

## **HAYEK IN LAWSON'S VIEW: POSITIVISM, HERMENEUTICS AND ONTOLOGICAL INDIVIDUALISM**

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### **Resumen**

En este trabajo analizaremos la crítica de Lawson a Hayek de no haber trascendido el positivismo. Distinguiremos en la crítica dos planos: el metodológico y el ontológico.

En cuanto a lo que refiere la crítica metodológica, consideramos que la interpretación positivista de Lawson sobre Hayek respecto al método en economía, no es la única posible, e intentaremos desarrollar otra.

Acercas de la crítica ontológica, señalaremos que si bien es posible entenderlo a Hayek como un positivista ontológico, dado que asume un individualismo ontológico, esto no llevaría necesariamente a un positivismo –cuestión a la que Lawson pareciera acercar a Hayek después de 1955- sino que se le puede atribuir un individualismo ontológico moderado fundado en una interpretación realista de la fenomenología de Husserl.

### **Abstract**

In this paper we will analyze Lawson's criticism of Hayek for not having transcended positivism. We will distinguish two levels in the criticism: methodological and ontological.

So far as methodological criticism is concerned, we consider that Lawson's positivist interpretation of Hayek regarding the method in economics is not the only possible, and we will try to develop another one.

With respect to ontological criticism, we will state that though it is possible to understand Hayek as an ontological positivist, since he assumes an ontological individualism, this fact would not necessarily lead to positivism -question to which Lawson seems to bring Hayek closer after 1955- but a moderate ontological individualism could be assigned to Hayek founded on a realistic interpretation of Husserl's phenomenology.

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## Introduction

This paper aims at analyzing Lawson's criticism of Hayek's failure to transcend positivism and its errors (Lawson, 1995, 1997a: 135, 1997b). Lawson identifies in Hayek an ontology committed to empirical realism in which the social world is a set of isolated atoms whose knowledge can be expressed by laws that describe constant conjunctions of events, proper of what he calls deductivism<sup>1</sup>(Lawson, 1994: 136-137, 1997b: 131, 1999: 224).<sup>2</sup>

In this article we will not focus on other problems and criticisms that Lawson has received and, that we have already previously addressed (Borella, 2012, 2013, 2017a; Fullbrook, 2009 and Lawson, 2009, 2015).<sup>3</sup>

The criticism to which we will refer is particularly relevant in the area of epistemology of economics because -among other issues-it cuts through the problem and discussions concerning the methods in economics (Lawson, 1997a). When considering the criticism that Lawson makes to Hayek, it is inevitable to notice the consequences of ontological character that follow that "accusation".

On addressing Lawson's ideas about Hayek, we will show that it is necessary to distinguish two levels in the criticism: methodological and ontological. About the former, we will argue that even though, Lawson's positivist interpretation of Hayek on the economic method is plausible, there is another interpretation that we will develop in this paper. As for the latter, we will concede the possibility that Hayek could be understood as an ontological positivist, since he supports an ontological individualism. Though this concession would not necessarily lead us to positivism in Hayek, an issue on which Lawson finally seems to coincide with us, regarding the movement towards something similar to or compatible with an ontology of open systems, as he distinguishes in Hayek, after 1955. However, we will sustain, with

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<sup>1</sup>Notice that this ontology is contrary to Lawson's called "Social Ontology" of Critical Realism, influenced by Bhaskar's Transcendental Realism.

<sup>2</sup>On the characterization of Empirical Realism see also Lawson's books from (1997a), (2003), (2015) and numerous articles. It can also be seen in Fleetwood, S. (1996). Order without equilibrium: a critical realist interpretation of Hayek's spontaneous order. *Cambridge Journal of Economics*, 20(6): 729-747.

<sup>3</sup>For example, we will not deal further with the problem of the misuse of mathematics in Economics, that we have already tackled and that Lawson himself and his critics have thoroughly treated (Hodgson, (2009), Lawson, (2009), (2013a) O'Boyle & McDonough, (2017), Zanotti and Borella, (2018) among others). Neither will we refer to the discussions concerning the relation between Critical Realism and ideology, already present in Fullbrook, (2009), Guerrien, (2009), and O'Boyle & McDonough (2017).

Zanotti (2005 and 2013 among others) that, not only after 1955, there always is in Hayek a moderate ontological individualism compatible with a realism founded on Husserl's phenomenology.

We will present three sections in this paper:

I. Hayek: We will address this author's methodological problem and ontological issue. On the first issue, we will refer to the problem of knowledge, the object of social sciences and its method. On the ontological issue, we will consider spontaneous order, positivism, and individualism.

II. Lawson on Hayek: We will analyze Hayek's anti-naturalism and hermeneutics in social sciences. We will examine the relations, the rules and their connection with ontology.

III. The essential point of our interpretation: We will return to the reasons in order to sustain another interpretation in relation to the positivism attributed to Hayek. First in methodological terms and as for the ontological approach, we will argue that his individualism, in our interpretation, does not necessarily lead to a positivist ontology of closed systems, but we will support its compatibility with a realistic interpretation of Husserl's phenomenology.

## **I. Hayek**

### **1. The methodological problem in Hayek**

#### **1.1. The knowledge problem**

Before dealing with the problem of the method in social sciences in this author's thought, it is necessary to introduce his epistemological approach; the idea that he has about knowledge.

Hayek himself notes the importance of the knowledge that individuals possess, and in particular the problem of the division of knowledge as central to the problem of economics as social science, the problem of the use of knowledge scattered among thousands of people (Hayek, 1936: 50, 1994: 147).

The problem which we pretend to solve is 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. (Hayek, 1936: 50-51)

Economics has long stressed the ‘division of *labour*’ which such a situation involves. But it has laid much less stress on the fragmentation of *knowledge*, on the fact that each member of society can have only a small fraction of the knowledge possessed by all, and that each is therefore ignorant of most of the facts on which the working of society rests. (Hayek, 1973: 14. Emphasis in original).

The problem of the division of knowledge is accompanied by the explanation of what type of knowledge is relevant (Hayek, 1936: 51). Economics has come close to answer a key question of all social sciences about how the combination of fragments of knowledge that exists in different minds produces results, which if they were to be obtained deliberately, would require a knowledge of a guiding mind that no single person can possess. The spontaneous actions of the individuals produce the distribution of resources that can appear to be made according to a single plan, though nobody has planned it (Hayek, 1936:54). There are individuals that have a concrete, determined knowledge about the way in which certain objects can be used for particular purposes (Hayek, 1942-44: 92).

This knowledge never exists as an integrated whole or in one mind, and the only knowledge that can in any sense be said to exist is this separate and often inconsistent and even conflicting views of different people. (Hayek, 1942-44: 92)

Hayek shows that although our civilization is the result of the accumulation of individual knowledge, it is not because of the explicit or conscious combination of all this knowledge in some individual mind, but its personification in symbols that we use without understanding them, in habits, institutions, concepts, rules, that the man in society is capable of taking advantage of a body of knowledge that neither he nor no other person completely possesses (Hayek, 1942-44: 149-150).

