

On the Misesian epistemology

Marco de Witt

1 INTRODUCTION

Ludvig von Mises was one of the most important Austrian school thinkers of the twentieth-century. For example, his book *Human Action* has been seen as important to capitalist ideology as Karl Marx's *Das Kapital* has been to socialist ideology. von Mises supported *laissez faire* capitalism so strongly that he has often been accused of dogmatism and fanaticism. He had, however, a good reason for such 'dogmatism', because, as he saw it, human behaviour is not only constrained by natural laws, but also by even stronger social laws. As von Mises put it:

"But all were fully convinced that there was in the course of social events no such regularity and invariance of phenomena as had already been found in the operation of human reasoning and in the sequence of natural phenomena. They did not search for the laws of social cooperation because they thought that man could organize society as he pleased.

... The discovery of the inescapable interdependence of market phenomena overthrew this opinion. Bewildered, people had to face a new view of society. ... One must study the laws of human action and social cooperation as the physicist studies the laws of nature. Human action and social cooperation seen as the object of a science of given relations, no longer as a normative discipline of things that ought to be — this was a revolution of tremendous consequences for knowledge and philosophy as well as for social action."¹

In order to understand these social laws one has to be familiar with the foundation of von Mises' thinking, that is, with his theory of knowledge (epistemology). In this article I shall try to present his epistemology by explaining his central ideas with the help of some quotations from his epistemologically important books *Human Action*, *Theory and History*, *The Ultimate Foundation of Economic Science*, and *Epistemological Problems of Economics*.

2 RATIONALISM

The fundamental question of Misesian epistemology is how to acquire knowledge. During the history many answers have been given to this question, and often they were based on irrationalism. Religions emphasized the importance of faith, mystics the importance of spiritual intuition and finally nihilists denied even the existence of valid knowledge. However, von Mises' answer was rationalism, which claims that to acquire any knowledge humans have to use their reason.

"But as far as man is able to attain any knowledge, however limited, he can use only one avenue of approach, that opened by reason."²

von Mises admitted that rationalism cannot be proved to an irrationalist, that is, to a person who denies the validity of reason altogether. All that can be said in favour of rationalism and against irrationalism is to point out the great practical benefits of using reason.

"It is useless to argue with mystics and seers. They base their assertions on intuition and are not prepared to submit them to rational examination. ... However, science can not abstain from thinking although it is obvious that it will never succeed in convincing those who dispute the supremacy of reason. Science must emphasize that the appeal to intuition can not settle the question which of several antagonistic doctrines is the right one and which are wrong."³

From rationalism von Mises deduced the fact that scientific thinking does not require any special intelligence, nor any special education. All that is required is precise and logical thinking.

"The methods of scientific inquiry are categorically not different from the procedures applied by everybody in his daily mundane comportment. They are merely more refined and as far as possible purified of inconsistencies and contradictions."⁴

3 APRIORISM

von Mises' second fundamental problem was how one should exactly use reason to acquire valid, true knowledge. His answer was apriorism, which claims that all humans have a common logic that forces them to comprehend reality in the same logically conditioned way. This common logic would therefore create a common criterion of truth.

"The fact that man does not have the creative power to imagine categories at variance with the fundamental logical relations and with the principles of causality and teleology enjoins upon us what may be called methodological apriorism."⁵

von Mises defended his apriorism by supporting the Kantian idea that the mind does not experience reality directly, but under the influence of its logical structure. Because the operation of the mind is always influenced by its logical structure, it follows that the mind can not choose the way it operates and therefore it is trapped in its logical way of thinking. That is why even the attempt to refute the existence of a logical structure would already have to presuppose it.

"Kant, awakened by Hume from his 'dogmatic slumbers', put the rationalistic doctrine upon a new basis. Experience, he taught, provides only the raw material out of which the mind forms what is called knowledge. All knowledge is conditioned by the categories that precede any data of experience both in time and in logic. The categories are a priori, they are the mental equipment of the individual that enables him to think and — we may add — to act. As all reasoning presupposes the a priori categories, it is vain to embark upon attempts to prove or to disprove them."⁶

From the aprioristic fact that the mind is conditioned by its own logical structure von Mises deduced that one can never have certain knowledge about reality. When reason is trapped in its own logical way of comprehending things, it can never be certain that its own logic does not distort the comprehension of reality. In this sense apriorism means that knowledge is always uncertain.

