

## Was Mises Right? Philosophical Progress and the Methodology of Economic Science

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### Abstract

Many Austrians consider methodology to be the distinguishing characteristic of the school of thought. ‘Austrian methodology,’ especially as laid out in work of Ludwig von Mises, has invited considerable criticism. Mises maintained that economic theory consists solely of *a priori* propositions. This epistemological status provides economic science with its unique methodology, distinct from that followed by the natural sciences, yet also distinct from historical study. Beginning with the self-evident axiom of action, economic theory is deduced through the aid of logic. If deduced without error, Mises contends, the laws thus arrived at have the same *aprioristic* character as the axiom itself. This being the case, economic laws, like the axiom of action, are not open to empirical falsification. Mises’s notion of *a priori* propositions comes from Kant, but his application of this idea to the science of economics moves beyond Kant. Mises’s methodological position has important implications for modern economic research.

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## 1 Introduction

The Austrian school's unique methodological stance separates it from the rest of the economics profession. Methodological subjectivism, recognition of radical uncertainty, and the notion of markets as processes are often cited as defining characteristics of the Austrian approach (see for example, O'Driscoll and Rizzo 1985; Vaughn 1994; Boettke, ed. 1994, and Boettke and Leeson 2003). Due to its controversial status, less frequently noted in the modern literature is *methodological apriorism*. Indeed, throughout the history of the Austrian school many of its adherents have attempted to distance themselves from Menger's exact laws, and Mises's *apriorism*, while at the same time building on the theoretical insights of these thinkers. All of Mises's students from the Vienna years, e.g., Fritz Machlup and F. A. Hayek, attempted to accomplish this two-step maneuver. It is important to recognize, however, that neither Machlup nor Hayek rejected *apriorism* so much as they sought to qualify the stance.<sup>1</sup> Hayek (1937), for example, argues that the pure logic of choice is a necessary component to economic theory. What he argues in supposed contradiction to Mises is that the pure logic of choice is insufficient for the elaboration of the entire body of economic thought. But to those Austrians, like Murray Rothbard, that adhere to methodological *apriorism*, the position tends to be portrayed as *the* distinguishing characteristic of the Austrian school.<sup>2</sup>

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<sup>1</sup> Alfred Schutz (1967) and Felix Kaufmann (1944) were students of Mises who attempted to critically reconstruct Mises's methodology through the philosophy of Husserl (Schutz) and positivism (Kaufmann) and develop a general methodological stance for the social sciences.

<sup>2</sup> See for instance, Rothbard (1957) and (1976). Rothbard (1957), however, defends *apriorism* on slightly different grounds than Mises. He maintains that while the starting point of economic theory—the proposition that all humans behave purposively—may be known via introspection (per Mises), it can also be defended as *aprioristic* if it is learned by appealing to “broad empirical” observation. In this way, Rothbard introduces what he calls an “Aristotelian” derivation of the action axiom's *aprioristic* status. Kirzner (2001) recounts a story in which Mises allegedly told him that the action axiom was derived from “experience” as well. In his first book and doctoral dissertation (1960) written under the direction of Mises, however, Kirzner maintains the traditional Misesian argument that we know humans act by way of introspection.

In a science dominated by what many have called “physics envy,” those Austrian school writers who have insisted on the *aprioristic* nature of economics have often endured a greater marginalization of their status in the eyes of the profession than those Austrian types who have distanced themselves from the *aprioristic* approach. This paper will explore methodological *apriorism* as laid out by its most consistent defender, Ludwig von Mises. We provide textual evidence to show how Mises was influenced in this regard by the philosophy of Immanuel Kant, and demonstrate that Mises’s *application* of this idea to the science of economics moves beyond Kant. Specifically, we contend that building upon these developments Mises eschewed the traditional analytic/synthetic dichotomy successfully both revealing the illegitimacy of the positivist approach and defending the empirical relevance of ‘mere tautologies’ in economic science. Finally, we discuss the relevance of Mises’s methodological position for modern economic science.

## 2 Kant on *Apriorism*

The idea of the *synthetic a priori* is most famously connected with Immanuel Kant’s, *Critique of Pure Reason* (1781). Building on a distinction between the appearance of things and things in themselves, Kant argued that the transcendental deduction of concepts is the most important intellectual exercise for our understanding. Human cognition can be divided into those concepts we come to understand completely independent of experience and those that we come to understand only through experience. Kant argued that the problem which arises in human understanding is how our subjective conditions of thinking could obtain objective validity. This problem, he maintained, is solved through transcendental deduction.

The extreme rationalism of philosophers like Leibniz, Wolff and Baumgarten, Kant maintained, was wrong. By itself, reason cannot teach us anything about the actual world.

