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# В отговор на Бен О'Нийл за безразличието

«Response to Ben O'Neill on Indifference»

*by Walter E. Block*

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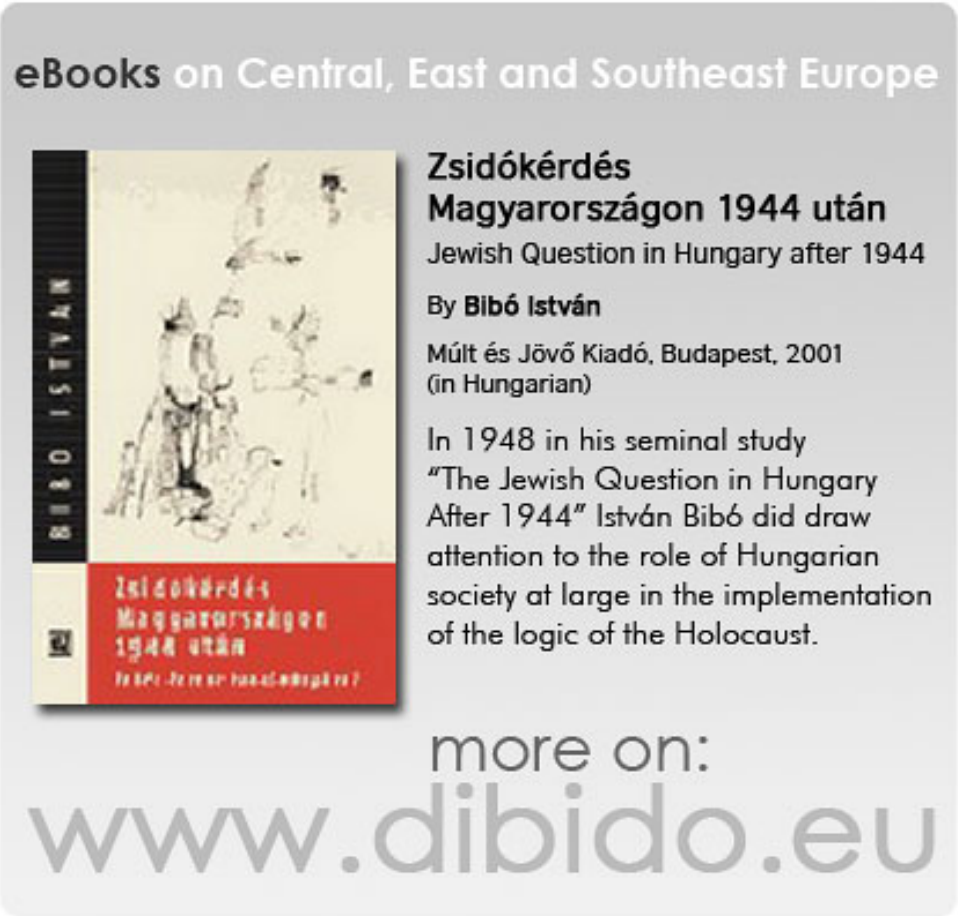

# RESPONSE TO BEN O'NEILL ON INDIFFERENCE

by

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**Abstract:** O'Neill (2010) is a critique of Block (1980) and, also, I argue, a supporter of Nozick's (1977) criticism of the Austrian School of economics. O'Neill (2010) also calls into question Hoppe (2005, 2009). These latter two articles also constitute a disparagement of Nozick (1980). While I agree with several of O'Neill's (2010) condemnations of Hoppe (2005, 2009), at least the latter author was attempting to respond to Nozick's (1977) denigration of praxeology, thus defending Austrianism. The same, unfortunately, cannot be said of O'Neill's (2010) overall rejection of Hoppe (2005, 2009). The present paper is an attempt to defend Block (1980) against the rejection of it by O'Neill (2010).

**Key words:** Indifference, preference, economic good, choice

**JEL: B 41**

Response to Ben O'Neill on indifference

## I. Introduction

Nozick (1977, pp. 370–71) laid down an important challenge to Austrian economics:

"…the Austrian *theorists* need the notion of indifference to explain and mark off the notion of a commodity, and of a *unit* of a commodity. . . . Without the notion of indifference, and, hence, of an equivalence class of things, we cannot have the notion of a commodity, or of a unit of a commodity; without the notion of a unit ("an interchangeable unit") of a commodity, we have no way to state the law of (diminishing) marginal utility."

