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**Phenomenology and intersubjectivity
in political economy: an *anti-perfectionist*
perspective**

Stefano Solari



Phenomenology and intersubjectivity in political economy: an *anti-perfectionist* perspective

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Abstract: Anti-perfectionism is a philosophical perspective combining the view of man as an imperfect and non-self-sufficient being with a scientific epistemology based on imperfect knowledge. From an epistemological perspective, it has roots in Socrates and, more recently, in the post-empiricism of Giambattista Vico, up to phenomenology. From an anthropological perspective, it is a philosophical tradition based on an awareness of the constitutive dependency of individual performance and fulfilment of man on his interaction with others. It is conceived in opposition to the individualism and perfect rationality of most social theories. The paper analyses both the philosophical and the epistemological premises of anti-perfectionism as well as its consequences in terms of economic methodology. It will specifically develop the momentary intersection of phenomenology and Austrian economics. The theory of knowledge and of sense-making of phenomenology will be discussed with particular attention to intersubjectivity, which expresses anti-perfectionism well. The interpretations of human knowledge and action of Scheler and Schütz are analysed and connected to some contemporary streams of Austrian economics.

Keywords: anti-perfectionism, economic knowledge, Max Scheler, Alfred Schütz, economic choice.

La peste de l'homme, c'est l'opinion de savoir.

Montaigne (1588)

Conceiving economic man in political economy

The development of political economy has seen a continuous change in the way man is conceived, ending with its modelling as a predictable calculative unit.

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There is still little agreement on how man is to be conceived, but mathematical reasoning has produced a simplified representation, pushing all previous attributes beyond disciplinary boundaries.

After humanism, the tendency has been towards a reduction in the complexity of the model of man and a shift of focus to the predictability of the consequences of actions. The theorisation of political economy according to the principles of consequentialism required a more manageable unit of decision and greater ease of relating decisions to relevant variables. The fundamental idea of Samuel Pufendorf (1632-1694) was to define self-interest logically before sociability, an idea present in all modern thought (Saether 2017). [1] Later, David Hume (1740) dismantled the complex role of reason, defining it as a slave of passions. His 'ambitious but conflicting attempts at a moral science of mind...[were] then given a mathematical structure by Bentham and the utilitarians' (Hollis and Sugden 1993, p. 2). Bentham based rationality on the principle of utility, which translates in a single dimension any human evaluation of goods or any possible future event. [2] Human complexity is in this way reduced to simplified mental states resulting from actions, and rational choice implodes in an exercise of maximisation (Hollis and Sugden 1993, p. 4). Finally, the further mathematisation of processes of human choice that occurred with Pareto and, later, with Samuelson and Savage is based on a strong hypothesis of consistency between choices.

This process produced a theory of the economic actor that considers the distinction between means and ends as clearly definable: actors are considered to know exactly what they want and be able to discern feasible options; man is self-sufficient and autonomous relative to others. This was not only geared to represent a decision model, but it was expanded to constitute the ground for a general economic theory that became dominant. Unfortunately, the emerging *homo economicus* clashes with the view of man supplied by all the other social sciences and even with that assumed in business economics.

Consequently, present day economics: 1) borrows its logics from mathematics to achieve a maximum consistency; 2) is based on instrumental modelling; 3) shows a reluctance to get into actual cognitive processes, presupposing perfect knowledge; 4) renounces any form of anthropology, privileging a teleological role of man in the economic order; 5) is geared to provide limited instruments of measurement and

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control of specific situations, although textbooks usually extend that logic to a general interpretative framework of the political economy. A shortcoming of this translation of economic models of choice into mathematics is that we obtain a perfectionist view of man in relation to the economy (Ricossa 1986).

In the next section, a definition of perfectionism and a historical account of its development in social sciences are supplied. In section three, the meaning of anti-perfectionism is discussed, and the main epistemological consequences are considered. The fourth section presents the philosophy and epistemology of phenomenology with a specific focus on Max Scheler during the development of Austrian economics. In the fifth and sixth sections, the studies of Alfred Schütz on intersubjectivity and economic choices are analysed. Finally, the seventh section discusses how much of this debate continues among Austrian theorists. The conclusion discusses the potential missed opportunities of not applying this epistemology to economics.

The philosophical background: perfectionism vs. anti-perfectionism

Sergio Ricossa (1986), more than thirty years ago, introduced the concept of perfectionism [3], a philosophical perspective, more specifically a gnoseology or epistemology, that determines the relationship between the conception of man and the control of social outcomes. From this perspective, two fundamental dimensions are crucial in social sciences: how achievable a reliable knowledge of human affairs is and how the fulfilment of socially organised human needs is defined. In particular, the problem of how well man can be objectively understood and satisfied is the central issue for Ricossa (1986), but in general, he was fundamentally concerned with the latter condition. Ricossa (1986) used this philosophical notion to divide theories based on spontaneous order from positivistic approaches favourable to rational regulation and planning activities. [4] The actual set of epistemological presuppositions of the various economic theories is rather complex and does not allow such clear-cut separation. Nonetheless, this aspect of perfectionism, which Ricossa (1986; 2005) criticises in economics, is of extreme philosophical interest. Piero Bini (2012) discussed

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this topic in relation to the Italian liberalism of Francesco Ferrara, Vilfredo Pareto, Maffeo Pantaleoni, Luigi Einaudi, Sergio Ricossa, with particular attention paid to theories of entrepreneurship. Forte (2012), Heritier (2012), and Heritier and Silvestri (2012) considered this idea in relation to Luigi Einaudi's *good government* approach to policymaking. The issue has a foundational role in all economic theorising, and here it will be discussed relative to the problem of economic choice.

