins - is entirely neutral between ends." (p. 24), and "Wealth is wealth because it is scarce." (p. 47).

12 Schumpeter’s definition of economic analysis as “the analytic or scientific aspect of economic thought” is close to Menger’s theoretical economics (Schumpeter 1954).

13 As well known, Talcott Parson first introduced Weber’s work as well as Pareto’s sociology (Parsons 1949) to the American audience (Scaff 2011).

14 A possible influence of Weber’s work into the Chicago school came from Knight (Emmett 2009).
In Samuelson (1947) the passage from physics to economics in order to found economic analysis became definite. Quoting E.H. Moore, Samuelson wrote:

*The existence of analogies between central features of various theories implies the existence of a general theory which underlies the particular theories and unifies them with respect to those central features* [emphasis added].

And:

There exist *operationally meaningful* theorems in economics allows the way to deal with economics as a comparative statics, i.e., the investigation of changes in a system from one position of equilibrium to another without regard to the transitional process involved in the adjustment. In Samuelson’s definition, it is explicitly claimed that there are no normative connotation around the concept of equilibrium, because it is a special application of the more general practice of scientific deduction in which the behavior of a system is defined in terms of a given set of functional equations and initial conditions (*ceteris paribus*).

Friedman’s “*As If* principle” is the final outcome of this process of emancipation of economics from what is not scientific, but simply human. In Friedman (1953), he maintained that positive economics is in principle independent of any particular ethical position or normative judgment (p. 4), being it an objective science in the same sense as any of the physical sciences. Furthermore, according to Friedman, normative economics cannot be independent from positive: a theory has to be judged by its predictive power for phenomena which is intended to explain\(^{15}\). Economics must be more than a set of tautologies; according to Friedman, it’s important to accept the substantive hypotheses that shape the categories into which empirical phenomena are organized\(^{16}\). According to Friedman, the assumptions have to be presented *as if* they occurred in a hypothetical and highly simplified world containing only the forces that the hypotheses assert to be important. (p. 40), and complete realism is clearly unattainable.

\(^{15}\) As an example, Friedman wrote: it’s evident that from an increase in money supply inflation derives in short run.

\(^{16}\) Two caveats in order to build hypotheses and to test their validity: 1. any particular fact is accidental of the collection of data and the knowledge of the researcher; 2. the initial stage is always fictitiously a starting point.
Progress in positive economics requires not only testing of existing hypotheses, but also the construction of new hypotheses. Nothing to do with formalism, because the act of building up new hypotheses is “a creative act of inspiration, intuition, invention; its essence is the vision of something new in familiar material. The process must be discussed in psychological, not logical, categories; studied in autobiographies and biographies, not treatises on scientific method; and promoted by maxim and example, not sillogism or theorem” (p.43).

The scientific nature of economics supported by Chicagoans should free economics itself from any political involvement; the nature of neoliberalism as a bio-political doctrine reverses this situation though: Chicagoans are much more politically oriented than Austrians. The historically well-known aversion for Marxism in Mises and Hayek was a consequence of the humanity of political economy, not the result of a formalized demonstration based on an unrealistic assumption made possible by the “scientific” nature of economics.

---

17 As Kirzner wrote, it was Gunnar Myrdal who first described the Austrians “as being the rare nineteenth-century economists who did not inject political motives into their economics” (Kirzner 1990, 96).

18 The role of realism in Menger and other Austrian economists was first introduced by Mäki (1990); more recently Salerno (2010).
Table 1. Austrians versus Chicagoans

<table>
<thead>
<tr>
<th></th>
<th>Individualism</th>
<th>Society</th>
<th>Market</th>
<th>Freedom</th>
<th>Economics</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Austrians</strong></td>
<td>True</td>
<td>Spontaneous order</td>
<td>Institution for the coordination of individual plans</td>
<td>Negative in classical liberalism sense, includes values</td>
<td>Human discipline with general regularities</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Chicagoans</strong></td>
<td>False</td>
<td>Designed on efficiency</td>
<td>Cartesian plan for reaching an optimal equilibrium</td>
<td>Reduced to efficiency in neoclassical sense</td>
<td>Mathematical science as physics</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Table 2. Classical Liberalism versus Neoliberalism

<table>
<thead>
<tr>
<th></th>
<th>Individuals</th>
<th>Institutions</th>
<th>Ethics</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Classical Liberalism</strong> (modern age)</td>
<td>Citizens and laymen whose freedom is their final goal, both in private and public life</td>
<td>Systems able to integrate individuals. Market is one amongst the others</td>
<td>Natural rights from where a morality derives</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Neoliberalism</strong> (post-modern age)</td>
<td>Rational and maximizing agents</td>
<td>Systems able to integrate individuals. Market – performed on efficiency- is the benchmark</td>
<td>Not an issue</td>
</tr>
</tbody>
</table>
References


Mirowski 2009 *The Road from Mont Pelerin: The Making of the Neoliberal Thought Collective*


Mises L. *Human Action*, Yale, Yae University Press


