Introduction to Lachmann’s Austrian Economics

Todd Chiles
University of Missouri

Austrian Economics and Entrepreneurship Research PDW

Academy of Management Meetings
San Antonio, Texas

August 13, 2011
Introduction to Lachmann’s Austrian Economics

Content of Selected Austrian-Intensive Articles

Foss & Ishikawa (2007, OSt)
Chiles, Bluedorn & Gupta (2007, OSt)
Chiles, Tuggle, McMullen et al (2010, OSt)
Mathews (2010, OSt)
Harper & Endres (2010, JEBO)

Jacobson (1992, AMR)
Ferrier, Smith & Grimm (1999, AMJ)
Shane & Venkataraman (2000, AMR)
Shane (2000, OSci)
McMullen & Shepherd (2006, AMR)
Introduction to Lachmann’s Austrian Economics

Content of Selected Austrian-Intensive Articles

Number of Citations
Entrepreneurial Discovery
No Resources / Episodic Combos
Equilibrium-based Theories
Ins).tu).ons not emphasized

Entrepreneurial Creation
Continual Resource Combinations
Disequilibrium Theories
Institutional Order

Level of Analysis
Individual
Firm
Market
Institutional

Entrepreneurial Discovery
No Resources / Episodic Combos
Equilibrium-based Theories
Institutions not emphasized
Introduction to Lachmann’s Austrian Economics

Individual-level

Creative Agency / Creation
Expectations of the Future
Other Individual-Level Concepts

Responsive Agency / Discovery
Interpretations of Prior Experience
Other Individual-level Concepts
Firms as vehicles for combining and continually recombining heterogeneous capital resources necessary for entrepreneurs to materialize imaginative acts

Other Firm-level Concepts

Firm = Entrepreneur (S1, K)
No need to invest capital resources (K)
Firms as sites for entrepreneurs to episodically innovate resource combinations from pre-existing elements (S2)

Other Firm-level Concepts
Introduction to Lachmann’s Austrian Economics

Market-level Concepts:

- Disequilibration
- Punctuated Disequilibrium
- Other Market-level Concepts

Equilibration (K)
- Punctuated Equilibrium (S)
- Other Market-level Concepts
Introduction to Lachmann’s Austrian Economics

Institutional-level

Institutions provide order and stability in a disequilibrium world

Institutions not emphasized
Introduction to Lachmann’s Austrian Economics

Conclusion

Despite key differences, Lachmann’s approach and more traditional approaches to Austrian economics have much in common.
Backup
Lachmann vs. Kirzner’s Later Work

“At first glance, Kirzner might appear in his later works to move closer to the radical subjectivist position on the creative entrepreneurial imagination, expanding his definition of ‘alertness’ to include a ‘motivated propensity of man to formulate an image of the future’ (1985, p. 56). The context of this passage, however, is Kirzner’s attempt to answer his critics by clarifying his views on the relationship between ‘uncertainty, discovery, and human action’ (1985, p. 40). Although Kirzner adopts subjectivist language, disavows determinism, and seems to concede Lachmann’s point that the future is ‘unknowable, though not unimaginable’ (Lachmann, 1976a, p. 59), his objectivist and equilibrium-seeking assumptions resurface at the end of his argument when he insists it is possible to ‘dream realistically’ and affirms his faith in ‘the formidable and benign coordinative powers of the human imagination’ and the ‘systematic market force’ that ‘harness’ it (1985, pp. 66-67). As late as 1997, Kirzner continued to emphasize distinctions between his views and the more thoroughgoing subjectivism of Lachmann (and, a fortiori, of Shackle): ‘Doctrinally, Lachmann was much closer to the extreme Shackelian position on choice, uncertainty, and time, and went much further than I am willing to go. . . . I believe he was trying to steer Austrian economics in a more subjectivist direction (1997).”

~ Chiles et al., Journal of Management Inquiry, 2010: 158