As regards perfection, the fundamental reference is Plato's classic gnoseology. [5] It was based on the idea that our knowledge unfolds thanks to the intuition of perfect forms, which was a key element justifying the government of the enlightened few. Medieval European Christian anthropology displaced the idea of perfection to God, consequently considering existence as imperfect and limited. The misery of the human condition after the fall made sociality and love necessary for humanity to reach the good. Nonetheless, humanism enriched the idea of man and promoted the role of knowledge in overcoming misery. With modernity, a second major shift to this idea occurred, giving birth to modern science, which incorporated perfectionism in its methods. The method of Descartes was geared towards the *perfection de l'esprit* (De Warren 2001). A geometrical interpretation of the world, made possible by the scientific method of *Port Royale*, constituted a modern utopia and the ground on which positivism developed in the nineteenth century. The geometric method of Spinoza had a deep impact on how microeconomics perceives choice. On the other hand, myths of perfect societies, as in the works of Thomas Campanella and Thomas Moore, who derived inspiration from Plato, have been important touchstones in the development of modern social science. Socialist utopias partially manifest this reference to a perfect social situation granting human fulfilment.

Relying on mathematics to obtain perfection in theorising led to an instrumental and 'as if' kind of theory. The role that maximisation and equilibrium play in microeconomics is that of making all perceptions of facts functional to their operation. That represents a non-neutral fiction, giving a shape to actual processes in a way to wipe-off complexity. The consequence is a tendency to underestimate the difficult situations in which social and economic action take place. In particular, as brilliantly observed by Schumpeter (1911; 1947),

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standard microeconomics neglects the efforts and the consequences of innovation and change.

Perfectionism means that the true essence of things is conceivable and knowable, and sometimes achievable. This inevitably implies that perfectionism tends to impose on everybody its truth. Ricossa clarifies that perfectionism, as with all schemes of salvation, involves three ideas: 1) the existence or possibility of perfection, 2) the diagnosis of evil as separate from perfection, 3) the possibility of working out a *remedy* (Ricossa 1986, p. 178). True things are often not reachable in practice, but at least they represent a point of reference for understanding the non-perfect world. [6] Fixing a reference of perfection means understanding reality as a *minus* in relation to the distance to the ideal form. In that case, perfection becomes instrumental. Nonetheless, when combined with simplified conceptions of man and human fulfilment, it can suggest wrong actions or policies, at least in Ricossa's (1986) view. [7]

The problem is not simply that any model of reality is always a reduction of the complex issues studied. Our perception of reality is shaped by our theoretical framework, which in turn, crucially depends on how we interpret the information used in theory. That affects the reference points we use to evaluate actual situations as well as the possible ends of our actions. Relying on *a priori* views of an ideal state, regarding abstract variables and their relationships, pushes the selection and categorisation of phenomena into rigid standards, impressing a form to reality that is often doing violence to facts and perceptions.

Consequently, when the perfection of man (and relative knowledge) is conceived of as possible, it can be defined as a reference point to shape theorisation and measurement. Non-perfection loses this anchoring and is inevitably subject to path dependency and a variety of perspectives, with a visible impact on the choice of categories, creating an unpleasant sense of uncertainty and relativity. Anti-perfectionism takes reality as it can be perceived by our common sense, and studies its changes, using no absolute references besides past observations and evaluations or our past hopes. It is even possible to do science in such a way (Delorme 2011).

The development of the anti-perfectionist view in the sciences of man

According to Sergio Ricossa (1986), the *non-perfectionist* view holds that man is imperfect, plural, mortal, ignorant, mistaken, and conflicted. This position holds that such imperfection prevents him from being independent and autonomous, as his knowledge is uncertain, founded on *doxa*, and he has to continuously redefine his ends and not only his optimal means. This points to a heterogeneous philosophical tradition of considering the constitutive dependency of individual performance and fulfilment based on one's interaction with others. Our limited and imperfect knowledge can improve only by interacting with others. The anti-perfectionist view sees this situation as an opportunity in terms of freedom. This has consequences both at the epistemic level and for the definition of the object of study.

Tatarkiewicz (1980) identified an anti-perfectionist tradition in the work of Lucilio Vanini (1585-1619), who referenced the ancient Greek philosopher Empedocles. Tatarkiewicz maintained that actual perfection consists of 'ceaseless improvement, constant elaboration, in enrichment, in the appearance of new things, properties, values' (Tatarkiewicz 1980, p. 77). Vanini defined perfection as incompleteness, *perfectus propter imperfectionem* (Tatarkiewicz 1980, p. 77). The perfection referenced in this Latin sentence is a broad idea of good: something is good due to its imperfection.

This tradition of thought runs from Socrates' awareness of our ignorance to the idea of *verum factum* of Giambattista Vico. In Italy, the Vichian tradition in the nineteenth century affected Rosmini's (1846) *non self-sufficiency of man* and Carlo Cattaneo's (1859; 1961) study of the role of knowledge in civilisation and economic growth. In the twentieth century, the theory of knowledge of John Dewey and symbolic interactionism of George Mead had a significant impact on social sciences. More recently, the social philosophy of Charles Taylor has developed further the practical perspective that considers man's self-sufficiency a total misconception of our being (Taylor 1989), meaning that life is inherently social and that we constantly need to engage in social interaction to fulfil our needs.

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Romeo Crippa (1977) argued that a major change in the history of philosophy is the shift from perfection conceived at the ontological level as an idea, to the Christian view of perfection as confined to the divine level. The result, related to the myth of the fall, was an acknowledgement of human misery, of man being a sinner. St. Augustine conceived of human nature as a mixture of good and evil (*natura lapsa*), a view that would be further developed by St. Anselm. Christian philosophy admitted the possibility of a process of relative perfecting, following the ascetic way indicated by the gospel (*perfice te ipsum*), which encouraged the development of monasticism (Riva 1977). In Thomas Aquinas's view, human reason can perceive the good, but the will is insufficiently strong to reach it. Therefore, Christian philosophy dismissed human perfection, but kept an open door on perfecting as a process. In any case, humans are not self-sufficient and need community interaction to improve their situation.

The notion of *non-self-sufficiency* allows for different interpretations. If the insufficiency of man is seen from the point of view of strengths, the division of labour may help and various forms of social organisation could be considered useful, from the family to the market. If we hold that knowledge is inherently faulty, the division of knowledge is even more important (Cattaneo 1859; Loasby 2000), as it presupposes a fundamental socialisation of knowledge, producing a system of meanings in a social organisation (Taylor 2016).