Since then, there has been a large literature discussing this shot across the bows of the good ship Austrian economics. Those adhering to the praxeological school (Barnett, 2003; Block, 1980, 1999, 2003, 2007, 2009A, 2009B, Block and Barnett, 2010; Callahan, 2003; Hoppe, 2005, 2009; Hulsmann, 1999; Machaj, 2007) have attempted to deflect Nozick (1977), and/or refine and correct other members of

this school of thought in their attempts to do so. Others have tried to pile on in their rejection of Austrianism, in support of Nozick, such as Caplan (1999, 2000, 2001, 2003, 2008, undated). Nor has this latter economist gone un-criticized (Block, 1999, 2003, 2005, 2007; Callahan, 2003; Carilli and Dempster, 2003; Hoppe, 2005; Hulsmann, 1999; Machaj, 2007; Murphy, 2008; Murphy, Wutscher and Block, 2010; Rajsic, 2010; Stringham, 2001, 2008; Stringham and White, 2004). With this trip down memory lane, it is now time to invite O'Neill (2010) to the festivities.

One purpose of this present paper is to address the issue of exactly how this latest invitee to the party fits in with the other players. A second will be to subject this paper to critical scrutiny, since the role this author has taken upon himself is in effect support of Nozick (1977), and I am convinced that the Austrian edifice is impregnable to the attack on it by this Harvard professor. However, I am very grateful to O'Neill for his publication. I learn a lot from it. Writing this response has enabled me to see more clearly into the intricacies of the Nozickian challenge to Austrianism. I especially appreciate O'Neill's magnificent footnote 8, where he severely and successfully rebukes Hoppe's (2005) analysis.

In section II we examine O'Neill's opening remarks. The goal of section III is to subject to critical scrutiny his views on "strict and non-strict preference orderings." Section IV's burden is to comment on this author's views regarding "the Austrian school approach to indifference." "Equally optimal mutually exclusive actions" are the focus of our section V. We address O'Neill's commentary on "ways of getting around the problem of equally optimal actions" in section VI. "Strict preference induced as a result of choice" is the subject of our section VII. We cast our baleful eye on this author's "amalgamating mutually exclusive acts into a single 'choice'" in section VIII. The center of attention of section IX is "fixing the problem: non-strict preference and the law of revealed preference." We look at O'Neill's analysis of "indifference as a praxeological category" in section X. We attempt to "explain… the choice between economically irrelevant alternatives" in section XI. We conclude in section XII.

## II. Opening remarks

No words are truer than the ones with which O'Neill (2010, 71) begins his analysis: "Indifference and choice are surprisingly tricky issues in economics. They have been the subjects of much debate, particularly within the literature of the Austrian school." Indeed, the foregoing section of this present paper bears eloquent testimony to the truth of O'Neill's statement. If these were less daunting subjects, they would scarcely have given rise to so many attempts to wrestle them to the ground.

However, this cannot be said for his next foray into this thicket O'Neill (2010, 71-72): "At the core of the matter is the question of whether indifference has any praxeological meaning or whether its meaning is purely psychological, a matter which falls outside the domain of economics." At least for the Austrian economist, praxeology, although an integral aspect of it, yes, *the most* crucial part of Austrianism, does not exhaust the entire subject matter. There is also that little matter of thymology. States Mises (1969, ch. 12, emphasis added by present author) in this regard:

"People as a rule call this insight into the minds of other men psychology. Thus, they say a salesman ought to be a good psychologist, and a political leader should be an expert in mass psychology. This popular use of the term 'psychology' must not be confused with the psychology of any of the naturalistic schools. When Dilthey and other epistemologists declared that history must be based on psychology, what they had in mind was this mundane or commonsense meaning of the term. To prevent mistakes resulting from the confusion of these two entirely different branches of knowledge it is expedient to reserve the term 'psychology' for naturalistic psychology and to call the knowledge of human valuations and volitions '*thymology*.'"

But, "knowledge of human valuations and volitions" is surely part of economics, the non praxeological part of the dismal science. The statement, "voluntary trade is mutually beneficial in the ex ante sense" is indubitably true, and thus praxeological. In contrast, the claim "Bob gains in welfare from all his purchases in the ex post sense" is of course not part of praxeology, rather, thymology; but it would be rash to banish such a declaration, entirely, from the realm of economics.

I also fail to see how it logically follows from O'Neill's (2010, 72) mention of Menger's (2007) insightful comment about the value of goods that

"This suggests that a praxeological conception of indifference between actions must be understood in terms of equality of the magnitude of importance of the satisfactions of needs obtained by these different actions."

As I see matters, the Menger quote "suggests" no such thing, as a matter of *praxeology.* Yes, O'Neill's insight is very well established as a matter of *thymology.* But how can it be maintained that if a man chooses A over B when he is presented with both of them (e.g., two otherwise physically identical apples), that he is really *indifferent* between them. If he were so indifferent, why oh why did he pick A over B?