Without the data of experience, pure logic is at a loss to impart information to us regarding the reality we live in. Similarly, the empiricism defended by scholars like Locke, Berkeley and Hume, was also incorrect. Facts of the world are never presented to the mind *tabula rasa*. They can only be understood with the aid of concepts that exist in our mind prior to any experience. In response then to both (pure) rationalism and (pure) empiricism, Kant develops the notion of a class of knowledge held by individuals that while known to us *a priori*, nonetheless imparts information about the real world.

Kant contended that *a priori* axioms known to us apart from experience were embedded in us as categories of the human mind. These *a priori* concepts are necessary in order to use the human faculty of judgment to understand objects in the world. Indeed, understanding of the world is impossible except through these categories that enable us to make sense of our experiences. According to Kant then, our understanding of objective reality has objective validity via the employment of concepts known *a priori*. At the basis of all empirical cognition then are *a priori* concepts, without which objective validity would be denied to us. As Kant argued, we do not derive concepts from nature, but interrogate nature with the aid of these concepts. He held that through introspection we are able to realize what our minds already know and can come to discover the *a priori* categories that shape our thinking and perceptions of the world.

This brief and elementary statement of Kant's position is not meant to be complete and clearly does not do justice to the many and complicated nuances of his understanding. Instead, it is meant merely to sketch a crude outline of Kant's epistemology as a means of analyzing the context in which Mises develops his position concerning the nature of economic science—a task we take up in the following section.

Similarly, it is often argued that Kant's argument was motivated by a desire to provide the metaphysical foundation for Newtonian science. We have no particular interest in that question. Nor do we have any comments to offer on whether the effort was one to legitimate science while leaving room for morality and religious faith. It is Kant's influence on Mises's defense of the nature of economic thought that is our primary focus. Kant developed his argument concerning human action by reference to Locke's discussion of how belief gives rise to action. Locke had argued that our understanding of human action arises only through our experience with nature. While Kant admits that empirical study may enable us to understand the occasional cause by which the pure categories and forms of intuition are brought into application, he argued for their strict *a priori* nature. It is this focus on the *a priori* categories of human action that would occupy Mises's philosophical attention.

### 3 Mises, Kant, and the Nature of Economic Science

For most of his career Mises found himself amidst a sea of logical positivism. Indeed when he published his first major statement concerning his methodological views (1933), logical positivism was starting to spread in economics.<sup>3</sup> In its strongest form, logical positivism denies the existence of *apriori* knowledge and rejects all non-empirical forms of analysis. According to this view, if economics is to progress as a science, indeed, if it is constitute a science at all, it must follow the methods of falsification employed by the physical sciences. Truth, positivists maintain, is only accessible through experience. The sterile objectivity that truth demands cannot permit 'non-facts' to pollute it. The positivist program thus aimed at purging subjective influence from the pure facts of the world. The brute facts, they

maintained, untainted by the scientist's preconceptions, could only be arrived at through the scientific method. According to this view, value freedom is entirely procedural in the sense that objective truth is a function of following the scientific procedure.

It was in this context and against this notion that Mises developed his argument for methodological *apriorism*. The positivist program, Mises pointed out, was fatally flawed from the outset in its failure to appreciate the necessarily theory-laden nature of all 'facts.'<sup>4</sup> This insight is not new to Mises, but was emphasized by Goethe who stated: "It would be best if we realized that all that is fact is already theory." Mises employed a version of this argument when he pointed out empiricists are "able to believe that facts can be understood without any theory only because they failed to recognize a theory is already contained in the very linguistic terms involved in every act of thought. To apply language, with its words and concepts to anything is at the same time to approach it with theory" (1933: 28). The choice is never between theory and no theory, but one between articulated and defended theory and unarticulated and non-defended theory. The unavoidability of theory-laden fact renders impossible the procedural value freedom put forth by the positivists. If 'pure' facts are required for objectivity, then objectivity is impossible.

The theory-laden nature of the 'facts of the social sciences,' to Mises, implied that we should strive to articulate theory and defend it in a clear and logical fashion. But this did not mean that theory was immune from criticism. The economist "can never be absolutely certain that his inquiries were not misled and that what he considers as certain truth is not error. All [he] can do is submit all his theories again and again to the most critical

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<sup>3</sup> *Apriorism* was not alien to economics at this time as was evident in Robbins (1932) and Knight (1940). However, by the time Friedman published his essay (1953) it was standard for economists to argue that economic science required submitting falsifiable hypotheses to empirical test.