An important step in the development of anti-perfectionism in the social sciences and in theories of scientific knowledge is the work of Giambattista Vico, who reacted to Locke and to the relative methodological debate on empiricism. In *De Antiquissima Italorum Sapientia* (1710), he refused the rationalistic epistemology of certainty and argued in favour of a scientific inquiry based on imperfect knowledge. First, man does not need perfect knowledge in his activities because, thanks to habits and institutions, *homo non intelligendo fit omnia* (Vico [1744] 1948, p. 57). In any case, practical and specific knowledge is constantly used and corroborated, becoming more reliable compared to knowledge of wider social phenomena. Second, in social science, we progressively improve our knowledge by relying on what is *certum*, that is to say a social consensus on the interpretation of facts (peer evaluation). [8] Therefore, knowledge emerges by interaction, anticipating the intersubjective phenomenology of Schütz and

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Luckmann. Man socially improves his education, and institutions change accordingly to achieve better levels of coexistence (*incivilimento*).

This emphasis on improving civilisation became a central feature of late Enlightenment philosophy and of continental political economy. This led many scholars, such as Verri (1771), to see education as the fundamental instrument of economic policy. This idea was preserved in Cattaneo (1859), who expounded a *history and philosophy of intelligence* and argued that social progress (*incivilimento*) is possible only in organised societies. Cattaneo (1859), who also got inspiration from German linguistics, proposed a model of *associated minds* according to the principle of the division of knowledge, which is the mirror image of the principle of the division of labour. Similarly to Vico, Cattaneo (1861) considered the city the blueprint of progress because it is a place of close human interaction.

This idea of the imperfect nature of man and of the central role of community and communication is maintained in the philosophy and anthropology of Antonio Rosmini (1846). This scholar was not an economist, but he conceived a moral and legal framework for a liberal society. In his view, the process of human perfecting is tied to morality and to concrete action and social interaction (Rosmini 1846, p. 851). [9] According to Perlini (2004), Rosmini criticised the Enlightenment for a too optimistic vision of human nature. Rosmini's anti-perfectionist position is based not only on the fact that evil is rooted in man, but on the inseparability of good from evil. The fundamental point here is that Rosmini's anti-perfectionism assumes that man can improve his situation by collaborating with others (Baldini 2004). According to Antiseri (2004), this is a fundamental aspect of the social nature of man. A person is intelligent and willing but also a fallible being needing external support. His improvement can take place only in a morally framed social interaction. This defines the social nature of man (Antiseri 2004) without dissolving the person into the community because man remains an intelligent and willing individual. The fact that man is a *fallible being* has consequence in that social reality will never be in our hands. But this does not imply that man cannot improve through social intercourse (Rosmini 1838-42, p. 540).

The political philosophy of Pierre-Joseph Proudhon (1843) expresses a non-perfectionist perspective as well. Discussing epistemology, he affirmed that we need practical knowledge to help solve problems. As underlined by Solari (2012),

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his position is remarkably comparable to the pragmatism expressed in the *Quest for Certainty* by John Dewey (1929). Michael Polanyi (1941), who wrote that ‘the outcome of human endeavour is mostly uncertain and is often worthwhile only to the extent to which it is uncertain’ (Polanyi 1941, p. 433), also follows this interpretation of useful knowledge, renouncing to perfection. All these scholars believed that long, public, free discussion helps the development of standards of knowledge and that communication is fundamental for any human achievement.

In the beginning of the twentieth century, theorists experimented with a renewed interest in cognitive studies in philosophy and in social sciences, which also affected economics. It has found philosophical expressions in pragmatism (William James, John Dewey), in phenomenology, and in symbolic interactionism (George Herbert Mead). These approaches reaffirmed the fundamental epistemological distinction between knowledge as precise representation versus knowledge as a dialogical construction fitting a context (Taylor 2016). The former admits perfection or takes it as a reference, the latter remains open-ended (although not open to everything).

It is worthwhile studying the connection between phenomenology and economics. Besides the tentative reference to phenomenology by Walter Eucken (1950), son of leading phenomenologist Rudolph, the most interesting connections to economics can be seen in the interactions between Max Scheler, Alfred Schütz, and Austrian economics.

Phenomenology’s theory of consciousness and Scheler’s sociality of knowledge

Phenomenology explores the foundational problems of knowledge and experience. It deals with both scientific knowledge and the knowledge developed in everyday life. The task of this philosophical inquiry is the ‘ultimate clarification of the very existence of perceptual things and the perceptual world at large’ (Gurwitsch 1955, p. 307). Consciousness is considered the only access point to whatever exists, and self-reflection on objects’ appearances is conceptualised by Husserl (1931) as *phenomenological reduction*. Husserl proposed a distinction between making sense as an act and meaning as an ideal

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unit. *Phenomenological reduction* is applied to non-problematic objects as well as to situations that present more variable appearances, particularly social relations. Phenomenology supplies important interpretations of individual action because it explains how uncertain knowledge is used for acting. A final concept developed by Husserl is *Lebenswelt*, the world as we perceive it.

A variety of scholars developed this philosophical approach trying to overcome the solipsistic individualism of Husserl in a sociological direction. Alfred Schütz elaborated on the intersubjective dimension of consciousness and will be discussed later as he was also inspired by Max Scheler and a group of scholars studying anthropological philosophy, such as Paul-Ludwig Landsberg, Alois Dempf (who published *Theoretische Anthropologie* and *Die Einheit Der Wissenschaften*) and Eric Vögelin. Scheler converted to Catholicism, and all these scholars developed an anthropological philosophy fundamental to the development of Personalism as it is related to Catholic thought. [10] Scheler studied with the phenomenologist philosopher Rudolph Eucken. [11] Another important reference point is Franz Brentano's (master of Husserl) orientation towards the empirical study of psychology and individual knowledge.