As states Rothbard (1997, 225-226) on this matter:

"[i]ndifference can never be demonstrated by action. Quite the contrary. Every action necessarily signifies a choice, and every choice signifies a definite preference. Action specifically implies the contrary of indifference. . . . If a person is really indifferent between two alternatives, then he cannot and will not choose between them. Indifference is therefore never relevant for action and cannot be demonstrated in action."

Nothing loathe, O'Neill (2010, 72) continues down his mistaken path:

"That is, we are *indifferent* between two actions when we judge that there is no difference in the magnitude of the satisfactions of needs obtained from those actions (the actual *needs* may be different, but the *magnitude of the satisfactions* from these needs must be equal). Similarly, we are indifferent between two goods when we judge that there is no difference in the magnitude of the satisfactions of needs that depend on our command of those goods."

It is difficult to see how this can be reconciled with Austrian economics. In this perspective there is no measuring of the "*magnitude of the satisfactions,*" let alone any determination that they are *equal*, forsooth. In the Austrian tradition, there is only a bimodal distribution; there is only a choosing and a setting aside. That is to say, human action is binary (William II and Block, 2008, 2009); there are no third options, such as indifference. Yes, none of the foregoing is problematic as a matter of thymology. The word "indifference" after all, has a perfectly comprehensible meaning in the English language. We all use this nomenclature often. But O'Neill has ventured into the realm of *praxeology* and there all bets are off as concerns options other than the binary ones of choosing and setting aside, of preference or non preference.

At this point O'Neill (2010, 73) calls upon Machaj (2009, 234-235) to buttress his point:

"—two objects are homogeneous if they both can serve the same end. If so, it follows these are two units of the same supply, because they are capable of satisfying the particular need. From the point of view of an actor's particular need they are *homogeneous* and *interchangeable* or *equally serviceable*. It does not have anything to do with psychological considerations or physical characteristics, but rather with the possibilities of action….

"This solution rejects the neoclassical concept of indifference and saves the concept of homogeneity. … All this solution offers is the concept of homogeneity in the Mengerian tradition without falling into the murky waters of psychology."

But if it were really true that if two objects can serve the same end they are part of the same supply, then how can we explain the following phenomenon? Listening to professionals play classical music, playing it myself, watching professional sports, engaging in sports myself, playing chess and watching the professionals engage in this game, can all satisfy my ends, or goals, for entertainment. Yet, surely, no one would be so rash as to say that these six very different things are all part of the same supply? Similarly, peanut butter, fish, watermelon, salami, broccoli (ugh) and chocolate (yum) can all serve to assuage my hunger. Are these half dozen different foods to all be considered part of one supply? They are all really the same good? If so, then what happens to the concept of substitutes? Seemingly, it is banished from the realm of economics, a result which ought to give pause for thought to Machaj and O'Neill. Another difficulty is that one and the same "good" can be used for very different purposes. For example, I can use water for drinking, cleaning food, washing myself, for crops, for pets. This would seem to imply that in water I have not one good, but as many of them as I have uses for this product, five in this case. But, surely, that cannot be correct.

Further, while the discipline of psychology might well be "murky," in the pejorative sense, if by this one refers to the work or Freud or Jung, I cannot see my way clear to agreeing that this also applies to psychology in the sense of thymology. Yes, the latter is "murky," too, but in an altogether different sense. Thymology is "murky" in the sense that it is inexact. In physics, "work" has a very narrow and exact meaning: force times distance. In ordinary language, or thymology if we can "invade" the realm of physics, work is far more nebulous. Work, here, can properly apply to such different actions as thinking and holding weights with arms extended. There is

no distance involved in either of these cases, but they are surely work, thymologically. In narrowly construed economics or praxeology, I contend, it is logically impossible to demonstrate indifference, given that all we have is human action, which is limited to the binary or singularistic choices of preferring and setting aside.

States Mises (1998; http://mises.org/humanaction/chap11sec1.asp) in this regard:

"The gradation of the means is like that of the ends a process of preferring *a* to *b*. It is preferring and setting aside. It is manifestation of a judgment that *a* is more intensely desired than is *b*. It opens a field for application of ordinal numbers, but it is not open to application of cardinal numbers and arithmetical operations based on them."[1]

Evidently, Machaj and O'Neill interpret this statement of Mises' differently than do I. In my view, human action is *limited* to this "preferring and setting aside." Machaj and O'Neill see a third option: indifference. I, too, see indifference, all around me. But thymologically, not praxeologically.

O'Neill (2010, 73) tosses around the word "indifferent" in a rather cavalier manner: "Under this approach, homogeneity and indifference are both praxeological," "it is possible to be indifferent between goods that are not homogeneous," "the praxeological conception of indifference and homogeneity might seem perfectly natural for followers of the Austrian school," "choices can be made between indifferent alternatives," "… choice between indifferent alternatives is possible – in fact, it would appear to occur very often" etc. He does not appear to realize that it is impossible to *demonstrate* or *reveal* Rothbard (1997) any such phenomenon.

