

ИНДИФЕРЕНТНОСТТА В СФЕРАТА НА ИКОНОМИКАТА: КОМЕНТАР ОТНОСНО СТАНОВИЩАТА НА НОЗИК, ХОПЕ И ВИСОЦКИ

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Резюме: Нозик (1977) отправя предизвикателства пред австрийската икономика, тъй като от една страна, австрийската мисловна школа отхвърля понятието индиферентност, а заедно с него и кривата на индиферентността. От друга страна, праксеологичната школа приема концепциите за кривите на търсенето и предлагането. Такова предположение логично включва индиферентност, тъй като хората, за които се прилага кривата на търсенето и предлагането, гледат на всички съставни елементи като на идентични; ако не, такива диаграми не могат да бъдат създадени. Подобно обяснение се предлага за намаляващата пределна полезност, която представлява друг инструмент за икономически анализ, приет от австрийците. Но това също предполага индиферентност, поне според Нозик. Блок (1980) отправя критични коментари към Нозик (1977). Хопе (2005, 2009), който е водещ австрийски икономист, се съгласява с Блок, че Нозик греши, но също така отхвърля конкретното опровержение на Блок относно критиките на видния философ. Висоцки (2021) застава на страната на Нозик и Хопе в този дебат. Настоящата разработка е опит да се подкрепи възгледът на Блок спрямо този на тримата учени.

Ключови думи: безразличие, избор, хомогенност, предизвикателство на Нозик

INDIFFERENCE IN ECONOMICS: COMMENT ON NOZICK, HOPPE AND WYSOCKI

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Abstract: Nozick (1977) set a challenge for Austrian economics. On the one hand, this school of thought rejects the notion of indifference, and along with it, indifference curves. On the other hand, the praxeological school accepts the concepts of supply and demand curves. But the latter supposition logically implies indifference, in that the persons for whom the supply and demand curves apply look upon all the constituent items as identical; if not, these diagrams could not be drawn. A similar account applies to diminishing marginal utility, another tool of economic analysis accepted by Austrians. But this, too, implies indifference, at least according to Nozick.

Block (1980) responded critically to Nozick (1977). Hoppe (2005, 2009), a leading Austrian economist, agreed with Block that Nozick was in error, but also rejected

Block's specific refutation this eminent philosopher's critique. Wysocki (2021) sided with Nozick and Hoppe in this debate. The present paper is an attempt to support the Blockian view vis a vis that of these three scholars.

Key words: indifference, choice, homogeneity, Nozick's challenge

Indifference in economics: comment on Nozick, Hoppe and Wysocki¹

Austrian economics is predicated upon the notion of choice. But this does not admit of any indifference. When people buy, sell, rent, invest, borrow, lend, give gifts, they prefer the situation they are aiming at to the one that would otherwise have ensued did they not so act (Hülsmann, 2003). They are not, they cannot be, indifferent to these two states of affairs, the one that would have occurred had they not acted, and the one that was their goal.

For example, A lends \$100 to B for a year, at a 10% rate of interest. A prefers, *ex ante*, to receive \$110 next year, with some amount of risk, to the retention of his \$100. B, for his part, makes the opposite calculation. He favors the use of this amount of money for 12 months even though at the end of this time period he will be obligated to return \$110. Neither is indifferent in this² scenario. If either were, he would not gotten off his hind legs to engage in it.

Nozick (1977) might well say “well and good” to that claim. However, he argues that at least upon some occasions indifference must necessarily enter into economic analysis as a legitimate concept. For instance, the supply and demand curves must contain as their constituent elements homogenous items, between which people are indifferent. One cannot, after all, have a supply curve depicting ships and sailing wax, nor a demand curve for both apples and oranges, if people see a difference between these two fruits. That is, unless the consumer is *indifferent* between the various goods that can be depicted on a supply or demand curve, or one demonstrating diminishing marginal utility.³

Wysocki (2017) was unclear as to who had the better response to Nozick (1977): Block (1980) or Hoppe (2005, 2009). In his later publication (2021), Wysocki is very definitive and gives the nod to the latter author:

“Hence, we shall first take a closer look at the debate on indifference within the Austrian camp, while defending and building upon the Hoppean account *vis-à-vis* Block's criticism. Our justification of the Hoppean position shall consist in showing that his account of the correct description of an action is not an *ad hoc* move aimed at solving

¹ I wish to thank Matúš Pošvanc for helpful suggestions regarding an earlier version of this paper. The usual stipulations of course apply.

² Or, indeed, any other commercial transaction.

³ Of course, for Austrian economists, there is no such thing as cardinal utility; there is only ordinal utility (Rothbard, 1956, 2004). So graphs would not be legitimate. However, the items to which they refer would be.

just one problem of indifference but is highly intuitive and widely applicable.” The present paper will make the case in favor of Block, vis a vis Hoppe.