The anthropological model of Scheler was influenced by the anti-perfectionism of both Catholicism and Nietzsche. The *sick man* conceptualised by Nietzsche represents the starting point of his theorisation of social interaction. Man, suffering from an organic deficit, is induced to conceive of new instruments to survive, producing his civilisation [12] (Scheler 1928, §IV.1). Knowledge is not the result of passive sensations, but of an active selection of relevant elements based on a system of values. The latter constitutes the *individual identity* (Scheler 1928). Nonetheless, the development of knowledge is not shaped by some finalistic explanation. Rather, it is the result of a *teocline* tendency pointing to an optimisation of the interaction between the individual and the environment. In fact, Scheler is one of the forerunners of the notion of *feedback*, and therefore his explanation can be seen as systemic. [13] He studied the scientific explanation emerging from innovative biology, criticising the mechanistic ideology (Properzi 2021, p. 71). A further innovative idea, anticipating system theory, is that of *Stufenfolge*, which affirms the irreducibility of each constitutive level of man, from the biological to the cultural to the spiritual levels. Culture, religion, and institutions are consequences of an

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ideational act going beyond the biological and technical level. Consciousness is therefore interpreted as a specific case of self-reference (Scheler 1928). The consequence is that knowledge is an ontological relationship, a reflexive participation in being.

In Scheler's philosophy, knowledge is a set of ends and values acknowledged in common (Scheler 1926). The notion of *intersubjectivity*, which would become fundamental for Schütz, deeply depends on Scheler's philosophical anthropology. In the latter, the idea of man already presupposes society (Schütz 1942, p. 328). Referring to Scheler, Schütz would agree that empirical psychology presupposes the organisation of consciences to keep memories of experiences, which have to be communicated to be understood (Schütz 1942, p. 328). [14] That lead him to develop a vision of consciousness in which the sociality of knowledge has a primacy over the individual moment. Reflecting on the flow of consciousness and the origins of transcendence, Scheler argues that there is no 'I' without a 'we' (Scheler 1906).

Scheler's notion of *relativ natürliche Weltanschauung* was developed in *Die Wissensformen und die Gesellschaft* (1906). According to his theory, the understanding of others is based on the perception of the other's Self. Schütz argued that Scheler depicted three fundamental steps in the relationship between knowledge and social life (Schütz 1956). The knowledge of members of a society is shaped by their common belonging, their mutual understanding, and their shared ends. Such knowledge based on common values determines the specific configuration of specific groups. Finally, feedback comes from the fact that knowledge is mostly determined by the social group of belonging and by its structure. Scheler believed that the content and validity of knowledge is not socially determined, but rather that the choice of objects of knowledge is codetermined by the social interests prevailing in the group. Consequently, many ideas are shared and not disputed as part of the *natural vision of the world* in the group of belonging (Scheler 1906). *Lebenswelt* is considered a fundamental ontological category of human existence as it shapes individual knowledge. Society is transparent thanks to an elaborate symbolism with different degrees of compactness and differentiation, from rites to myths and theories.

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In chapter 4 of *Die Wissensformen und die Gesellschaft*, Scheler expresses a critique of the technical and economic *Weltanschauung* (Scheler 1906). That critique of the economic world is expanded on in *Erkenntniss und Arbeit* (Scheler 1926). The present industrialist civilisation is built on an overemphasis of values connected to utility. Moreover, the development of knowledge functional to *Bildung* and salvation is neglected in favour of that determined by the will of power and domination over nature. This has led to the prevailing mechanistic explanation of the nature of man [15], which is also a problem within pragmatism, representing its major difference with phenomenology (Scheler 1926).

Scheler articulated a particular ethical theory, which he called *ethical objectivism and absolutism*. It is based on an *a priori* structure of the sphere of values expressing an emotional intuitionism or material apriorism. [16] *Ordo amoris* is a dynamically structured set of personal values used to address fundamental individual decisions. It represents a hierarchy of values that are able to shape the perceptive horizon of man, a form giving shape to action (Scheler 1928, §2). This demonstrates a primacy of axiological knowledge over the ontological. It becomes a selective principle in the knowledge of empirical data, connecting, observing, and judging them. The principle of ethical orientation is a dynamic set able to redefine itself, learning from experiences that it allows. Consequently, it generates an evolutionary process through self-reference (Scheler 1928, §3). This also has consequences for economic thinking, particularly determining a foundational role of value. Accordingly, practical objects are characterised thanks to valued objects (often in relation to something that should be done but also in relation to other nonmaterial values). When we want something, we already perceive its worth (Scheler 1926). Consequently, value is not a consequence of wants, but the other way around, reinforcing the theory of the intentionality of knowledge. Ultimately, Scheler proposed an objectivist ethics expressing a pluralistic gnoseology.

Schütz's intersubjectivity: meaningful construction of the social world

Building on Max Weber's *verstehende Soziologie*, Alfred Schütz introduced the notion of the primacy of sociality for knowledge and individual consciousness. He turned upside-down the phenomenological perspective of Husserl, going in the direction of a we-based understanding of cognition, as shaped by Scheler. [17] In this regard, the discussion of Scheler's *Erkenntnis un Arbeit* (1926) in the von Wiese seminar in 1928-29 represented the main starting point of his *Der sinnhafte Aufbau der sozialen Welt* (Schütz 1932). His interest was the social structures of meaning that shape individual sense-making as the ordering of experience by self-interpretation (Schütz 1932, §2.10). Schütz had an interest in the knowledge developed in everyday life, which is used to act; it is how individuals come to understand and make sense of their social world (Pietrykowski 1996, p. 221).

The aim of *Der sinnhafte Aufbau der sozialen Welt* (Schütz 1932) was also integrating and developing the epistemological standpoint of the Austrian school of economics. Schütz took part in Ludwig von Mises's seminars and engaged with the group of scholars interested in the methodological problems of the social sciences (Prendergast 1986, p. 3). In particular, he developed the psychology of individual choice that Carl Menger failed to master and that von Mises (incoherently) rendered in an axiomatic way. Therefore, Schütz took the work of Max Weber as a methodological reference together with the intersubjective understanding of Austrian economics (Prendergast, 1986, p. 4). [18]

Sense-making is fundamental in economics when we explore subjective value at the foundation of choices. Value is related to meaning and, following Scheler, has a primitive role for both human perception and action. [19] Also, the meaning of material objects is the expression of some value (Scheler 1926). Moreover, similarly to Menger (1871), we are not dealing only with commodities, which are relatively non-problematic goods, but with any action and even omissions (Menger 1871, §1.1), which are deeply shaped by values. Therefore, the sense we attribute to an action and the shared sense of it are fundamental in its evaluation, even for economic evaluation. In Weber, the *intended meaning* of

actions coincides for the actor and the observer, but this is not the normal case in the view of Schütz (1932, § 2.11).