O'Neill (2010, 71) is mightily enamored, and quite properly so, of the Austrian "causal-realist approach." But as a matter of "cause" and "realism," *all* we can observe is human *action:* such things as people trading money for pens, or stooping to pick up a piece of jewelry lying on the sidewalk. In *none* of these "realistic" acts can we *ever* observe indifference; we are never entitled to infer any "cause" other than *preference*. All we can *realistically* know is that the man with the money *prefers* the pen he will receive more than the currency he will give up to get it; that is the *cause* of his action. All we can *realistically* know is that the man with the pen rates the money he is to receive *higher* than the writing implement he is to give up; that is the *cause* of his action. All we can *realistically* know is that the person who grabs the jewelry thinks he will be *better off* from so doing, than by engaging in any alternative act; that is the *cause* of his action. Never, ever, not even once, can any human action definitively reveal or demonstrate indifference. Yes, we may espy someone standing there, looking at the two proverbial bales of hay, not doing much of anything else. Can we infer indifference between these two choices? Of course not. All we as Austrian economists are entitled to deduce from this tableau is that he *prefers* standing there, looking at these two bales, to any other opportunity he sees as a possibility.

[1]States Mises (1998, 12): "… acting man chooses, determines, and tries to reach an end. Of two things both of which he cannot have together he selects one and gives up the other. Action therefore always involves both taking and renunciation."

III. Strict and non-strict preference orderings

In this section O'Neill (2010, 74) makes the error of importing a concept from a field typically alien to that of Austrian economics.[2] He uses a "standard mathematical exposition" of "'preference ordering' on a set of possible outcomes of action, where this ordering is interpreted as meaning that certain outcomes are regarded as 'no worse than' other outcomes…" While there may well be no objection to the utilization of this exposition in strictly mathematical reasoning, it plays havoc in the dismal science, at least with regard to the praxeological variety thereof.

To accept this "non-strict preference" or "weak preference" in the realm of economics is to give the game away; it is to acquiesce in the notion that indifference can be inferred from human action. If A is "no worse than" B, then A can be preferred to B, *or* A and B can be equally valued. I have no objection to the use of this concept in mathematics, but in economics it has no validity. O'Neill is perhaps wise to make use of a mathematical construct when nothing in the realm of pure economics can buttress his thesis, but I find this tack unacceptable.

IV. The Austrian school approach to indifference

O'Neill (2010, 75) wonders "whether the strict preference approach is the established Austrian school viewpoint or not." As far as I am concerned, there is no such thing as an "established" praxeological perspective.[3] Of course, we do well, as O'Neill does, to consult the pre-eminent Austrian economists, Mises and Rothbard, on this or any question, if only as a starting point. And, O'Neill is fully correct in attributing to the latter the strict preference view, using the same cite of Rothbard (1997) that I employed supra.

Our author (2010, 76) avers in response to the Nozick (1977) disparagement, also cited above: "This critique presents a serious challenge to Austrian school economists who adopt the strict preference view. If it is correct, it requires that they either reverse their position on indifference, or abandon the notion of homogeneous goods and the entire marginalist revolution of Menger."

I think this is in error. In my view, we Austrians can have our cake and eat it too. We can reject indifference, praxeologically, but retain Menger's marginalist revolution, and, on a praxeological basis (we *necessarily* give up the least important use of any given good when we are forced to do without one unit), provided, only, that our definition of the supply of a good is thymological, not praxeological, except at the actual moment of choice. Before we pick out a pound of butter at the grocer's, we are thymologically indifferent between the dozens of such packages available.

[2] For Austrian criticisms not of mathematics per se, but of utilizing this discipline in economics, see Anderson, 2001, 2002; Barnett, 2003, 2004; Barnett and Block, 2006, 2010; Bratland, 2000; Callahan, 2001; Cachanosky, 1985, 1986; Herbener, 1996; Jablecki, 2007; Leoni and Frola, 1977; Mises, 1977, 1998; Murphy, 2008; Murphy, Wutscher and Block, 2010; Rizzo, 1979; Rothbard, 1988, 1993, 2011; Shostak, 2002; Wutscher, unpublished.

[3] Any more than there can be an "established" viewpoint in any science, such as the earth science question of whether man-made global warming exists. In science, truth is always up for grabs. There are no guarantees that even the perspectives of the most prestigious scholars is true; there is always the possibility of something new that may come along to topple received opinion. I abstract from synthetic apriori statements in this regard, however.