Wysocki avers as follows: “To appreciate the disagreement between Nozick and Austrians, it would suffice to realize that the Austrian dogma—adhered to by some of its most prominent figures, e.g. Rothbard and Block themselves—was that indifference is praxeologically irrelevant, and as such it cannot make any difference to human action.”⁴

According to Wysocki (2021) “... indifference is praxeologically irrelevant, and as such it cannot make any difference to human action.”

Upon a first reading, that sounds correct. Digging a little deeper, however, we need not fully agree with this contention. Yes, indifference is certainly “praxeologically irrelevant.” Praxeology deals with human action (Mises, 1998), which is always and ever an attempt to improve the future state of the world compared to what would otherwise have ensued had the activity not taken place.

On the other hand, human action is predicated upon human thinking. We don’t always think before we act, but, surely, upon occasion we do exactly that. Yet, indifference cannot be totally divorced from thinking; perhaps not even partially separated. The word “indifference” is a perfectly good word in the English language, and no doubt this concept appears in every language used on our planet. Thus, it must necessarily be part of our intellectual apparatus. For example, when confronted with 100 cans of Coca Cola, if we are of a philosophical bent, we might remark to ourselves, or to others, that we are indifferent between them all. It is only when push comes to shove, and we find ourselves actually selecting one of these cans, that this contention can no longer be entertained. But we are not at all precluded from thinking about this situation in terms of indifference.

Wysocki errs when he declaims⁵:

“Suppose our actor believes (correctly or not) that—relative to his needs—an apple juice and mineral water are equally good; that is, he believes that there is no such end that an apple juice would satisfy but mineral water would not and vice versa. Granted, there are actually many non-overlapping needs that apple juice and mineral water can satisfy but why should the economic actor care about it. These may not figure in his value scales either by virtue of the fact that the actor is unaware of these possible

⁴ I reject the “dogma” part of this statement, but I appreciate Wysocki’s kindness in linking me with my mentor, Rothbard, in this manner. Any time my name appears in the same sentence as Rothbard’s, I am honored. Characterizing the two of us as prominent figures in Austrian economics reminds me of the story of the mouse who was riding on the top of the elephant when they crossed a rickety bridge and the mouse responded: “Boy, the two of us sure made that bridge sway.” I am also grateful to Wysocki for this statement of his: The reason the present paper focuses on the discussion between Block and Hoppe is that, first, these two authors are particularly eloquent in presenting their respective (and contrasting) views; and second, they by far contributed most to the entire debate in question.”

⁵ For support of Wysocki and Hoppe, see Machaj, 2007; O’Neill, 2010. For support of my position see Pošvanc, 2021A, 2021B

services the two goods might render or he might not value them at all. Such an actor would be prone to regarding apple juice and mineral water as economically indistinguishable. If he were forced to give up a unit of apple juice or the one of mineral water, he would be indifferent between the two... And crucially, given his beliefs, he would price them equally.”

Price them equally? If he is selling them, he would not price them equally, since he knows that most other people value apple juice more than mineral water. If he is buying one or the other, he would feel cheated if he couldn't purchase the water more cheaply than the juice, for the same reason. So, it is difficult to see how he would “price them equally.”

Let's dig a little deeper into what Wysocki writes (p. 24): “As we are about to see, the whole problem trades on the concept of ‘picking up’. Block seems to be lured into thinking that the imagined actor does pick up the 72nd unit where he says: ‘For if the person didn't really prefer to give up this (72nd) one, why did he pick it to be given.’ Fair enough, if we assume that he did pick up this very unit, he must have preferred giving up this one to giving up any other, which simply logically follows from the concept of ‘picking up’ employed herein. And yet, why should we beg any questions? It is to be established first that the actor does indeed pick up the 72nd unit.”

But we do not have to establish any such thing. Rather, this was a stipulation. Block was arguing *arguendo* when he chose that particular unit. Any other would have done just as well.

Wysocki is not satisfied with that response. He continues in this vein:

“Nozick's challenge comes with vengeance to Block and the reason is precisely that the latter author has a distorted idea of choice. To appreciate this indictment of ours more clearly, let us press the problem of choice (and what exactly is chosen) a bit harder. What prompts Block to believe that it was the 72nd unit—as opposed to just a unit—that was given up in the above-considered scenario?”

All we can do at this point is reiterate. What prompts Block to say that is that he merely stipulated that. After all, the economic actor preferred the money to any of his units of butter at time t_1 . So, this person just closed his eyes, reached out, and grabbed one unit. Whichever unit he grabbed would now be “demoted” from butter A to butter B. The latter is less preferred. How do we know that? Based upon this stipulated human action; the grocer chose that one to sell when he could have chosen any of the other units of butter.