Schütz developed phenomenology to study how individuals come to understand and make sense of their social reality. However, while Husserl assumes that *the other* is constituted transcendently by the consciousness of the self, Schütz considered *the other* as empirically given and preceding the self. [20] Therefore, his phenomenological study directly begins with intersubjectivity and not with the subject (Knoblauch 2013). Intersubjectivity is based on an empirical encounter with others. The life-world is intersubjective from the very beginning as it presents to us as a subjective meaning-context (Schütz and Luckmann 1973, p. 15). That determines a fundamental *we-orientation* that allows us to see knowledge as a social construction, without abandoning individualism. Intersubjectivity is expressed by a sequential concatenation of actions, which, due to reciprocity, allows for the synchronisation of motives and the coordination of actions (Knoblauch 2013, p. 332). Consequently, communication and social bonds are fundamental for symbolic development and for ordering knowledge. [21] The sedimented group experience is seen as the continuously changing stock of knowledge within the life-world.

Schütz and Luckmann underline the relevance of the intersubjective dimension for individual knowledge. In their view, this means that meaning contexts are socially determinate. That allows them to define a social stock of knowledge, related to the socially objectivated results of sedimented people's experiences and explications (Schütz and Luckmann 1973, pp. 243-4). This stock is diversified and structured according to the processes of the acquisition of knowledge. It also varies in the degree of credibility, familiarity, consistency, and accuracy. The incorporation of new knowledge implies an intersubjective process of objectivation and the expression of social relevance. Moreover, this process depends heavily on institutionalised processes of transmission (Schütz and Luckmann 1973, pp. 304-05). Consequently, a single individual cannot have but a partial access to this knowledge.

Knowledge is something functional and to be mastered according to particular interests, which allows projecting action plans into the life-world (Schütz and Luckmann 1973, p. 18). Interest determines our attention (awareness) to the life-world and is the fundamental regulative principle of our conscious life (Schütz

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1945, p. 535). The individual has a 'stock of knowledge at hand' made of past interpretations performed in interaction with others, so that only a very small part of it has originated in direct personal experience (Gurwitsch 1962, p. 57). Knowledge at hand is regularly projected into the future, creating conjectures and plans (Schütz 1959). The consequence of this is that knowledge is fundamentally forward looking and conjectural in the tradition of Menger (Menger 1871, §3.2), but takes Bergson and his notion of *durée* as philosophical inspiration (Schütz and Luckmann 1973).

The distinction between the objective and subjective meaning of an action is of primary importance. An accomplished act, when relevant, may become an object of self-reflection and acquire a given meaning. A projected intentional act is related to a subjective intended meaning and to the internal consciousness of time (Schütz 1932, §1.6). The intended meaning of an act is a self-interpretation of the act, which orders it in the general context of the experience (Schütz 1932, §2.10). Actions are projected in anticipation of the objective accomplished act, *modo futuri exacti*, their meaning considered in the expected context (Schütz 1932, §2.3). The intended meaning naturally changes with time and social context and depends on other individuals related to the act, due to intersubjective knowledge development. Actions are evaluated, through self-reflection, in terms of efficacy relative to the social context (Schütz 1932, §4.6). The modalities of recurring social interactions tend to be objectivised in ideal-types. Such types become explanatory schemes of the specific context and of the meaning of interactions (e.g., market interactions) (Schütz 1932, §4.9).

Schütz on economic choices and ideal-types of interaction

Schütz's early writings on economic rationality are particularly interesting here. Schütz (1943) argued, differently from Weber, [22] that the categories of interpretation used by the scientist seldom coincide with those used by the observed actor (Schütz 1943, p. 131). Besides being geared to practical action, categories are contextual and therefore fragmented and discontinuous. People tend to follow habits, rules, and principles, as pragmatists hold (he refers to James, and less frequently to Dewey). But, similarly to Vico, the rules we apply are *rules of thumb*, and their validity is hypothetical. He argues that 'the

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principles we start from are partly taken over uncritically from parents and teachers, partly distilled at random from specific situations in our lives or in the lives of others without our having made any further inquiry into their consistency' (Schütz 1943, p. 137).

Our knowledge of daily life is based on hypotheses, inductions, and predictions; it is approximate and based on typical schemes. Schütz cites James to support his view that focussed selection is a cardinal function of human consciousness. It derives from our interests, but it does not necessarily imply 'conscious choice between alternatives which presupposes reflection, volition, and preference' (Schütz 1943, p. 141). Therefore, he argues that we cannot speak of an 'isolated rational act, if we mean by this an act resulting from deliberated choice, but only of a system of rational acts' (Schütz 1943, p. 143). Consequently, Schütz deals with a weak rationality and a non-ergodic context of choice, due to the incomplete ordering of the knowledge of the life-world. In this way, knowledge cannot ever become perfect, nor can we assume any reference to a perfect knowledge of reality. We nonetheless can achieve a progressively certain local confidence in specific domains of interest.

Bruce Pietrykowski also underlined how the knowledge involved in exchanges is intersubjectively produced. Economic actors involved in production and exchange are often interacting face-to-face, which cannot be considered anonymous (Pietrykowski 1996, p. 227). Meanings and intentions are interdependent, and the individual meaning of a commodity can be altered by interaction. As the exchanges are embedded in a specific context, market experience is subject to typification based on socially acquired expectations of the way others would or should treat someone (Pietrykowski 1996, p. 239). This knowledge has no perfect reference; it is just a stock that changes in time.