However, when we actually choose one, there are now two separate and distinct goods. Butter A, which we pick, since, perhaps, it is closest to hand and we are lazy, and butter B, consisting of all the other units of this substance that we reject. We cleave like a limpet to Menger's marginalist insight, since if we are forced to do without a unit of butter, we reject the one that gives us the least satisfaction. Or, to put matters the other way around, the next unit of butter goes toward a goal of ours less important than the ones we are already attaining. Diminishing marginal utility is also retained, praxeologically, with regard to all the units of butter B that we have not chosen: we know full well that, contrary to fact conditional coming up, the first unit of butter B, that we have not chosen will go toward our most important purpose, the second unit of butter B to the next important purpose, etc. This is in sharp contrast to the neoclassical psychological understanding of marginal utility, where it can sometimes increase, as when we get more satisfaction out of our second beer than out of our first.

O'Neill (2010, 77) is very intent to maintain "that people can and *do* choose between alternatives to which they are indifferent." But how can we ever *know* any such thing? What *human action* would compel us to acquiesce in such a notion? No answer is forthcoming from this quarter or indeed from any quarter. Indeed, our author admits that his analysis is *not* based on human action: "This view leads to a praxeological conception of preference and indifference under which neither is the primary relation established directly from action." But, surely, it is a strange kind of Austrian economics that not only is not based on human action, but explicitly disavows this basic building block of the entire edifice.

How has O'Neill, an avowed praxeologist, brought himself to such a pass? Mathematics once again rears its ugly head (2010, 77): "Instead the primary praxeological category established by action is a judgment of *non-preference* for one action over another, as is used as the basis for standard mathematical models of preference and indifference." Now this reliance on "standard mathematical models" may be all well and good for a neo-classical economics, but it is difficult to see how it can be reconciled with Austrianism.

Nevertheless, he (2010, 77) makes precisely that attempt: "Strict preference and indifference can then both be derived through consideration of various combinations of non-preference, and can both properly be regarded as praxeological relations. While non-preference is observed directly, strict preference and indifference cannot be inferred solely from observed actions and must instead be inferred counterfactually." My problem here, is that I plain just don't understand what he is saying, try as I might. We "infer" indifference *not* from "observed actions," but, rather "counterfactually?" This seems not so much wrong, but meaningless.

V. Equally optimal mutually exclusive actions

In this section our author attempts to clarify his meaning. He starts out on the right foot, correctly and incisively noting that one can eliminate a hypothesis from contention in the truth sweepstakes if it implies a logical contradiction. In this vein he (2010, 78) maintains that "It is also true that an attempt to explain a choice *by reference to indifference* is absurd. But this does not rule out the possibility of choice

under indifference, so long as there is some *other explanation* for the choice, some *other basis* for the action." So, what is this "other" explanation?

Here, O'Neill (2010, 78-79) resorts to my debate with Hoppe[4]: "If the mother loves her sons equally and is indifferent between outcomes A and B then the options of rescuing Peter or rescuing Paul are equally optimal—both are preferred to the other available alternative. In this case, despite her equal love for her sons, the poor distressed mother will nonetheless be forced to rescue *either* Peter *or* Paul, in order to avoid the deaths of both of them."

Yes, indeed, *before* the mother had to make a choice between saving one or the other of her sons, we accept the thymological notion that she loved them equally.[5] But, in the tragic event, she can pick only one of them to save; better to safeguard one, than lose both. Let us suppose she rescues Peter. How it can be said after the fact, with a straight face, that she was *still* indifferent between the two of them? If she was so "indifferent," why oh why did she choose *Peter*? It simply will not do on O'Neill's (2010, 78) part to account for this on the basis of "Here the explanation for the chosen action is not *by reference to indifference*, but rather, *by reference to preference*—the preference for any one of these actions over all the available alternatives." Nor is it helpful in this regard to assert (2010, 79): "Here the explanation for the chosen action is not *by reference to indifference*, but rather, *by reference to impossibility*—it is simply not possible to choose an action outside the class of equally optimal actions." We are again approaching meaninglessness.

VI. Ways of getting around the problem of equally optimal actions

The highlight of this section is our author's (2010, 80) mention of Rothbard's (2004, 309-310) as usual brilliant analysis:

"Since indifference is not relevant to human action, it follows that two alternatives for choice cannot be ranked equally on an individual's value scale. If they are really ranked equally, then they cannot be alternatives for choice, and are therefore not relevant to action. Hence, not only are alternatives ranked ordinally on every man's value scale, but they are ranked *without ties*; i.e., every alternative has a different rank."

And how does O'Neill (2010, 81) attempt to obviate this incisive analysis? He does no such thing. Rather, he contents himself with introducing the next section, to which place we will now follow him.