Many of the greatest things man has achieved are the result not of consciously directed thought, and still less the product of a deliberately coordinated effort of many individuals, but a process in which the individual plays a part which he can never fully understand. They are greater than any individual precisely because they result from the combination of knowledge more extensive than a single mind can master. (Hayek, 1942-44: 150)

This quotation highlights two fundamental issues. On one side, the idea that many of the great things that man has achieved are not the result of human design. In accordance with this, it can be mentioned Vico’s phrase with which Hayek begins his text from 1967 “*Homo*

*non intelligendo fit omnia*". On the other side, it expresses the possibility of overcoming the limitations of individual knowledge (Hayek, 1967: 63).

The extension in which a conscious direction can improve the results of the unconscious social processes is limited by the fact that every individual mind can know only a fraction of what is known by all minds.

The economic problem is a problem of knowledge. In other words, the fact that the knowledge of the circumstances that we have to use, never exists in a concentrated form, but rather as disperse bits of incomplete and frequently contradictory knowledge that separate individuals possess (Hayek, 1973: 14). Knowledge is not entirely given to anybody (Hayek, 1945a: 77-78). The knowledge to which the author refers is that which is disorganized, that implies the knowledge of particular circumstances of time and space.

How can the combination of fragments of knowledge existing in different minds bring about results which if they were brought about deliberately, would require a knowledge on the part of the directing mind which no single person can possess? (Hayek, 1936: 54)<sup>4</sup>

It is with respect to this that practically every individual has some advantage over all others because he possesses unique information of which beneficial use might be made, but of which use can be made only if the decisions depending on it are left to him or made with his active cooperation. (Hayek, 1945a: 80)

A successful solution can therefore not be based on the authority dealing directly with the objective facts, but must be based on a method of utilizing the knowledge dispersed among all members of society, knowledge of which in any particular instance the central authority will usually know neither who possess it nor whether it exists at all. It can therefore not be utilized by consciously integrating into a coherent whole, but only through some mechanism which will delegate the particular decisions to those who possess it and for that purpose supply them with such information about the general situation as well enable them to make the best use of the particular circumstances of which only they know. (Hayek, 1942-44: 176-177)

If the knowledge of relevant facts is dispersed among many people, prices can act to coordinate the separate actions of different persons (Hayek, 1945a: 85). The system of prices is a mechanism to communicate knowledge. The most significant point is how little the participant individuals have to know to be able to take the correct action. By a kind of

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<sup>4</sup> Note that here, according to Zanotti, (2003: 45), the definition of spontaneous order is included.

symbol, only the essential knowledge is transmitted to whom it corresponds.<sup>5</sup>

It is more than a metaphor to describe the price system as a kind of machinery for registering change, or a system of telecommunications which enables individual producers to watch merely the movement of a few pointers, as an engineer might watch the hands of a few dials, in order to adjust their activities to changes of which they may never know more than is reflected in the price movement. (Hayek, 1945a: 86-87)

The market is understood as a system of use of knowledge, which no one can possess as a whole. That knowledge is condensed in abstract signals. The market uses more knowledge than the authorities can use (Hayek, 1994: 80). It is by this conveying of knowledge in coded form that the competitive efforts of the market game secure the utilization of widely dispersed knowledge (Hayek, 1976: 117).

## 1.2. The object of social sciences

Hayek answers the question about the meaning of facts in social sciences. They do not refer to objective properties that the things we can observe possess, but to the visions that someone has on those objects (Hayek, 1943: 59).

If we wish we could say that all these objects are defined not in terms of their “real” properties but in terms of opinions held about them. In short, in the social sciences the things are what people think they are. Money is money, a word is a word, a cosmetic is a cosmetic, if and because somebody thinks they are. (Hayek, 1943: 60)

Just as there are no “facts”, at least as they are habitually understood in natural sciences, there are no such things as “data” given to the economist either (Zanotti, 2005). The datum is something given. But that arises the question “to whom are the data given?”

Economists appear subconsciously always to have been somewhat uneasy about this point and to have reassured themselves against the feeling that they did not quite know to whom the facts were given by understanding the fact that they *were* given \_ even by using such pleonastic expressions as “given data”. (Hayek, 1936: 39)

But ultimately, of course, it goes back to the assumption of the economists pleonastically call “given data”, this *ridiculous concept* that, if you assume the fiction that you know all the facts, the conclusion you derive from this assumption can apply

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<sup>5</sup> See Fleetwood, S. (1995). *Hayek's Political Economy*. London: Routledge, chapter 5: 72.

directly to the world. My whole thinking on this started with my old friend Freddy Benham joking about economists speaking about given data just to reassure themselves that what was given was really given. That led me, in part, to ask to whom were the data really given. To us, it was of course [given] to nobody. The economist assumes [the data] are given to him, but *that's fiction*. In fact, there's no one who knows all the data or the whole process, and that's what led me, in the thirties, to the idea that the whole problem was the utilization of information dispersed among thousands of people and not processed by anyone. (Hayek, 1994: 147. Emphasis added)

There are no “data”, and no data “given to someone”. The facts with which social sciences deal are what people that act think they are (Hayek, 1942-44: 44). Social sciences tackle the relations between men and things or between men and men. “They are concerned with man’s actions, and their aim is to explain the unintended or undesigned results of the actions of many men” (Hayek, 1942-44: 41).

The objects of economic activity cannot be defined in objective terms, but in reference to a human purpose, in terms of the visions that people have of things (Hayek, 1942-44: 53).<sup>6</sup>

(...) general concepts such as “society”, “economics”, “capitalism”, are not given facts, or objective data that we can recognize by common physical attributes (as would, possibly, do a natural science), but provisional theories that explain the connection between individual phenomena that we observe, which are precisely the interactions of human actions interrelated, known from the aims of those actions. (Zanotti, 2013: 98-99. Translation mine).

### 1.3. The method

Since the objects of economic activity cannot be defined in material terms but in reference to a human purpose, Hayek sustains a subjectivism. “Neither a “commodity” or an “economic good”, nor “food” or “money”, can be defined in physical terms but only in terms of views people hold about things” (1942-44:53).

The social wholes are not given facts, objective data, but constructions of our mind. They cannot be perceived separately from a mental scheme that shows the connection between some of the individual facts we can observe (Hayek, 1942-44: 96). They do not exist separately from the theory by which we constitute them (Hayek, 1942-44: 125).<sup>7</sup>

The facts of social sciences have been wrongly constructed and utilized in an attempt to apply

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<sup>6</sup> See Fleetwood, S. (1995: 30-39 and 43).