In 1951, Schütz wrote a paper on choosing among projects of action that compares different phenomenologists' views of human choice. It represents his view of the theory of choice, which can be seen as quite close to Carl Menger's (1871). Menger affirmed that economic goods could be both material commodities as well as actions and omissions, unconventionally extending economic choice to the whole of human behaviour (Menger 1871, §1.1). Also, Schütz argued that 'action may take place-purposively or not-by commission or omission' (Schütz 1951, p. 161). His aim was to underline how choice presupposes a framing of the

situation by an *anticipated state of affairs*. The time structure of action is fundamental as it requires an anticipation of consequences and a consequent selection of the time perspective. The time structure is therefore related to the knowledge of the actor (taking inspiration from Bergson).

A further problem is motivation because there are ‘in-order-to’ motives, used by the life-world man projecting his approximate expectations in the future, and there are ‘because’ motives, often an ex-post objectivised explanation, enjoying a more or less adequate rationalisation (Schütz 1951, p. 163). Projecting performances requires weighting chances and risks in accordance with the present knowledge of possible occurrences. Man identifies *typical* situations to reduce complexity and make action practicable (Schütz 1951, p. 166). Doubting, questioning, choosing, and deciding are part of deliberation. The latter is related to interests (often interrelated) that affect our framing of the situation. Schütz cites Dewey (*Human Nature and Conduct*), pointing out that ‘choice is not the emergence of preference out of indifference. It is the emergence of a unified preference out of competing preferences’ (Schütz 1951, p. 170). [23] The problem is not choosing between different given objects, but defining the situation using questionable knowledge. Options do not coexist. On the other hand, in a very Mengerian way, Schütz confirms the validity of the marginal principle, even if applied to pre-given problematic possibilities (Schütz 1951, p. 174). He also analysed the position of Bergson, his interpretation of time and his critique of the assumption of given problematic possibilities, where choice involves open possibilities (it is a construction).

Bergson, too, points out that the ego in self-interpretation of its past acts has the illusion of having chosen between problematic possibilities. But he fails to add, that it is the accomplished act and not the action which is anticipated *modo futuri exacti* in the project. Projecting as we have seen is retrospection anticipated in phantasy. (Schütz 1951, p. 176)

He also considered Leibniz’s vision of freedom in relation to action motives. He found it contradictory in relation to given possibilities because action would be fully determined. [24] So, much of our freedom is in the framing of situations. Schütz mostly sympathised with Bergson’s view that ‘deliberation can only be conceived as a dynamic process in which the self, its sentiments, its motives and goals are in a state of continuous becoming until this development leads to the

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free act' (Schütz 1951, p. 180). Leibniz also excessively simplified the weighting of possibilities. According to Schütz, so-called weights cannot be anything other than interests, which are interrelated in a complex way and changeable. Therefore, rational choice is impossible (1951, p. 182): we do our best with shaky knowledge in an uncertain environment. All this fits well with the Austrian perspective of markets as a process of continuous momentary discovery.

A further economic issue analysed by Schütz concerns the use of ideal-types. In particular, Schütz's reformulation of the ideal-type along the lines of Menger's (1871) *isolating abstraction* is slightly different from Weber's historicised types (Prendergast 1986; Kurrild-Klitgaard 2001).[25] In order to explain the use of the ideal-type of the market, he re-proposed the distinction between the objective and subjective senses of action. He discusses von Mises's critique of Weber in *Soziologie und Geschichte* (1929). Economists claim to exercise an exact theoretical science. Von Mises (1929) criticised Weber's affirmation that economics is a specific part of sociology. Nonetheless, economic concepts do not have the status of ideal-types developed out of historical data because they are abstractions. They are not the accentuation of some point of view; they have universal validity. However, Schütz maintained that the ideal-type he theorised and that Weber adopted in his late writings (*Economy and Society*) is different. It consists of some invariant features within the variations of self-interpretation, with which the subject understands his acting. Such invariance naturally refers to previous experience, but not by a mechanical empiricism performed on a specific constitutive process. We may conceive of *empirical ideal-types* (based on experience) and *eidetic types* (given by intuition). What is invariable can be obtained in a variety of abstractions, generalisations, and formalisations, but, in any case, is based on sense adequacy.

The types of von Mises are the result of what Vögelin (1966) called *restrictive methodology*: the use of generalisation and formalisation to achieve something with a universal value. They are not produced to relate to some specific other person; they are valid for whatever agent, in an anonymous way. The principle of marginal utility is not the product of the logic of the tradesman, but it is so abstract that its validity is universal. Theoretical economics is an exemplary case of objective meaning. Nonetheless, if anonymity is abandoned to study a specific case, the meaning is not objective but specific to a given alter-ego. Von Mises

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therefore criticised the use of ideal-types that are endowed with a specific content and insufficiently anonymous. But, in this way, economics subordinates subjective meaning configuration (as subjective valuation) to the objective meaning of science (Schütz 1932, §5.8). It refuses the real-ontological content of the real world, limiting the interest in the development of conscience that produces such phenomena.

Finally, in 1952, F.A. Hayek published *The Sensory Order*, which is a book on the connection between reality, the neural system, and the mind. It developed a cognitive constructivist position arguing that the mind is an emergent order, which approaches systems theories (at the time just beginning with the studies of William Ross Ashby and Ludwig von Bertalanffy). In a certain sense, the approach of the two books (Hayek's and Schütz's) is similar, and the object is complementary. It is remarkable that Hayek never approaches the sociality of mind, and therefore his construction is completely based on the individual. Before that, Hayek published two papers on the role of dispersed information in the market (Hayek 1937; 1945), closing the debate on planning (begun by von Mises), which may be seen as highly compatible with the view of economic knowledge expressed by Schütz. However, Hayek never cites Schütz and *vice versa*.

Austrian market process, hermeneutics, and Schütz's intersubjectivity

Alfred Schütz's intersubjectivity has found expression in various economic theories, prevalently in business and organisational studies, as in the case of Karl Weick's cognitive approach to organisation (Weick 1969). The fundamental conclusion is that *sense-making* is the continuous identity-preserving process that drives organisational change. A further idea developed by Weick is *enactment*, which is to say making sense and action. It produces effective actions in relation to the changing cognitive map of an organisation.