"What we know is what the nature or structure of our senses and of our mind makes comprehensible to us. We see reality, not as it 'is' and may appear to a perfect being, but only as the quality of our senses enables us to see it."⁷

From the aprioristic claim that the mind is conditioned by its own logical structure von Mises furthermore deduced that even if to the mind all knowledge is ultimately uncertain,

there exist logically certain facts (axioms, a priori categories) which cannot be refuted by reason because it already presupposes their existence. In other words, reason cannot refute the validity of its own logic, and therefore there exist logical facts which the mind must presuppose as certain. In short, apriorism means that there is uncertainty about the reality as it really is, but certainty about the reality as the mind comprehends it.

"The a priori categories are the mental equipment by dint of which man is able to think and experience and thus to acquire knowledge. Their truth or validity can not be proved or refuted as can those of a posteriori propositions, because they are precisely the instrument that enables us to distinguish what is true or valid from what is not."⁸

When von Mises was trying to prove his aprioristic claim that all humans have a common logical structure of mind he used both his central concepts of uncertainty and certainty. On the one hand, he admitted that it would be impossible to be absolutely certain that all humans have the same kind of logical structure. On the other hand, he claimed that a common logical structure of the human mind is presupposed by the mind. Disputing the existence of a common logic would require the use of a common human logic and so the disputer would implicitly demonstrate that there is only one way for humans to think and experience through the common logical structure of the human mind.

"It may be admitted that it is impossible to provide conclusive evidence for the propositions that my logic is the logic of all other people and by all means absolutely the only human logic and that the categories of my action are the categories of all other peoples action and by all means absolutely the categories of all human action. However, the pragmatist must remember that these propositions work both in practice and in science, and the positivist must not overlook the fact that in addressing his fellow men he presupposes — tacitly and implicitly — the intersubjective validity of logic and thereby the reality of the realm of the alter Egos thought and action, of his eminent human character."⁹

In other words, it may well be that somewhere there is a logic which says that two plus two is five, but to a human mind whose logic says that two plus two is four that kind of 'information' is incomprehensible, and one could never know whether the other one was honest or simply lying. The point von Mises was trying to make was that because the human mind is incapable of understanding other kind of logic than its own, the mind must presuppose the

existence of a common human logic.

"Some authors have raised the rather shallow question how a praxeologist would react to an experience contradicting theorems of his aprioristic doctrine. The answer is in the same way in which a mathematician would react to an 'experience' that there is no difference between two apples and seven apples or a logician to the 'experience' that a and non-a are identical."¹⁰

So von Mises does not deny the possibility that one plus one is three, or that things do and do not exist at the same time, or that there exist different logics, but he does claim that these are only speculations which must be kept apart from rational science.

"Perhaps there are somewhere in the infinite universe beings whose minds outrank our minds to the same extent as our minds surpass those of the insects. Perhaps there will once somewhere live beings who will look upon us with the same condescension as we look upon amoebae. But scientific thinking can not indulge in such imagery. It is bound to limit itself to what is accessible to the human mind as it is."¹¹

Apriorism therefore denies the validity of all those doctrines which claim that human thought differs because of class (marxism), time (historicism), race (racism), nation (nationalism), sex (sexism), or because of any other reason.

"Marxism asserts that a man's thinking is determined by his class affiliation. . . . This polylogism was later taught in various other forms also. Historicism asserts that the logical structure of human thought and action is liable to change in the course of historical evolution. Racial polylogism assigns to each race a logic of its own."¹²

von Mises strongly emphasized the dangers of polylogism, because it makes all rational discussions impossible and divides people into hostile groups.