<sup>7</sup> This has nothing to do with postmodern skepticism. They are not arbitrary constructions, but theories on intersubjective relations’ spontaneous order that might exist as facts in the real world.

the methods from the physical to the social sciences. Hayek called “Scientism” to this incorrect application.

(...) all human action is based on people’s subjective perceptions and beliefs, or what Hayek calls *opinions*. (Caldwell, 2004: 244.Emphasis in original)

Simply put, the task of the social scientist is to show how the constitutive opinions of individual agents lead them to create through their actions the more complex structures that constitute the social world. (Caldwell, 2004: 245)

This implies describing how the actions of individuals produce unintended consequences that are not the result of anyone’s design (Caldwell, 2004: 246).The method of social sciences is compositive or synthetic. It is the deductive hypothetical method (Hayek,1955).

The social sciences, thus, do not deal with “given” wholes but their task is to constitute these wholes by constructing models from the familiar elements\_ models which reproduce the structure of relationships between some of the many phenomena which we always simultaneously observe in real life. (Hayek, 1942-44: 98)<sup>8</sup>

The points which we want to stress are that in all such attempts we must start from what men think and mean to do: from the fact that the individuals which compose society are guided in their actions by a classification of things or events according to a system of sense qualities and of concepts which has a common structure and which we know because we, too, are men; and that the concrete knowledge which different individuals possess will differ in important respects. Not only man’s action towards external objects but also all the relations between men and all the social institutions can be understood only by what men think about them. (Hayek, 1942-44:57)

The true elements of the social structure are the individual concepts, the visions that people have formed from each other (Hayek, 1942-44: 58).From here follows his proposal of a methodological individualism or compositive method. It is seen Karl Popper’s influence, in terms of methodology, and in that sense, the primacy of theory overobservation.

## **2 The ontological issue**

### **2.1. The spontaneous order**

Before we refer to the notion of spontaneous order, we will recall what Hayek understands by order.

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<sup>8</sup> Notice here the Kantian influence, in which the task of social sciences is to provide schemes of structural relations, that the historian can use when he tries that the elements fit in a significant whole (Zanotti, 2013: 117).



By 'order' we shall throughout describe *a state of affairs in which a multiplicity of elements of various kinds are so related to each other that we may learn from our acquaintance with some spatial or temporal part of the whole to formulate correct expectations concerning the rest, or at least expectations which have a good chance of proving correct.* (Hayek, 1973: 36. Emphasis in original)

Hayek (1973: 67-68) distinguishes the created or exogenous order, from the autogenous or endogenous order. The first can be understood as a structure, artificial order or organization. In classical Greek it was called *taxis*. The second is the spontaneous order or, in Greek, *cosmos*. The ordered structures, proper of the social sciences, are not the result of human design although they are the consequence of a plural activity. They "are the outcome of processes of evolution whose results nobody foresaw or designed" (Hayek, 1973:117).

As for the created order or *taxis*, it is relatively simple (limited by the creator's mind), concrete (intuitively perceptible) and at the service of some purpose of the creator. By contrast, in a spontaneous order or *cosmos*, the complexity is not limited by a human mind, nor perceived by senses because it is based on abstract relations, and given it is not the product of deliberate creation, it does not pursue a determined purpose (Hayek, 1973: 69-70). Zanotti (2003) holds that Hayek's theory of knowledge is the foundation of the theory of spontaneous order.

In general, we could say that when a series of social interactions takes us to such a state of affairs that it would have been impossible to plan by a single human being, we are in a case of spontaneity of the social order.<sup>9</sup>(Zanotti, 2003: 14. Translation mine)

The theory of spontaneous order has the Scottish School of Hume, Smith and Ferguson as antecedent (Zanotti, 2003: 21-28). Gallo (1987) deepens the Scottish's School contribution to the analysis of the evolution of social institutions. It highlights a notion of man in which this is "a complex beam of mixed feelings and passions, virtues and defects, wisdom and clumsiness" (Gallo, 1987: 3).<sup>10</sup>This idea of man comprises these concepts: 1) that man acts for his own interest, 2) that human knowledge is limited, and 3) that there is scarcity of resources to satisfy all desires. Thereupon, Gallo explains that the ability to create wealth seems not to be possible, given the conditions presented. However, that was possible but not

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<sup>9</sup> In this text Zanotti (2003: 85) states two dominant ideas present in the classic liberal tradition in the subject of individual freedom, which Hayek reinforces: 1. Liberty as absence of coercion. 2. The analysis of the harm principle, the adoption of the damage to third parties as a limit to the own individual freedom.

<sup>10</sup>The translation of quotations from this text here and hereafter is mine.

because of a deliberate plan. Institutions are “certainly the result of human actions, but not of the execution of a human design” and “a very significant part of our institutions (justice, money, market, language, etc.) spontaneously emerged from those human interactions well before thinkers and analysts systematize their contents” (Gallo, 1987:6).

Hayek notes that the order in the social world is only partially the result of human design, that “(...) not all order that results from the interplay of human actions is the result of design (...)” (1967: 10). He adds that “the existing institutions are not all the product of design, neither would it be possible to make the social order wholly dependent on design without at the same time greatly restricting the utilization of available knowledge” (Hayek, 1973: 5).

The market process is a case of spontaneous order in social sciences, in which imperfect knowledge is supposed in those who act, contrary to neoclassical models of perfect competition (Zanotti, 2004: 36).

Hayek develops in social sciences the fundamental notion of “pattern predictions”, that are emergent, qualitative predictions of spontaneous approaches. They are “the epistemological result consistent with the theory of spontaneous order, this time taken as a means of interpretation of the world” (Zanotti, 2003: 39. Translation mine). They are “predictions of models with incomplete knowledge” (Zanotti, 2004: 39. Translation mine). In social sciences the general conjecture that those disciplines make, implies a model of spontaneous order that is being analyzed.

## **2.2. Positivism and individualism**

In anthropological terms, to the theory of spontaneous order underlies a theory of human capacities of knowledge (Zanotti, 2003: 29-34).

Hayek sustains that there are innate dispositions to learning. In “The Primacy of the Abstract” (1968), the abstract, the universal, refers to how we interpret reality, to the previous approach to observation (Zanotti, 2003: 30).

What I contend, in short, is that the mind must be capable of performing abstract operations in order to be able to perceive particulars, and that this capacity appears

long before we can speak of a conscious awareness of particulars. (Hayek, 1968: 37)

What I have called an abstraction is primarily such a disposition towards certain ranges of actions, that the various “qualities” which we attribute to our sensations and perceptions are these dispositions which they evoke, and that both the specification of a particular experienced event, and the specification of a particular response to it, are the result of a superimposition of many such dispositions to kinds of actions, which result in the connection of particular stimuli with particular actions. (Hayek, 1968: 40)

The innate dispositions in Hayek are found in language, ethology and in Popper’s idea that theory precedes observation (Hayek, 1968: 37-39). According to the Neo-kantian orientation of this position, the primacy of the abstract would imply certain *a priori* categories (not strictly Kantian), on the data of a singular concrete world, which are ordered by those categories. Given the limits of knowledge, the innate disposition of man to proceed abstractly, avoids complete disorder (Zanotti, 2003: 31).