The anti-perfectionist epistemic perspective based on knowledge-producing, in conjunction with the social nature of man, has characterised most of continental European liberalism (Solari 2022). In particular, Austrian economics, initiated

by Menger's subjectivism, was geared to bypass all imperfections of man thanks to the principle of marginal benefit, expressed in the ideal-type of exchange. Moreover, Menger's interpretation of institutions has deep similarities with those proposed by Vico (Solari 2022). Interestingly, Menger stalled the second edition of his *Grundsätze* (never finishing it) because he was looking for a cognitive foundation to economic choice in psychology, but he was never fully happy with what he could find (Campagnolo 2011). Later, Hayek developed an interest in the limitations of knowledge, specifically in his critique of objectivism and positivism (Hayek 1952a), and his view of how markets work with limited local knowledge (1941; 1945). [26] This aspect can also be found in Wieser's (1956) study of value.

An important point of contact was when Schütz took part in von Mises's seminars in the 1920s, studying the cognitive element in economic decisions and, in particular, intersubjectivity (Kurrild-Klitgaard 2003). As we have seen, in the early stage of his career, he worked on economic rationality and subjectivity (1928; 1943), keeping aligned with the Austrian approach. In this context, he developed the cognitive aspects discussed here. In the development of Austrian thought in the middle of the twentieth century, it was Ludwig Lachmann (1971; 1982) who fundamentally maintained focused on this perspective.

In the late 1980s and early 1990s, some Austrian economists produced a programme of research on *hermeneutics* (Berger 1989). Gary Madison (1990) underlined the intersubjective nature of knowledge and the fact that even statistics are interpretations of reality and not brute facts. He underlined how in the philosophy of Heidegger all understanding is basically of a circular nature. Madison explained that hermeneutics is meaning's analysis, and that the fundamental contribution of Austrian economics was the idea of starting from subjective value to theorise about levels of intersubjectivity, in which meanings become objective and de-psychologised (Madison 1994, p. 42). Hayek's view maintained a practical dimension in the sense that economic meanings are the result of human action, and actors can make no sense of economic reality without action.[27] This contextual and practical knowledge, although lacking certainty, has a good probability of success; to the contrary, Hayek did not trust abstract knowledge, which is not the fruit of action, as the knowledge of theorists and bureaucrats. Finally, Madison emphasised that economic value is a form of

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meaning, discussing the cognitive dimension at the ground of subjective value (Madison 1994, p. 42).

Some economists involved in this project have paid explicit tribute to Schütz. Don Lavoie (1990b) lamented that there has been a systematic undervaluation of the interpretive dimension of economics. Economists have had to become more anthropological, pay more attention to the life-world, that is, the world of everyday meanings (Don Lavoie 1990b, pp. 167-8). He argued that the Austrian school was part of the *Verstehen* tradition of the philosophy of science (Don Lavoie 1994). Ebeling (1990) considered the philosophy of Dilthey a fundamental reference for Austrians because the process of interpersonal understanding is not undertaken directly, but rather through external manifestations of human action (Ebeling 1990, p. 179). Lavoie also considered Alfred Schütz's *intersubjectivism* a development of Austrian economics because it disclosed the role of meaning (Don Lavoie, 1994, p. 55).

The price system can be seen as a system of communication connected to what Dilthey called *structures of intersubjective meaning* and that Schütz framed through *ideal-types*. Intentionality is reflected in prices, even if market prices are indicators and not signals (Ebeling, 1990, p. 187). Lavoie argued that this is an approach to avoid atomism. Markets can be seen as a special kind of discourse, as an extension of linguistic interaction (Don Lavoie, 1994, p. 58). Lavoie highlighted three cognitive functions of markets: computation, incentive, and discovery (Lavoie 1990c, p. 72). The discovery aspect is typically Austrian, although this function can be traced back to Vico (Solari 2022). The market is seen by Lavoie as a dialogical learning process, which goes beyond the entrepreneurial function of Joseph Schumpeter. It is a generalised dialogical process of interpretation. The discovery approach considers markets' cognitive function as a process of human discourse in language, an intrinsically social process. Like verbal conversation, market dialogue 'depends on the specific give-and-take of interaction, a creative process of interplay in which the knowledge that emerges exceeds that of any of the participants' (Lavoie 1990c, p. 78). It depends on background understandings shared in a speaking or trading community (Lavoie 1990c, p. 78). Therefore, competition is a creative learning process among communicating minds, a 'kind of social intelligence that depends

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on, but goes beyond, the individual intelligences of the system's participants' (Lavoie 1990c, p. 78).

This branch of Austrian economics expanded its perspective from the individual to interacting individuals (Zanotti 2007). Unfortunately, this impulse to develop a communicative view of markets has been mostly exhausted, and the participants have not developed the approach beyond the surface, even if it survives in Peter Boettke (2002). Still, the work of Alfred Schütz, completed by Peter Luckman, remains the central research in this field. [28]

Concluding thoughts on anti-perfectionism and phenomenology in political economy

The epistemology of anti-perfectionism is fundamentally an expression of Christian anthropology, which was radicalised by Nietzsche at the end of the nineteenth century (through the addition of relativism). The *sick animal* suffers from uncertainty and needs social organisation granting reciprocal care and permission to overcome his limitations. Limited and contextual knowledge is typical of life in a social system, but it is not an obstacle to social functioning in the view of theorists from Vico to Scheler. Phenomenology examines the cognitive dimension of man and how we make sense of experience to organise and act with efficacy. Scheler exalted the 'we' dimension of cognition, representing anti-perfectionism well. His intersubjectivism incorporates and overcomes the limited human condition. He proposed a view of man in which values come before perception, and this could be interesting for economics. Schütz, taking Weber as a reference, incorporated Scheler's view of knowledge in his theorisation of human action in relation to Austrian economics. This originated a tradition of economic analysis that remained marginal in the academy. Eventually, microeconomics cut off this debate, limiting itself to the means-ends relation based on static preferences. However, this *restrictive methodology* precludes the study of how we actually take economic decisions. The source of subjective value is left unexplored. Today, how perceptions, conjectures, and anticipations shape economic processes is apparently irrelevant for economists. Conversely, that which was discussed in this paper is an excellent area of contact and synergy between philosophical studies and political economy, which could be developed to explain the cognitive dimension of economic processes.