"In my opinion, the position of dogmatic Marxism is wrong, but that of the Marxist who engages in discussions with representatives of what he calls 'bourgeois science' is confused. The consistent Marxist does not seek to refute opponents whom he calls 'bourgeois'. He seeks to destroy them physically and morally."¹³

4 DUALISM

The logical structure of human mind forces humans to think and so to experience in the same special way, but what is that special way of thinking? The most important thing about the logical structure of human mind is that it com-

prehends everything causally, that is, it comprehends phenomena in a cause and effect manner. Without causal interpretation there could be no observation of nature nor any thinking in the first place. The reason for this is that thinking is an action which requires the understanding of cause and effect.

"The category of means and ends presupposes the category cause and effect. In a world without causality and regularity of phenomena there would be no field for human reasoning and human action. Such a world would be a chaos in which man would be at loss to find any orientation and guidance. Man is not even capable of imagining the conditions of such a chaotic universe."¹⁴

It cannot be disputed that humans comprehend phenomena causally because like all action also the act of disputing requires the comprehension of cause and effect. Like all aprioristic propositions also this proposition of causal interpretation depends on circular evidence for the simple reason that it is impossible to prove how human logic works without employing that logic itself as evidence

"We must simply establish the fact that in order to act, man must know the causal relationship between events, processes, or states of affairs. And only as far as he knows these relationships, can his action attain the ends sought. We are fully aware that in asserting this we are moving in a circle. For the evidence that we have correctly perceived a causal relation is provided only by fact that action guided by this knowledge results in the expected outcome. But we can not avoid this vicious circular evidence precisely because causality is a category of action."¹⁵

The logical structure of human mind also limits the use of causal explanations, because a full interpretation of every event leads to a regressus in infinitum. For example, according to human logic every event has to have a cause, but what about the first cause?

"Since time immemorial men have been eager to know the prime mover, the cause of all being and of all change, the ultimate substance from which everything stems and which is the cause itself. Science is more modest. It is aware of the limits of the human mind and of the human search for knowledge. It aims at tracing back every phenomenon to its cause. But it realizes that these endeavors must necessarily strike against insurmountable walls. There are phenomena which cannot be analyzed and traced back to other phenomena. They are the ultimate given. The progress of scientific research may succeed in demonstrating that something previously considered as an ultimate given can be reduced to components. But there will always be some irreducible and unanalyzable phenomena, some ultimate given."¹⁶

Because the ultimate cause is unthinkable to human logic, theories about causal relations have to be created. The theories cannot be created by the same methods of investigation both in natural and human sciences, because the natural objects do not choose their own behaviour, but humans do. Nature reacts, humans act. In other words, there has to be methodological dualism in science.

"Concrete value judgements and definite human actions are not open to further analysis. We may fairly assume or believe that they are absolutely dependent upon and conditioned by their causes. But as long as we do not know how external facts-physical and physiological-produce in a human mind definite thoughts and volitions resulting in concrete acts, we have to face an insurmountable methodological dualism."¹⁷

Because the natural objects do not choose their own behaviour it follows that there exist causal regularities between them. That is why the method of investigation in the natural sciences has to be hypothetical, that is, to create theories about causal regularities and then to try to verify them. Because humans do choose their own course of behaviour it follows that there are no causal regularities in human action and so humans have a free will.

"Epistemologically the distinctive mark of what we call nature is to be seen in the ascertainable and inevitable regularity in the concatenation and sequence of phenomena. On the other hand the distinctive mark of what we call the human sphere or history or, better, the realm of human action is the absence of such a universally prevailing regularity. Under identical conditions stones always react to the same stimuli in the same way, we can learn something about these regular patterns of reacting, and we can make use of this knowledge in directing our actions toward definite goals. Our classification of natural objects and our assigning names to these classes is an outcome of this cognition. A stone is a thing which reacts in a definite way. Men react to the same stimuli in different ways, and the same man at different instants of time may react in ways different from his previous of later conduct. It is impossible to group men into classes whose members always react in the same way."¹⁸

Even if there are no causal regularities in human action there are other kind of regularities. In particular, there is the regularity of the logical structure of human mind which not only forces humans to think in a special way, but at the same time forces humans to act in a special (logical) kind of way. The point von Mises strongly emphasized was that the laws of logic do not only affect thinking but also action.