VII. Strict preference induced as a result of choice

In this section O'Neill (2010, 82) rejects my (Block, 1980) analysis of making a choice between different units of butter, restated supra. He thinks I "make things all the worse." Why? Because I "appear to establish the law of diminishing marginal returns, not as an economic law, but as a psychological phenomenon…" Let me put my eating-cake-and-having-it-too point in different words. I maintain that diminishing

[4] Hoppe, 2005, 2009; Block, 2009A; Block and Barnett, 2010
[5] This is akin to being indifferent between all the units of butter in the grocery *before* picking one of them to purchase.

marginal utility is a praxeological law, the denial of which involves us in a self contradiction.[6] But, it is built, in part, on the basis of thymological units of the supply of a good. If one is forced to give up a single unit of water, one jettisons his least important use for that good. That is praxeology. But why this requires that all of the units of water are praxeologically, rather than thymologically identical is beyond me. If it does, then Nozick (1977) wins this battle of ideas. My debating partners on this issue seem curiously indifferent[7] about such an eventuality.

But O'Neill is not finished with me on this point quite yet. He says (2010, 82) "The first problem is that it *still* fails to explain how the preferences can change due to the decision to give up a pound of butter. Surely, if the units of butter were physically indistinguishable before the transaction, then they must remain so after the instant of choice."

Not so, not so. Before the choice was made, when the shopper was looking at numerous packages of butter, they were just a homogeneous blob to him. The idea of preference of one over the others simply did not arise. But then he slaps himself on the forehead and realizes that his wife will kill him if he doesn't pick one up. So he grabs one. Which one? A lazy sod, he chooses the nearest one. Proximity to him, beforehand, simply did not matter. Butter was butter was butter. But, when he *needs* a unit of this substance, geographical location *becomes* highly relevant. Indeed, it is the *only* relevant consideration, since as far as he is concerned, all the units of butter were before and still are equal in every other regard. I do not of course assert any *physical* change in this product before and after the decision to purchase was made. But, Austrianism is surely a *subjective* enterprise.[8] That being the case, there can be no serious objection to our consumer looking at the stack of butter in the grocery differently, before and after he decides to buy.

O'Neill's (2010, 82) next sally against my view is as follows:

"Secondly, unless 'physically distinguishable' has some special watered-down meaning, this requirement is incredibly strong. The requirement would rule out homogeneity in almost all cases in which an actor scrutinizes goods with any semblance of rigor. It would rule out homogeneity of even such simple things as coins or monetary bills of the same denomination, and maybe even pounds of butter, since these items will inevitably have some physical imperfections that distinguish one 'unit' from the other. Even physical differences which are totally irrelevant to the actor then become a basis for a break with homogeneity, so long as he notices them. If the actor notices that a particular dollar bill has a crease in the top left corner and another one does not, then they are no longer homogeneous."

But this author reckons in the absence of my qualifier: "thymologically." Here, I mean to focus on ordinary people in the course of everyday commercial interaction.

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[6] It would imply that when forced to give up a unit of a good, we do without a benefit we rank higher rather than lower. Or, when we attain an additional amount of supply, we use it for a more important goal than before, ceteris paribus.

[7] So to speak

[8] Hayek (1979, 52-53) truly says: "And it is probably no exaggeration to say that every important advance in economic theory during the last hundred years was a further step in the consistent application of subjectivism."

Of course not all pounds of butter weigh *exactly* that amount. If one of them is marginally bigger or smaller by such an amount that only a chemist with a laboratory level scale could distinguish them, this make no difference to the average consumer. Similarly, it matters not one whit to him whether a dollar bill has a crease in it or not.

Nor do I do any such thing as "reverse… the causal relationship between preference and choice— … posit … choice as the reason for a change in preference, and not the other way around" (O'Neill, 2010, 83). The reason our consumer picks a certain pound of butter out of all the other alternatives available to him has nothing to do with changing the causal relationship between "choices" or "preferences." Preferences still come at the same time as choices, since choices embody preferences. For the Austrian there are not two things that occur at different times; first, preference, and then choice. Rather, we observe that choices are made, and we *infer* that they *reflect* preferences. In sharp contrast, this author seems to think that there are these two separate things "out there," preferences and choices, that the former *cause* the latter, and that I am saying that no, the latter cause the former; that I am getting the causal relationship "topsy-turvey." There *is* no causal relationship, such that even if I wanted to invert their order, I still could not do any such thing. Rather, they are but two sides of the same coin, although even that metaphor does not get to the core of the relationship.[9]

But let us allow O'Neill (2010, 83) to try once again:

"Under the causal-realist approach, if the actor is *genuinely* indifferent between each pound of butter prior to the sale, it is difficult to see why his preferences *between the units of butter* should change during the course of the transaction, unless there has been some underlying change in the satisfactions that can be derived from command of these different units of butter."