In *The Sensory Order* (1952), Hayek provides neurophysiological foundation for the idea that knowledge from which people act is subjective and disperse (Lewis, 2013: 405, note 19).

In that work he distinguishes two orders in which we classify the objects of the world around us:

1. The physical order of sensory experiences in which the events are classified according to their sensory properties such as colours, sounds, smells...
2. The phenomenal, mental or sensory order which includes the same events and others but that treats them as similar or different according to, if with other events they produce similar or different external events (Hayek, 1952: 3; Lewis, 2016:4).

Lewis notes that Hayek describes people as social beings intrinsically. The capacity of reasoning, the beliefs, aims and behaviour are conformed by traditions, customs and rules of their society (Lewis, 2013: 393). Likewise, Lewis makes his own the change that Hayek perceives on the treatment of the so called natural and social sciences (Caldwell, 2004: 232-60; 297-306): the step from an anti-naturalism expressed in Hayek (1942-44) to the differentiation of the disciplines depending on whether the object was simple or complex since his text from 1955 (Lewis, 2013: 404).<sup>11</sup>

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<sup>11</sup> On the notion of complex system in Hayek, see Lewis, P.(2017).The Ostroms and Hayek as Theorists of Complex Adaptive Systems: Commonality and Complementarity. *The Austrian and Bloomington Schools of*

What is Hayek's individualism? In "Individualism: True and False", Hayek elaborates on his position on individualism. He explains the origin of that concept in the Saint-Simonians, the founders of modern socialism, to describe a competitive society. To this notion of individualism they opposed the word socialism to characterize a centrally planned society (Hayek, 1945b: 3, note 1).

In this text he adheres to what he calls "true individualism". He finds its origin in Locke, Mandeville, Hume, Tucker, Ferguson, Smith, Burke, De Tocqueville, and Lord Acton (Hayek, 1945b: 4).

The methodological individualism is a characteristic of the method in social sciences according to which all the social phenomena are reducible in their origin to the action of certain individuals. For the methodological individualism there are no aggregates or social macro sets that perform actions that can be only predicated from individual persons. And this is, precisely, because of the intentional element -proper of individual subjects- that exists in the objects of social sciences. (Zanotti, 2004: 35. Translation mine)<sup>12</sup>

The individualism to which he adheres and calls true is, firstly, a theory of society, an attempt to understand the forces which determine man's social life. Then, it is a set of maxims derived from this vision of society (Hayek, 1945b: 6). It implies the idea that the social phenomena are understood by the individual actions aimed at other people and guided by their expected behaviour. It is very important to notice that this definition of individualism implies that it is contrary to what is habitually understood by this term.

This fact should by itself be sufficient to refute the silliest of the common misunderstandings: the belief that individualism postulates (or bases its arguments on the assumption of) the existence of isolated or self-contained individuals, instead of starting from men whose whole nature and character is determined by their existence in society. (Hayek, 1945b: 6)

True individualism is also contrary to pseudo-rationalist individualism which leads to a practical collectivism. It is the affirmation that many of the institutions in which human achievements rest have emerged and function without a designing and leading mind, and that the spontaneous collaboration of free men can frequently create things that are greater than what

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*Political Economy, Advances in Austrian Economics*, pp. 49-80.

<sup>12</sup> This last sentence leads to intersubjectivity and intentional human action as a road to Zanotti's realistic hermeneutics.

their individual minds can fully understand. Most of the order that we find in human affairs is the unforeseen result of individual actions.

Reason in this individualism is very limited and imperfect. The consciousness of the limitations of the individual mind leads to a humble attitude towards the impersonal and anonymous social processes by which the individuals help create greater things than the ones they know (Hayek, 1945b: 6-8).

## **II. Lawson on Hayek**

As we have stated, Lawson considers that Hayek has not overcome positivism. To deal with that criticism we have introduced the distinction between the methodological level and the ontological level. In Lawson's criticism this distinction does not appear, and it is comprehensible that it does not appear because for him methodologies necessarily imply strong ontological commitments. Thereby, in Lawson, a methodological positivism necessarily implies an ontological positivism inherent to Empirical Realism committed to the idea that the social world is constituted by isolated atoms (Fleetwood, 2007, 2014, 2017; Lawson, 1995, 1997a, 2003, 2015).<sup>13</sup>

We will highlight the distinction to be able to consider Lawson's criticism.<sup>14</sup>

It is clear in fact, that if the theory of explanation and science in question turns upon identifying or positing regularities of the form 'whenever event x then event y' \_let us refer to systems in which such a constant conjunctions of events arise as closed\_ then a precondition of the universality, or wide applicability, of deductivism is simply that reality is characterized by a ubiquity of such closures. (Lawson, 1997a: 19)

### **1. Anti-naturalism and hermeneutics**

Lawson recognizes in Hayek (1942-44) his disposition to elaborate an anti-naturalist approach on how social phenomena must be understood, the defense of a subjectivism in social sciences, the idea that social life depends on human conceptions and beliefs, and that

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<sup>13</sup> A route of the notion of positivism according to Lawson can be found in 1997a: 292-293.

<sup>14</sup> An ontological positivism would be the ontology underlying methodological positivism, this is, its ontological commitments. In the case of methodological individualism, with an empirical realist ontology and closed systems, the idea that the social world is constituted by isolated atoms.

the compositive method is the one that enables us to access to the complex phenomena (Lawson, 1995: 102- 103).

However, he understands that Hayek has sustained a vision of social sciences focusing on events and states of affairs and elaborating constant conjunctions of events. In the field of natural sciences Lawson assumes a methodological positivism in Hayek, which he links to empirical realism in ontological terms (Lawson, 1994: 136,1997b).