Next, consider this critique of Wysocki's:

“Block seems to imply that the choice constitutes a sort of breaking point, after which there are no longer homogenous units but the formerly homogenous collection is now divided into two sets: in one of them we still have homogenous units and the other set is a singleton, with the element not being homogenous with the remaining elements in

the previous set. The problem with this contention is that Block must either invalidate his assumption that they were homogeneous before the choice in order to explain why the choice (i.e., picking up the least preferred unit of butter, as opposed to the remaining ones) took place. Alternatively, if he maintains that the units in question are indeed equally useful, then he cannot explain why this particular unit of butter was picked up because they were assumed to be equally valuable in the first place.”

But why can't the person change his mind? At time t1, there were 100 homogeneous units of butter in his possession. Then, when he decided to sell one of them, he selected unit 72 (don't ask why he chose that one; it was just random). Then, later at time t2 there were two different types of butter: 99 units of butter A, all of them considered to be homogeneous with each other, and, also 1 unit of butter B, which is now less preferred than any of the other units. Why is this an impossible account of what occurs every day? Why is it illogical? Au contraire, it seems eminently reasonable.

This was a random choice on the part of the grocer. Has Wysocki never been to a supermarket, wishing to purchase a can of coca cola, and been confronted with dozens if not hundreds of units of this product, just stacked up right in front of him? Whereupon he selects one of them; say, the one in the middle row in the very middle of it. Why did he choose that one, and none of the others? Maybe he likes symmetry. Perhaps, possibly unconsciously, he thought that would give his arm the best exercise. We really don't know, and neither, probably, does he. But the primordial fact that cannot be gainsaid is that he chose that particular can of coke, when he could have picked any of the others.⁶ As competent economists we are now required to say that he preferred that particular can to any of the others he could have selected. When he first went into the grocery store and saw the array of cans, at time t1, we may assume he thought them to be all the same; he was indifferent between them all. He couldn't have cared less as to which one he drank from. But, at time t2, the moment of choice was upon him. He was thirsty. He selected on can of coke from all the others available to him. He, thus, *preferred* that one. He was no longer indifferent between all of them. Is this account a “mere restatement of the law of marginal utility?” I cannot see how it is.

But still, the mother saved *Peter*; she didn't merely, or just, or only, save a *child*, although it of course cannot be denied that this was *also* true and that Peter was her child. How do we know, what warrant do we have for believing, that the mother loves both sons equally? She did rescue Peter, in this example, did she not? Are we as praxeologists to draw no conclusions from this undeniable fact at all? Yes, of course, she prefers to rescue one son to none of them. But we should be able to dig deeper than that from her action. If

⁶ Possibly, the reason she chose to save Peter, not Paul, is that the former was nearer to hand, and she could thus be more confident in actually saving him. But suppose they were equally distant from her. Still, we posit, she grabbed onto the former, not the latter. Stipulate that she flipped a coin, and Peter won the toss. Still, she abided by the coin toss, and she need not have done so. She well may not have intended to do this. She may even be surprised when she sees Peter in her hands, not Paul, as she had no internal intention of grabbing the former, not the latter. However, it cannot be denied that there he is, Peter, not Paul, saved from drowning. Are we as Austrian economists to make nothing whatsoever of this fact, as Hoppe and Wysocki would have it? I demur from that position. Surely this means *something*.

we do not throw out entirely the notion that human action indicates preferences, we are hard put not to conclude that she preferred Peter to Paul.

Can we discuss indifference without bringing up Buridan's Ass? Of course not. Here is Wysocki weighing in on this issue:

"... it prefers a bale of hay (whether it is the left or the right one is simply not part of the preferred choice description), and thus demonstrates its general preference of hay to death."

Yes, of course, Buridan's Ass demonstrates its general preference of hay to death. But why does he go in one direction rather than in the other? Surely, we are not wild-eyed commentators if we opine that he preferred the bale of hay that lies in that direction.

Continues Wysocki on this matter:

"(This) ...can easily be inferred therefrom: the ass being indifferent between these two bales of hay, did not choose between them; rather, he chose a hay over death, which, eventually, implies its preference for the former over the latter."

Yes, yes, of course, the animal prefers to eat rather than to starve to death. But Wysocki's account leaves out a vital element of this little tableau: the animal went in one direction rather than the other. Why is it so difficult for Wysocki to see the obvious point: that it *preferred* to go in this direction and not in the other; it could not possibly have been indifferent between the two points on the compass. How can "the ass be... indifferent between these two bales of hay" when it chose the one direction and not the other. Wysocki and Hoppe have a lot of "splaining" to do.

Let us conclude. Nozick did Austrians a great service when he criticized us on the concept of indifference and the praxeological school's logical inconsistency on that matter regarding its other claims as to supply and demand, diminishing marginal utility, etc. This led to a dispute between Hoppe and Block as to the best way to deal with that challenge. The economics profession should also be grateful to Wysocki who also contributed in an important manner to this dialogue, debate.

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