We pass over, lightly, the question of how this author *knows* that the actor is "*genuinely* indifferent between each pound of butter prior to the sale." I believe this is indeed the case, but only thymologically, *before* the actor purchases this product. O'Neill, in contrast, maintains this as a matter of praxeology. But there is no "*course* of the transaction." Rather, there are two separate stages. First, the actor is merely

[9] Says Mises (1998, 94-95, I owe this cite to Malavika Nair) on this point: "It is customary to say that acting man has a scale of wants or values in his mind when he arranges his actions. On the basis of such a scale he satisfies what is of higher value, i.e., his more urgent wants, and leaves unsatisfied what is of lower value, i.e., what is a less urgent want. There is no objection to such a presentation of the state of affairs. However, one must not forget that the scale of values or wants manifests itself only in the reality of action. These scales have no independent existence apart from the actual behavior of individuals. The only source from which our knowledge concerning these scales is derived is the observation of a man's actions. Every action is always in perfect agreement with the scale of values or wants because these scales are nothing but an interpretation of a man's acting."

I disagree with Mises on only one point here: There is indeed an "objection to such a presentation of the state of affairs": it has fooled scholars such as O'Neill to even acknowledge that there is a separate "scale of wants or values in (the actor's) mind" floating out there or up there somewhere, completely separate from his action. O'Neill, with his "causal-realist" approach, thinks that this separate "scale of values" has *caused* the actor to make a given choice, and accuses me of inverting this causal relationship; namely, thinking that the choice has caused the scale of values. If there is only one thing involved, just the action, not the scale of values, then no one can possibly think that the one causes the other. On the other hand, thymologically, I have no objection to Mises' mention of the scale of values. But we have to be cautious in our interpretation of it.

looking at all the nice equivalent packages of butter. Second, he picks one out, and takes it to the cash register. In between the two stages, he has had a change of mind. Now, he wants to buy a pound of butter. And, his preferences have changed. Before, thymologically, he was indifferent between the various units. After, one of them is closest to hand, so he chooses that one for that sole reason. The "transaction" occurred, only, in the second of these two stages. There was no transaction beforehand, when he was merely looking at the display, without wanting to purchase any. So, there was no change in the course of this transaction.

I also part company from O'Neill (2010, 83) when he says that the "the act of choice is not contingent on any greater scrutiny being applied to the evaluation of the units of butter once the necessity of choice is evident." On the contrary, there *is* "greater scrutiny": the actor must now distinguish between all of the units of butter, and pick one that is closest to hand (or at the very top, so that he does not cause all the packages to fall down by yanking away at one of them at the bottom of the pile.)

VIII. Amalgamating mutually exclusive acts into a single "choice"

In this section O'Neill criticizes the work of Hoppe (2005), based on Searle (1984) and I commend O'Neill (2010) for his important and incisive critique of the latter two. In my introduction, I paid a special compliment to O'Neill's magisterial footnote 8. I just reread it, and am even more impressed with it. I shall leave any possible rejoinder to these insights to their target, Hoppe, since I entirely agree with O'Neill on this critique of his.

However, I cannot let pass one error of his, here. O'Neill (2010, 87, material in brackets [] supplied by the present author) states: "Nor could she [the mother of two drowning sons, of whom she can only save one] follow the strict preference approach of Rothbard and say, with a straight face, "I really didn't have a *choice* of which to save; after all, I loved them both equally!"

I fail to see how anything Rothbard (1997) said on the matter opens himself up to this criticism. Of course this poor mother has a *choice*: a horrendous, gut-wrenching choice, but, still, a choice: to save her beloved son Peter or her beloved son Paul, given that she cannot do both.

But, I want to end this section of my paper on a positive note. I cannot do any better in this regard than to quote O'Neill's (2010, 91) insightful summary of his critique of Hoppe (2005): "Hoppe's analysis of indifference and choice is certainly compelling and innovative. But it is ultimately at odds with the plain meaning of choice."[10]

IX. Fixing the problem: non-strict preference and the law of revealed preference

[10] I am very much in awe of O'Neill's (2010) critique of Hoppe. I had two cracks at Hoppe (2005, 2009) in my Block (2009A) and Block and Barnett (2010), and yet I'd give my eye teeth to have written that magnificent footnote 8 on Hoppe of O'Neill's.

After the highs of O'Neill's critique of Hoppe (2005), we enter the lows of this present section of his paper. Here, he (O'Neill, 2010, 91) avers:

"Human action does not actually reveal strict preferences—instead, it reveals inconsistency with some strict preference possibilities. If a person takes action A, but could have taken action B instead, and didn't, then this reveals that the ends of action B were *not* strictly preferred to the ends of action A—after all, if action B were strictly preferred to action A then action B would have been taken. Now, it could be that the person prefers action A to action B, or it could be that he is indifferent between the two. Both are logically consistent with the action taken, and must be so, in order to avoid the problems presented by equally optimal actions."