Even though Lawson states that Hayek explains his attempt to develop a non-positivist proposal for science in “Scientism...”, he considers Hayek does not achieve it. Given that, in his opinion, Hayek reproduces a *subjectivized* version of certain errors of positivism (Lawson, 1995: 104). The fundamental problem that Lawson finds is that Hayek neither offers nor adheres to a structured ontology. In other words, to an ontology of the type of Lawson’s Social Ontology.<sup>15</sup>

Hayek, then, does move beyond Hume, but not by much. Most significantly, it is important to recognize in all this that Hayek does not posit a structured ontology. Social rules, relations, and so forth, are not (yet) recognized as real causal factors. And a most significant implication of this is that for Hayek, neither human conceptions nor actions are matters to be *explained* or further analyzed in social science, but *merely* items to be grasped or understood. (Lawson, 1995: 106. Emphasis in original)

Even though some authors as Fleetwood (1995: 4) identify three periods in Hayek’s thought: I) 1931 II) 1942-44, and III) 1960’s and in this context Hayek’s anti-positivism would appear in Hayek III, which is a plausible interpretation, we hold with Zanotti that, given the intentional character of human action and intersubjectivity, a realistic interpretation of Husserl’s phenomenology, opposed to positivism, is compatible with and fortifies Hayek’s epistemology and that he has held a moderate methodological individualism. (Assuming that there is not a U-turn in this autor in 1960’s, but a displacement towards an ontology of open systems. This will be pointed out in section III)

Considering Fleetwood’s distinction of the three periods in Hayek’s proposal, it is important

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<sup>15</sup> The characteristics of Critical Realism can be found mainly in Lawson (1997a, 2003 & 2015). We have also explained them in (2012). Aislamiento y modelos económicos en el Realismo Crítico, *Economía*, XXXVII, 139-152 and in chapter 5 of (2017a). Modelos Económicos y Realidad, C.A.B.A.: Unión Editorial Argentina/Grupo Unión. They can also be seen in Fleetwood (2014), (2016) y (2017) and in numerous papers of Lawson himself and of other authors.

to note that the facts of the social sciences are not another positivist objectivism. Those facts are, actually the basis of the interpretation that the social scientist makes on the interpretation of the social actors. And this can only be explained with our reading of intersubjectivity in Hayek.

It does not open to contrast explanation that would allow, according to Lawson, the understanding of mechanisms that are underlying the events or state of affairs and are essential part of a structured ontology or of open systems as his Social Ontology. Contrast explanation is Lawson's methodological approach to capture mechanisms operating at ontological level.

In accordance to Lawson, Hayek changes "the facts" of positivism for opinions and beliefs. "Thus, in place of the brute facts of positivism we find in Hayek's limited focus for social science, in effect, the brute opinions, beliefs and attitudes of hermeneutical foundationalism" (Lawson, 1995: 107). The errors of positivism are, to Lawson, reproduced in hermeneutic key (Lawson, 1994: 147).

Taking into account Eco's (1998) distinction between *intentio auctoris* and *intentio lectoris* we recognize that Lawson and Fleetwood may be right about hermeneutics being the substitution of one fact by another in Hayek's 1936 and 1942-44 texts.<sup>16</sup> However, from our point of view of our *intentio lectoris* we may be right about the idea that when adding Husserl's intersubjectivity to our interpretation of Hayek, Hayek is not positivist. Our interpretation of Hayek is not an aberrant decoding because the text has room for interpretation. In our interpretation the hermeneutics that Fleetwood and Lawson incorporate in Hayek II, it is not the substitution of one fact by another, and Hayek II gets near III because of the role of hermeneutics as we are defining it (Hayek, 1942-44).

This subjectivist or hermeneutic position in which opinions or beliefs constitute the social world is problematic according to Lawson, because the social realm is not exhausted in conceptual aspects. And in addition, these are not available immediately to the conscience (Lawson, 1994:141).

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<sup>16</sup>Hayek, 1936: 53, note 18.

The problem with this position is that, first, the social realm is not in fact exhausted by its conceptual aspects while, second, relevant conceptual aspects, typically are not immediately available to consciousness (and so accessible by the social scientist) while the latter may in some way that is significant for the social science be false. (Lawson, 1994: 141)

Hayek's Neo-kantian orientation rests, to Lawson, on an empiricist ontology. The beliefs and opinions that constitute society are atomistic and externally related. From there he infers, then, that the social whole will have those characteristics (Idem: 147).

Specifically, I want now to argue that Hayek's (effectively neo-Kantian) orientation rests on an essentially positivist perspective on natural science or at least, and more generally, on an implicit empiricist ontology. (Idem: 145)<sup>17</sup>

The use of the name "hermeneutic foundationalism" is linked not only to the beliefs or attitudes already mentioned, but also especially to the allegedly correct function of science. In Lawson science should explain which mechanisms operate behind certain events.<sup>18</sup> However, this does not occur, in his opinion, in Hayek, to whom social science should understand. Hence, Lawson's characterization of Hayek as an hermeneutist. (Lawson, 1995: 106, 1997b: 137). Therefore, this position could be open to the issue on the predictive capacity of economics. As we have suggested, the defense of the explanation in economics in Lawson is closely related to the impossibility of prediction that he sustains in this discipline. Whereas in Hayek, it can be found the idea that the complex phenomena can be known by "pattern predictions", this possibility in social sciences differs from what it is possible in those disciplines that deal with simple phenomena. By this, he did not mean prediction based upon induction from past event regularities. This type of patterns will appear if certain general conditions are fulfilled, but this does not mean that predictions of specific phenomena be achieved. The prediction of the formation of this *general type of pattern* relies on general factual assumptions such as: the people participate in commerce to earn an income, that they prefer a higher income to a lower one, that they are not prevented from entering the business

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<sup>17</sup> See Lawson 1997a: 292-293 and note 14 of this paper.

<sup>18</sup>On the notion of mechanisms in Critical Realism see our "Mecanismos en el Realismo Crítico" [on line]. IX Jornadas de Investigación en Filosofía, 28 al 30 de agosto de 2013, La Plata, Argentina.

In Memoria Académica. Available in: [http://www.memoria.fahce.unlp.edu.ar/trab\\_eventos/ev.2890/ev.2890.pdf](http://www.memoria.fahce.unlp.edu.ar/trab_eventos/ev.2890/ev.2890.pdf) and (2017b) "Sobre mecanismos en sistemas abiertos", Libertas Segunda Época, Vol. 2, N°2, pp. 3-11.



they want, etc. (Hayek, 1964a: 35).<sup>19</sup>

Fleetwood notes that what Hayek refers to as pattern predictions are pretty close to what Lawson would call demi-regs. They are statements about vague generalities that allow us to identify some action as a particular type of action. This is a million miles from saying if X happens, Y will follow because it did yesterday, and the day before etc. So, when Hayek accepts pattern predictions, he does not accept prediction via induction, so he does not need to close the system.

Lawson and Fleetwood are right if by prediction it is understood what Friedman (1953) understands for prediction. But when Hayek states that there is spontaneous order, the very same definition of that order has an implicit prediction that is the pattern prediction. Since when you define spontaneous order you point out that “given certain conditions, there is a tendency from less coordination to more coordination”. This is the pattern prediction (Zanotti and Borella, 2015).

The epistemological foundationalism, or an hermeneutic version of that position in Hayek, is according to Lawson, rooted in an atomistic individualism that favors understanding over explanation (Lawson, 1997a: 145). The point is, Hayek’s individual presumes ontological individual because there is nothing else in the social world besides agents beliefs – i.e. at this stage, there are no rules existing independently of agents conceptions. It is “a conception that is not at all that different from the positivism that Hayek was attempting to transcend” (Lawson, 1997b: 146).