"The main deficiency of traditional epistemological attempts is to be seen in their neglect of the praxeological aspects. The epistemologists dealt with thinking as if it were a separate field cut off from other manifestations of human endeavor. They dealt with the problems of logic and mathematics, but they failed to see the practical aspects of thinking."¹⁹

5 THE METHODOLOGY OF THE NATURAL SCIENCES

In the natural sciences humans have no innerknowledge about the causal forces between phenomena, and so the only available method of investigation is to acquire knowledge by studying one's experiences about natural phenomena. It is possible to acquire knowledge by experiences only because there are regular relations between causes of natural phenomena. Experience does not, however, directly give knowledge about the causal regularities at work, because there are always innumerable possible causal forces which could have caused the phenomenon. Therefore, after an experience, a hypothesis about the causal regularities has to be created. The hypothesis is then tested in a controlled experiment, in which one tries to verify the deductions of a hypothesis by allowing only one factor to change. Verification of falsification would never prove anything conclusively because the experiment cannot be perfect, that is, all the factors that could affect the outcome of the test cannot be controlled. So there can never be any certain knowledge in the natural sciences, all one can do is to get as near certainty as possible.

"Hypotheses must continually be verified anew by experience. In an experiment they can generally be subjected to a particular method of examination. Various hypotheses are linked together into a system, and everything is deduced that must logically follow from them. Then experiments are performed again and again to verify the hypotheses in question. One tests whether new experience conforms to the expectations required by the hypotheses. Two assumptions are necessary for these methods of verification: the possibility of controlling the conditions of the experiment, and the existence of experimentally discoverable constant relations whose magnitudes admit of numerical determination. If we wish to call a proposition of empirical science true (with whatever degree of certainty of probability an empirically derived proposition can have) when a change of the relevant conditions in all observed cases leads to the results we have been led to expect, then we may say that we possess the means of testing the truth of such propositions."²⁰

6 THE METHODOLOGY OF THE HUMAN SCIENCES

In the human sciences the subject matter of investigation is human. Due to the aprioristic intersubjectivity of human logic, the proper method of investigation is retrospective. This means that humans acquire knowledge about other humans by studying their own mind.

"Action and reason are congeneric homogeneous, they may even be called two different aspects of the same thing. That reason has the power to make clear through pure ratiocination the essential features of action is a consequence of the fact that action is an offshoot of reason."²¹

By studying our mind we find that the basis of the human sciences is the axiom that humans differ from the nature by not being under the dominance of regular causes, but instead under the dominance of the logical structure of human mind. On the one hand, human logic is incapable of comprehending the existence of regular causes of human ends, and so it is impossible to find out what the human ends will be in the future. On the other hand, human logic is capable of comprehending some of its own laws, and so it is possible to find out how logic forces humans to use means to attain ends.

"Man's freedom to choose and to act is restricted in a threefold way. There are first the physical laws to whose unfeeling absoluteness man must adjust his conduct if we wants to live. There are second the individual's innate constitutional characteristics and dispositions and the operation of environmental factors, we know that they influence both the choice of the ends and that of the means, although our cognizance of the mode of their operation is rather vague. There is finally the regularity of the phenomena with regard to the interconnectedness of means and ends, viz., the praxeological law as distinct from the physical and the physiological law. The elucidation and the categorial and formal examination of this third class of the laws of the universe is the subject matter of praxeology and its hitherto best-developed branch, economics."²²

The purpose of the human sciences is to study humans, and so the subject matter has to be what is the essential feature of humans, the purposeful behaviour, the use of means to attain the desired end. The study of human action, or the human sciences, can be divided into two branches. The first branch is praxeology which investigates the formal relationships of ends and means, and the second branch is history which investigates the contents of means and ends.

"There are two main branches of the sciences of human action: praxeology and history."²³

"Praxeology is not concerned with the changing content of acting, but with its pure form and its categorial structure. The study of the accidental and environmental features of human action is the task of history."²⁴

The logical structure of the human mind forces humans to think and so to act in a special way, but what is that special way of action? von Mises' answer to this fundamental question was praxeology, which is based on the self-evident axiom of human action. According to this aprioristic fact, it cannot be denied that humans act because the denial would itself be an action.