So, A chooses to eat an apple, when he could have had a banana. From this, O'Neil deduces that A *might* prefer the apple to the banana, but, he might, also, be indifferent between consuming either of the two fruits. On what basis? It would appear that O'Neill makes it up as he goes along. With this logic, this author might as well deduce that A actually prefers the banana to the apple; he just ate the latter, who knows why. The point is, for O'Neill, it would be impossible to ever infer the *absence* of indifference. If O'Neill cannot exclude indifference in this open and shut paradigm case of *preference* where A eats the apple when he could have consumed the banana, he cannot *ever* exclude it. The entire corpus of Austrian economics deteriorates down to the level of indifference. Is O'Neill secretly channeling the German Historical School, for whom there cannot be any such thing as economic *law*? If we cannot unambiguously construe from this example, praxeologically, that A unambiguously prefers the apple to the banana, then we cannot deduce anything. Economic law vanishes, and with it pretty much all of Austrian economics.

## X. Indifference as a praxeological category

In this section we observe some puzzling statements, which can easily be interpreted as O'Neill (2010, 93, footnote omitted) conceding away his entire thesis. For example, he allows:

"Of course, it is never possible to observe indifference manifested in action according to revealed preference. For this would require an actor to choose A over B, and also choose B over A in the same exact context (even at the same time). Clearly this cannot occur, since these two actions are mutually exclusive. However, this is no objection to the formation of the praxeological category of indifference, since these relations still hold from an examination of the nature of human action, not the observation of any particular action. In other words, since we know from action that the 'no worse than' relation can exist, this logically implies that the indifference relation also exists, even though we never observe it in action!"

I regard this as highly problematic. We cannot observe indifference in "any particular action" but, somehow, we can infer it from the "nature of human action?" In clear contrast, we *can* observe preference. It occurs every day. No, every second. No, in each and every human action, without exception, and a globe with some seven billion people, numerous instances of preference can be observed at all times. From *what* human action, pray tell, can we "infer" indifference? No, wait, I must retract that. We already know. We can deduce indifference from the act of "a person takes

action A, but could have taken action B instead and didn't" (O'Neill, 2010, 91). If this truly entitles us to conclude indifference,[11] I'm going to give up on praxeology and embrace mysticism.[12]

XI. Explaining the choice between economically irrelevant alternatives

States O'Neill (2010, 94): "Where the non-strict preference approach allows Austrian economists to follow the subjective theory of value to its logical conclusion and adopt praxeological indifference and homogeneity, the strict preference approach sees even the most ardent Austrian methodologists drop praxeology like a hot potato and instead appeal elsewhere for their theory of diminishing marginal returns."

But this is incorrect. As we have seen, it is not at all required that the strict preference-approach scholars "drop praxeology like a hot potato"[13] when it comes to the theory of diminishing returns. As I have argued, supra, it is possible for us to have our cake and eat it too: we can maintain that indifference is incompatible with human action, and, yet, cleave to the view that it is a *praxeological* insight that when someone is forced to give up one of his five units of water, no matter which one he was previously using it for, he will suffer the loss of the least important purpose to which he previously put this good.

As for dropping "praxeology like a hot potato" there is nothing wrong with doing that, when it is warranted. O'Neill (2010, 94) is quite justified in doing precisely that, himself, when he says: "Under this view, the particular choice from among equally optimal actions is a matter that is outside the domain of praxeology and economics. It is an economically irrelevant choice in that it does not affect any of the satisfactions anticipated to be gained from action. The explanation of the particular choice from among equally optimal actions, if such is thought to be necessary at all, must arise from some other source, whether this is psychology, neuroscience, or some other field." Yes, praxeology does not encompass all of knowledge. No debate there.

XII. Conclusion

O'Neill (2010, 95) concludes as follows: "While Nozick might gloat a bit from beyond the grave, this would seem to be, not a defeat for Austrian economics, but a triumph of its praxeological method."

In my view, in contrast, Nozick is now cackling with glee. He is laughing so hard at Austrian economics that if he increases this activity any more, he is likely to come back from the grave and haunt us again. With "refutations" of the sort offered by O'Neill, Nozick (1977) will have triumphed.

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[11] We are not including thymology here.
[12] I am puzzled by O'Neill (2010, 93): "… we can relate indifference to the primary praxeological relation if we want to." If we *want* to? This smacks of ultra-subjectivisim, and polylogism.
[13] This scholar has a way with a word, and I admire him for this talent.

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