The hermeneutic tradition is correct, of course, to point out that social science deals with a pre-interpreted reality, a reality already brought under concepts by individual agents. It is also correct to insist, as Hayek does, that the methodological implications of this be elaborated and acted upon in science. Its error, however, lies in reducing social reality to these concepts, and so social science to little more than their problematic grasping. (Lawson, 1997a: 149)

Fleetwood has noted that while for Hayek the atoms are subjective, hermeneutic beliefs, for positivists the atoms are objective facts that are observed. Lawson states that Hayek reproduces the errors of positivism. However, it should be reminded, here, that “Hayek’s

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<sup>19</sup> In the case of Lawson’s proposal we are not presupposing this assumptions, but holding transfactuality of mechanisms.

facts” are not another positivist objectivism, but the basis of the interpretation that the social scientist makes on the interpretation of the social actors. This is explained with our reading of intersubjectivity in Hayek.<sup>20</sup>

## 2. Relations, rules and ontology

Even though Hayek defines the object of social sciences by relations, opinions and beliefs, this does not respond, according to Lawson, to his criticism of not having overcome positivism to which underlies an empiricist ontology of closed systems, because relations in Hayek are attitudes (Lawson, 1997a: 292-293; Hayek, 1942-44: 97).<sup>21</sup> “(...) For Hayek at that time [1942- 44], relations are the same thing as attitudes; they are particular attitudes that people take towards each other and things”. (Lawson, 1997b: 135)<sup>22</sup> Thus, relations in Hayek are not the same as in Lawson. Discounting, naturally, the absence in Hayek, completely relevant in Lawson, of the distinction between external and internal relations. This Hayek II - in Fleetwood terms- may be read through an hermeneutic view, as stated in section 1, part II of this paper.

If relations are understood in a different way in Lawson, then it is not possible to open from this notion to a structured ontology (Lawson, 1997a: 139-140). We agree with Lawson on that the notion of relation in Hayek is ontologically very weak and does not lead to Social Ontology. However, our *intention lectoris* of Hayek, totally plausible, allows us to say that Hayek’s texts are compatible with Husserl’s notion of intersubjectivity, already mentioned.

Focused on this, Lawson carries forward his criticism, although he notices a change of thought in Hayek when he introduces the notion of rule. This notion of rule can open to a transformation towards a structured ontology. It should be noted that in Lawson rules constitute, together with other “elements”, his social ontology (Lawson, 1997a: 157-173, 2003: 16-18, 2012, 2013b, 2014, 2015: 174).

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<sup>20</sup> See the first part of this section.

<sup>21</sup> See note 14 in this paper.

<sup>22</sup> On the notions of open and closed systems see: Bigo, V. (2006). Open and Closed Systems and the Cambridge School. *Review of Social Economy*, 493-514; Chick, V. & Dow, S. (2005). The meaning of Open Systems. *Journal of Economic Methodology*, 12:3, 363-381, Lawson, T. (2002). Social Explanation and Popper. Lecture given at the Popper Anniversary Conference, University of Galway and Fleetwood, (2017). The critical realist conception of open and closed systems. *Journal of Economic Methodology*, Volume 4, Issue 1, pp. 41-68.

It should be remembered Hayek's distinction between types of rules or norms in *nomos* and *thesis*. The first one refers to a universal rule of fair behavior, abstract, and independent of individual aims. Rules as *nomos* lead to the formation of a spontaneous order or *cosmos*. The second is not universal in its proposal nor independent of aims. It is applicable only to particular persons or at the service of the aims of the rulers. It corresponds to the order deliberately created by man or *taxis* (Hayek, 1967: 67-69). Notice that here, the rules in Hayek are also related to ontological issues.

In relation to this transformation in Hayek's thought, that Lawson notes, it is also framed by Lewis' position that understands that "Hayek's later work (post 1960) can be seen through critical lens (...)" (Lewis, 2013: 386).<sup>23</sup> In this author's reflections the rules appear too (Idem: 391; Hayek, 1976: 6-17).

In arguing both that the coordinative power of price mechanism obtains only when people's actions are in conformity with certain systems of rules, and also that is irreducible to those rules, Hayek is of course suggesting that the power in question is an emergent property; it is emergent because it is possessed only by a particular "whole" (Hayek [1964] 2014: 262) in Lawson's (1997: 64, 166, 2015a: 35-36) terminology, a 'totality'—namely a society where people's interactions are governed and structured by the appropriate system of rules (and not by those individuals either taken in isolation or by a group whose conduct is governed by an inappropriate set of rules). (Lewis, 2016: 13-14)

Lewis (2016) states that when Hayek remarks that the power of coordination of the prices mechanism is obtained when the actions of people are in conformity to certain systems of rules and are irreducible to those rules, he is suggesting that the power of prices is an emergent property possessed by the social whole. The rules are devices that facilitate knowledge (Fleetwood, 1996).

To some extent every organization must rely also on rules and not only on specific commands. The reason here is the same as that which makes it necessary for a spontaneous order to rely solely on rules; namely that by guiding the actions of individuals by rules rather than specific commands it is possible to make use of knowledge which nobody possesses as a whole. (Hayek, 1973: 48-49)

However, as Hayek ultimately came to realize, the dissemination of knowledge required for plan coordination is facilitated not only by price signals, as outlined in his path-breaking 1945 paper on the epistemic role of freely-formed market prices (Hayek

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<sup>23</sup> He refers here to the view of Critical Realism.

[1945] 2014), but also by the knowledge furnished by shared social rules (including both the formal legal rules of property, tort and contract law and also informal norms of honesty and promise-keeping). (Lewis, 2017:6)

Lewis (2017) posits that a complex system is formed by related parts, whose interaction can be described as a set of rules -rules that in turn require such interaction. He adds that when the individual elements are disposed in structures, their behaviour is different from when they are isolated. This shows that taken as a whole the system displays qualitatively different properties to those of its individual components. These emergent properties depend not only from the parts but also from the structure that organizes or disposes them. "(...) the existence of emergent properties depends not only on the presence of particular parts but also on their standing in certain relations to one another, such properties are ontologically and causally irreducible of the parts of which they are composed" (Lewis, 2017: 4).

In other words, certain powers of coordinated interactions are available to individuals qua community members, constituting affordances, involving rights and obligations that would not have emerged of human individuals were instead mere biological beings that just happened to be situated in close time-space proximity of others but without much, if any, sense of group collective practices. So we already can recognize a form of organization (of human interactions) that is ontologically irreducible, involving powers or affordances that are thereby causally irreducible. (Lawson, 2012: 364)

Lewis (2016) explains the transformation that Lawson advances on how the notion of rules in Hayek opens to the consideration of an ontology of open systems such as the Critical Realism's. If in Lawson's thought the social structure implies positions, rules, rights, obligations which are emergent features of human actions and interactions, such social structure is irreducible to individual actions (Lawson, 2012: 372, 2013b: 4-5).