The starting point of praxeology is a self-evident truth, the cognition of action, that is, the cognition of the fact that there is such a thing as consciously aiming at ends.²⁵

Because humans act they must also be capable of comprehending the contents of action. Therefore the method of praxeology is deductive, that is, by studying the implications of action-axiom one tries to find the principles governing human action.

"All the elements of the theoretical sciences of human action are already implied in the category of action and have to be made explicit by expounding its contents."

Action is defined as purposeful behaviour, aiming at ends so that one is trying to change a less preferred state affairs to a more preferred state of affairs. Therefore action is based on the maximization of value, and from this basic principle all the other concepts follow. In short, every human is constantly valuing and trying to improve his position and therefore he uses means to achieve goals, estimates his costs and then chooses his course of action, after which he will experience either a success (profit) or a failure (loss).

"Action is an attempt to substitute a more satisfactory state of affairs for a less satisfactory one. We call such a willfully induced alteration an exchange. A less desirable condition is bartered for a more desirable. What gratifies less is abandoned in order to attain something that pleases more. That which is abandoned is called the price paid for the attainment of the end sought. The value of the price paid is called costs. Costs are equal to the value attached to the end aimed at. The differences between the value of the price paid (the cost incurred) and that of the goal attained is called gain or profit or net yield. Profit in this primary sense is purely subjective, it is an increase in the acting man's happiness, it is a phys-

ical phenomenon that can be neither measured nor weighed."²⁷

CONCLUSION

Unlike the intellectually influential empiricists, von Mises claimed that for the human mind there exist irrefutable facts, because the mind cannot refute its basic concepts. He furthermore claimed that the most important of such facts is the action axiom, from which it follows that, instead of (empiristic) methodological monism, there has to be (aprioristic) methodological dualism in science. In other words, von Mises claimed that scientists are using an unscientific method when they are studying the social sciences by using the method of the natural sciences.

However, it was not epistemology that made von Mises a great Austrian. Epistemology was only the starting point of his thinking. From praxeology he deduced the science of economics by starting from the praxeological fact of utility maximization from which he deduced the law of marginal utility, which in turn is the foundation of the law of supply and demand. von Mises did not see economics in the empiricist way as a hypothetical science, but as a science which conveys truths about humans and their society. This also explains his dogmatic and fanatic support of laissez faire capitalism, because as he saw it civilisation is based on market cooperation and so all attempts to disregard the teachings of economics must weaken the foundation of civilisation.

NOTES

1. Human Action, Jarrold and sons, Norwich, 1949, p. 2.
2. *Ibid.*, p. 68.
3. *Ibid.*, p. 83.
4. The Ultimate Foundation of Economic Science, Sheed Andrews and McMeel, Kansas City, 1978, p. 48.
5. Human Action, p. 35.
6. The Ultimate Foundation of Economic Science, p. 12.
7. *Ibid.*, p. 18.
8. *Ibid.*, p. 18.
9. Human Action, p. 24.
10. The Ultimate Foundation of Economic Science, p. 42.
11. *Ibid.*, p. 17.
12. Human Action, p. 5.
13. Epistemological Problems of Economics, D. Van Nostrand Company, Princeton, 1960, p. 206.
14. Human Action, p. 22.
15. *Ibid.*, p. 23.
16. *Ibid.*, p. 17.
17. *Ibid.*, p. 17.
18. Theory and History, The Ludvig von Mises Institute, Auburn, 1985, p. 4.
19. The Ultimate Foundation of Economic Science, p. 2.
20. Epistemological Problems of Economics, p. 9.
21. Human Action, p. 39.
22. *Ibid.*, p. 39.
23. *Ibid.*, p. 30.
24. *Ibid.*, p. 47.
25. The Ultimate Foundation of Economics Science, p. 4.
26. *Ibid.*, p. 8.
27. Human Action, p. 97.