Endnotes

[1] According to Saether (2017), the 1672-1688 edition of *De Jure Naturae et Gentium* includes most of Pufendorf's modern economic studies.

[2] An action promotes the interest of an individual when it increases the total of his pleasures (Bentham 1789, Ch. 1).

[3] He took inspiration from a book by Romeo Crippa (1977) on this subject.

[4] Sergio Ricossa (1986) argues that perfection would be oppressive because in perfectionism humanity, sooner or later, can and must reach perfection. He is critical of the absolute truth or good found in Aristotle and Thomas, as it provides the illusion of an absolute foundation. Also Jusnaturalism is perfectionist in as much as it propounds to have settled some fundamental rights, deriving them from the nature of man (Ricossa 1986, p. 178).

[5] According to Aristotle, perfection is completeness, with nothing to add or subtract.

[6] Actually, often in perfectionism, evil is functional to the good.

[7] In Ricossa (1986), the nature of man is that desires cannot be fulfilled. Human nature does not allow for satiety.

[8] Communication and civil society bonds are essential because *religio* is seen as a meta-political foundation of civil life.

[9] According to Rosmini, 'la persona non può dirsi che si perfezioni se non allorquando riceve incremento e perfezionamento il più alto e nobile dei principi attivi che sono nell'individuo nel quale ella risiede' (Rosmini 1846, p. 527). He proposed a kind of cybernetic interpretation of consciousness.

[10] Romano Guardini was also related to this group.

[11] Nonetheless, Scheler takes from Husserl the categorical intuition, the eidetic method, and the theory of ideal objects (Schütz 1957-58).

[12] Scheler keeps the traditional German distinction between civilisation (material and institutional) and *Kultur*. Civilisation is the particular result of

the adaptation of man to its environment, modifying the same environment. Kultur expresses the ideative impulse of man (Scheler 1928).

[13] Properzi (2021 71) argues that ‘in the length of time during which Scheler works out his early phenomenology of sense perception, that is, between 1908-1909 and 1914, he delves into the study of consolidated and emerging scientific paradigms, disciplines and theories as well as their empirical results’ (Properzi 2021, p. 71). Later the notion of feed-back and feed-back systems would become the central ideas of system theory and cybernetics with von Bertalanffy and Wiener. Cannon proposed the concept of homeostasis in 1929 in his work *Wisdom of the Body*. He probably got inspiration from the first theories and self-organisation ideas of Schelling and the theoretical biology of Uexküll.

[14] ‘Certain moral acts such as those of love, responsibility, duty, gratitude refer by their nature to the existence of alter-egos. Scheler calls them “essentially social acts” (“Wesenssoziale Akte”) because they cannot be construed as pre-social acts’ (Schütz 1942, p. 329). ‘We are simply born into a world of others...the sphere of the “We” is pre-given to the sphere of the I’ (Schütz 1942, p. 338).

[15] This view is shared by Vögelin (1966), who considered it a restrictivist methodology. However, Vögelin did not follow Scheler and his friend Schütz in the theorisation of consciousness. He preferred to develop an inquiry into myth as a foundational element for political order, following Vico and Plato.

[16] Values represent a particular class of ideal objects that are objective, eternal, and immutable (Scheler 1928). This represents a way to find a foundation for *personalism* as all values are hierarchically subordinated to personal value (*Ordo amoris*).

[17] The phenomenology developed by Schütz is primarily based on Husserl (who did not focus much on social sciences but encouraged the work of Schütz), Bergson, Scheler, and later James (Prendergast 1986).

[18] Prendergast held that while ‘he leaned toward Weber’s solutions to these problems, Schütz never questioned the core elements of the Austrian tradition (Prendergast 1986, p. 4). However, Austrian marginalism (the neoclassical was even worse) had no explanation of intersubjective understanding; it could not

explain how actors know the action motives of others. It also lacked a theory of concept formation (Prendergast 1986, p. 11).

[19] For Scheler, man's identity is defined from social position through the *Ordo amoris* as identity is expressed in choices.

[20] Moreover, following his mentor Kaufmann's ideas, Schütz substituted Husserl's theory of generalisation and formalisation for direct intuition. Contrary to Husserl's epistemology, which is grounded in the individual mind, Schütz's frames behaviour as an interpretive process based on social interaction (Pietrykowski 1996, p. 221). Prendergast argues that in Schütz 'real essences are replaced by heuristic principles of great generality placed at the head of a deductive chain. They are a priori by virtue of their formal-logical position, and they merit such status by virtue of their deductive fecundity' (Prendergast 1986, p. 12).

[21] Schütz did not explicitly adapt Mead's concept of communication based on symbolic interactionism (Knoblauch 2013, p. 326), rather he developed his own.

[22] This critique of Weber's direct motivational understanding of actions is best developed in Schütz (1932, §1.4).

[23] Schütz confronted his approach to choice with Husserl's *problematic or questionable possibilities*.

[24] Schütz criticised Leibniz's setting of clear alternatives, lack of complexity, starting equilibrium, and constancy of will. Moreover, Leibniz shares with Locke the idea that the mind of man is 'inclined to make misjudgements in comparing present pleasures and displeasures with future ones, disregarding that this future will become a present and then appear in full proximity' (1951, pp. 178-9).

[25] Actually, Austrians abandoned this method of research. We would find ideal-types again in the work of Walter Eucken (1950), who had important roots in Weber and in this methodological debate of the 1920s.

[26] Madison (1990), examining the intersubjective dimension in Hayek, points out that in his approach statistics are interpretations, certainly not objective

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facts. He also finds some connection between Hayek and Heidegger in the circular nature of all understanding.

[27] See also Horwitz (1992).

[28] Actually, some follow-up to Schütz's ideas can be found in Adolph Löwe (1965), who turned his attention to economic knowledge and individual meaning, taking inspiration from the work of his friend Schütz (Foraster 2001). The relevant notions developed in this framework are *spontaneous conformity* and *critical self-consciousness*.

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The author declares that there is no conflict of interest.

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