Notice that the role of rights and obligations in structuring social life presupposes the human capacities of being able to be trustworthy and to be trusting of others, of being willing and able both to make and to keep promises and other commitments, and to believe that others can and will also do so. It should be clear that these human capacities are necessary conditions for the interactions involved to occur, for obligations in particular to be efficacious as the glue of social reality, as the adhesive that enables the organizational structure to achieve a degree of binding". (Lawson, 2014:27)

It can be seen here how this idea that relates the rules to an ontology of open systems, has been predicable of Hayek since 1955. In line with Lawson and Lewis, Fleetwood (1996) will also be placed. Fleetwood sustains that "the mature Hayek" abandons Empirical Realism and adopts something near to Critical Realism. Fleetwood admits that, even though Hayek's work

is in continuous transformation, two significant changes can be distinguished: 1. Economics and Knowledge and 2. The Constitution of Liberty.

Lewis also remarks that in Hayek (1964a), systems such as the market, are complex because they present few, if any, regularities. In Lewis' view, they are "open systems". Besides, he adds that in this author's reflections, the complexity of the social world is partly due to people's capacity to choose the course of action they pursue (Lewis, 2013:396).

Fleetwood (2007: 8-9) shows that the fact of placing Hayek in the frame of the Heterodox Schools in Economics that oppose to the "mainstream", characterizing it as rooted in the deductivism that assumes a commitment with an ontology of closed systems, opens to an approach to Critical Realism.

Very often a system is conceived as a collection of components so organized... that a specific function or outcome is the result. This is the meaning employed by the Cambridge group. And a closed system specifically is simply one in which the outcome is an event regularity. (Bigo, 2006: 497) (Fleetwood, 2013, 2016)

### **III. The essential point of our interpretation**

Even though we could understand criticism of this type -positivist criticism- in the frame of Tony Lawson's Critical Realism, since in this author's thought, as we have mentioned, a methodological individualism assumes an ontological one, Lawson sees in Hayek an ontological positivist when considering that he replaces "the facts" of natural sciences by beliefs, opinions and attitudes. We have put forward that this is a possible reading, though it is not the only one. Our realistic hermeneutic reading of Hayek's thought is also possible.

As regards the methodological positivism that he attributes to Hayek, we show that the hermeneutic approach is not disguised positivism. Since, on one side, there is a defense of the hypothetical deductive method in Hayek, where there is no observation without "theoretical load"; on the other side, there are no facts, and much less given facts. Though Fleetwood's and Lawson's approach would consider that for Hayek II this is correct and that all Lawson says is that Hayek substitutes beliefs for facts – i.e. Lawson transposes empirical realism into another key as he sometimes puts it, we state that Hayek's proposal may also be understood in the frame of a realistic interpretation of Husserl's phenomenology.

Hayek distinguishes the simple phenomena from the complex ones and explicitly rejects the ontology of closed systems which in Lawson is decisive to infer from there a methodological positivism.

It is somewhat misleading to approach this task mainly from the angle of whether such structures are 'open' or 'closed' systems. There are, strictly speaking, no closed systems within the universe. (Hayek, 1964a: 27)

In "Kinds of Rationalism" (1964b: 83) he explicitly remarks that he is anti-positivist. In this article he rejects the rationalistic constructivism or naïve rationalism, in other words the instrumental rationality of positivism: a rationality that leads to a personal inventor of social institutions. Constructivist rationalism is "a conception which assumes that all social institutions are, and ought to be, the product of deliberate design" (Hayek, 1973:4).

Rationalism in this sense is the doctrine which assumes that all institutions which benefit humanity have in the past and ought in the future to be invented in clear awareness of the desirable effects that they produce; that they are to be approved and respected only to the extent that we can show that the particular effects they will produce in any given situation are preferable to the effects another arrangement would produce; that we have it in our power so to shape our institutions that of all possible sets of results that which we prefer to all others will be realized; and that our reason should never resort to automatic or mechanical devices when conscious consideration of all factors would make preferable an outcome different from that of spontaneous process. (Hayek, 1964b: 85)

Following the tradition of the Scottish on one side (Hume, Smith, Ferguson) and Menger on the other, Hayek claims that the most complex social institutions as market, common law, the limitation of power and even the very language are not result of human "design" (Ferguson's words) but the unintended consequences of human interaction in conditions of disperse knowledge. (Zanotti, 2010: 51. Translation mine)

Hayek stands for a human reason that does not emerge as a deliberate creation of man. "(...) we should regard human reason as the product of a civilization which was not deliberately made by man but which had rather grown by a process of evolution" (Hayek, 1964b: 86). To the rationalistic constructivism he opposes Karl Popper's critical rationalism (Idem: 94).

"Hayek always wanted to oppose to positivism in social sciences, and clearly stated an intentional human action as key to the understanding of the "objects" of social sciences". (Zanotti, 2011: 46. Translation mine)

Even though it could be pointed out a methodological dualism as regards the methods in

social and natural sciences, sustaining induction for the first ones and hypothetical deductive method for the second ones, especially considering Fleetwood's (1995) three periods in Hayek's thought and given the ambiguity of 1936 and 1942-44 texts, we put forward that it is possible not to "accuse" him of positivist in methodological terms since we have shown that he has rejected it throughout different texts in different moments (Zanotti, 2004: 39, note 33).

Though at the beginning of this paper we have stated that, in ontological terms, an individualism could be found in Hayek that would lead Lawson to the "accusation" of positivist, we argue that it is not necessarily like that. Even if individualism, for us moderate, can be noticed in Hayek's work, it does not necessarily lead to positivism.

While this is not essential for the validity of our interpretation, it should be remembered that although, (as it can be seen in Caldwell (1992) analyzing Hutchison's 1981 text) some authors distinguish two moments in Hayek: the first one more influenced by Mises and Wieser, and the second one more influenced by Popper, we will take Caldwell's position in the above mentioned article and in another one from 1988, where he introduces the transformation that Hayek's thought suffers contrary to what in the 1992 paper is called "U-turn", a total turn in the work of this author. Caldwell himself rejects it in that text and in that line Zanotti (2013) is placed.

In Lawson, there also is an idea not only that Hayek's thought goes through a transformation or movement, as we have seen, from a more individualistic position towards an ontology of open systems, from the incorporation of the notion of rules, but also that Hayek's route is best portrayed as one in continuous transformation rather than as a definite change of way (Lawson, 1994).

We show that moderate individualism is compatible with or can be based on a realistic interpretation of Husserl's phenomenology.<sup>24</sup> We hold that, even though Lawson's and Fleetwood's interpretation of Hayek are plausible, we posit that this realistic approach to

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<sup>24</sup> For this, we will follow Zanotti's route, (2003). *Introducción Filosófica a Hayek*. Guatemala/Madrid: Universidad Francisco Marroquín, Unión Editorial; (2004). *El método de la Economía Política*. Buenos Aires: Ediciones Cooperativas; (2007). Intersubjectivity, subjectivism, social sciences and the Austrian School of Economics. *Journal of Markets and Morality*, Volume 10, number 1, 115-141 and (2013). *Caminos Abiertos*. Madrid: Unión Editorial.

Hayek, strengthens his epistemology of economics.<sup>25</sup>We understand the relations or the subjectivism present in Hayek from a realistic interpretation of Husserl's phenomenology. That path that we summarize here, is followed by Zanotti especially in his article from 2007 "Intersubjectivism, subjectivism, social sciences and the Austrian School of Economics".<sup>26</sup>

Life-world is the intersubjective world which implies human interactions whose purpose is what provides sense and reality to social phenomena (Zanotti, 2007: 118).<sup>27</sup>

We will consider that Husserlian intersubjectivity, understood as the ontology of social world, leads us to a realistic hermeneutics, according to the following analysis: (Zanotti, 2007: 119- 122)

a. Intersubjectivity is introduced as the ontology of the social world. Considering Husserl's notion of human action and person, his notion of intersubjectivity may be seen as persons in relation (Zanotti, 2005). The person is an almost infinite set of relations with other people, characterized by purposes mutually understood, which are the reality in which the people live in (Zanotti, 2011: 50). The real world in Hayek is the world of intersubjective relationships. The objects are not independently known from life-world. Everything that the man knows is "life world laden" (Zanotti, 2005: 67, 2011:51-52).

Notice that in Lawson's thought, the social realm necessarily emerges from and depends on human interactions (Lawson, 2012: 346, 2013b, 2014: 23-31).<sup>28</sup>

b. Each life-world is historically placed and it is a set of past human experiences that is culturally transmitted and constitutes the present time in each life-world as a way to pre-understand. Gadamer's notion of horizon adds the historical consciousness (Zanotti, 2005: 48).

c. The interpretation could be understood as the knowledge that each person can have of

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<sup>25</sup> On this realistic interpretation see Borella, A. (2018). La fenomenología realista de Hayek: un camino abierto. *Libertas Segunda Época*, Vol. 3, n°1, pp. 35-45.

<sup>26</sup> The background of the realistic interpretation of Husserl can be found in Stein, E. (1994). *La Pasión por la Verdad*. Buenos Aires: Bonum and Leocata, F. (2003). *Persona, lenguaje y realidad*. Buenos Aires: Educa.

<sup>27</sup> On the notion of life-world see Husserl, E. (1936). *La Crisis de las ciencias europeas y la fenomenología trascendental*. Buenos Aires: Prometeo, 2008.

<sup>28</sup> Although the notion of "structure" present in Lawson, exceeds Husserl, even in a realistic interpretation, in this interpretation it should be noted the importance of the notion of relation between agents, that goes beyond the individuals that interact.



his/her life-world. It is the expression of the “inhabited life world”. In that sense, is realistic, because it is the experience of the reality inhabited.

d.

e. Being aware that the fundamental reality for human beings is their life-world, enables us to go beyond the subject-object dialectics. The world is not something external but the primary intersubjective reality in which the person is. The truth is the expression of the inhabited and objective life world.

e. Towards the life-world of a person, he/she could choose two attitudes: 1) natural and 2) theoretical. In the first one, the person “puts into brackets” the philosophical debates in his world, and “lives” in it. In the second, he/she problematizes the unproblematic life-world and with a contemplative attitude he/she receives a more universal answer, this is to say, a more universal concept (similar to Husserl’s “noema”) which is non relativistic nor arbitrary and open to what is common to all life worlds. It is here seen the non-relativistic character of a hermeneutics of this type (Zanotti, 2007).

Considering the elements mentioned in Husserl’s proposal, we state, with Zanotti (2007: 123-125) the intentional nature of human action according to a realistic interpretation of Husserl’s phenomenology.

1. The coin is an intersubjective relation characterized by certain purposes of the acting subject (Hayek, 1942-44: 52-53). One thing is the coin as “nickel” and another as “money”: the phenomenological definition of the intersubjective relation called “money”.

In praxeology the first fact we know is that men are purposively intent upon bringing about some changes. It is this knowledge that integrates the subject matter of praxeology and differentiates it from the subject matter of the natural sciences. We know the forces behind the changes, and this aprioristic knowledge leads us to a cognition of the praxeological processes. The physicist does not know what electricity "is." He knows only phenomena attributed to something called electricity. But the economist knows what actuates the market process. It is only thanks to this knowledge that he is in a position to distinguish market phenomena from other phenomena and to describe the market process. (Mises, 1949:352)

This type of intersubjective relation is the one we are using as money. The coin as money not as nickel emerges from the attributes that the ideas and intentions of the individuals give to the material element (Zanotti, 2016).

2. It is historically placed.<sup>29</sup> People know what a coin is according to the knowledge that they have from their life world and their horizon of pre-understanding.
3. When a person makes a monetary exchange, he/she is interpreting, getting to know the life-world in which he/she inhabits.
4. The coin is in the life-world because it is part of his/her intersubjective, everyday relations.
5. A theoretical approach towards the coin allows an abstract, in terms of universal, phenomenological description, but not regarding it could exist outside a concrete life-world.

## **Conclusion**

In this paper we have tried to analyze Lawson's criticism of Hayek for not having overcome or transcended positivism. For the treatment of this criticism we have distinguished two levels: a methodological positivism and an ontological positivism.

On the first, we state that, even though, given the ambiguity of Hayek's 1936 and 1942-44 texts, Lawson's interpretation of attributing positivism to Hayek as regards the method in economics, may be sustained, we consider that Hayek's methodological aspect is not necessarily positivist, given that he is very influenced by Popper, clearly distant from the positivist's empiricism.

On the second, even though we concede that it is possible to assume that he be an ontological individualist (though Lawson himself acknowledges in Hayek, after 1955 a displacement towards an ontology of open systems), we argue that this does not necessarily lead us to an ontological positivism, but rather that it can be distinguished in Hayek a moderate ontological individualism founded on a realistic ontology.

To demonstrate this we have presented three sections: I. On Hayek, in which we discuss the methodological problem and the ontological issue. On the first, we introduce the subject of knowledge, the object of social sciences and the method in this author. On the second, we refer to spontaneous order and to positivism and individualism. II. On Hayek through Lawson's view, in which we examine the anti-naturalism and hermeneutics in

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<sup>29</sup> Zanotti notes that the definition of coin as a "means of general interchange" is from Mises (1949), cap. XVII.

Hayek and the relations, rules and their link to ontology. III. The essential point of our interpretation in which we restate our possible interpretation of founding Hayek's moderate ontological individualism on a realistic interpretation of Husserl's phenomenology.

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