<sup>4</sup> Mises's point about the impossibility of unambiguous tests of theory can be understood as anticipating the more refined Duhem-Quine thesis which stated that the truth or falsity of a theoretical statement cannot be determined independently of a network of statements. See Boettke (1998).

reeexamination” (Mises 1949: 68). Nor did it deny the fundamental importance of empirical work for understanding the social world. In fact, in Mises’s system, the entire purpose of theory was to aid the act of historical interpretation. He divided the realms of knowledge into—conception (theory) and understanding (history)—due to the separate epistemological issues involved in both endeavors. Although frequently overlooked by his critics, it is clear in Mises’s writings that historical understanding was the vital goal towards which the theoretical construct of economics was to be employed. Economic theory was the servant of empirical work and thus, “aprioristic theory and the interpretation of historical phenomena are intertwined” (Mises 1949: 66).

Mises leveled another devastating criticism at the logical positivists, who championed methodological monism in the sciences. He pointed out that what distinguishes economics from other sciences is that our science deals with *conscious* actors. Unlike the unmotivated subject matter of the physical sciences, the subjects of economic study are rational, conscious agents with certain desires and beliefs about how to achieve them. In the physical sciences, the ultimate causes of matter’s ‘behavior’ can never be known. This fact is due to the relationship between the physical scientist and his subject of study, which differs radically for social scientists and their subject of study. The physical scientist must remain an outside observer of his subject. He can never ‘get inside’ the object of his inquiry and so can never have direct, intimate knowledge of the source of his subject’s primary properties. Indeed, by repeatedly observing his object of inquiry externally under varying conditions the physical scientist attempts to get closer to knowledge of the object under observation. While this

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process can bring him closer, his unalterable status as external observer prohibits him from ever having final knowledge of his subject's ultimate cause.<sup>5</sup>

The social scientist, on the other hand, is in a relatively better position, for *qua* man, he is himself the very subject of his study. This fortunate position allows him to get inside the mind of his subject. Thus, in the social sciences, the scientist *begins* with knowledge of the ultimate causes driving his subject's behavior. And it is in this sense that the social scientist is in a better position for the study of his field than the physical scientist. This fundamental difference between the relationship of the physical scientist to his subject of inquiry and social scientist to his subject of study suggests a fundamental difference in the epistemological status of their insights and implies a methodological dualism in the realm of science.

Our understanding of the natural world improved tremendously when explanations of physical phenomena by way of 'purpose' were replaced with explanations that discussed the physical laws of nature. Explanations that appealed to the whims of the gods to explain the changing seasons, for instance, were replaced by one which discussed the earth's rotation around the sun. The purging of 'anthropomorphism' in the natural sciences thus led to the advancement of knowledge of the physical universe. But as Mises recognized, in attempting to mimic the natural sciences, if we purge human purposes and plans from the human sciences, we purge our very subject matter.<sup>6</sup>

Furthermore, Mises argued, in contrast to the natural sciences, there are no constant relationships in human action. As such, no universally valid quantitative laws are possible in the realm of human affairs. Additionally, "The experience with which the sciences of human

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<sup>5</sup> Austrian writers from Wieser to Mises to Hayek have emphasized 'knowledge from within' as a distinct characteristic of the human sciences.

<sup>6</sup> Besides Mises, see also Hayek's (1952) classic work *The Counter-Revolution of Science* on this point.

action have to deal is always an experience of complex phenomena. No laboratory experiments can be performed with regard to human action. We are never in a position to observe the change in one element, only, all other conditions of the event being equal to a case in which the element concerned did not change” (Mises 1949: 31). Thus, we cannot, ‘holding the rest of the world constant,’ change price to determine its relationship to quantity as the scientific method touted by positivists requires.<sup>7</sup> These fundamental differences between the physical and human sciences, Mises tells us, require that we be methodological dualists.

Mises’s methodological dualism established the framework for his *apriorism*. If the positivists are wrong and the methods of the natural sciences are ill-suited to elaborate the laws of economics, what method must economics follow? In response to this question Mises borrows from Kant the notion of a) *a priori* axioms and logical categories of the human mind that are b) known to individuals through a process of introspection, which c) act as the means through which we understand the world, and applies the idea to the science of economics.

According to Mises, our nature as actors—beings who purposefully act—is known to us through introspection. Reflection on what it means to be human reveals that purposeful behavior is our primary and distinguishing feature. As such, this knowledge is aprioristic. We do not become aware of our uniquely human characteristic through experience because we cannot in fact ‘experience’ without purpose. Thus, “man does not have the creative power to imagine categories at variance” with the category of action (Mises 1949: 35). In taking action as the starting point for all of economic theory, Mises roots the logic of choice in the broader logic of action he calls *praxeology*.

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<sup>7</sup> Economic laws are deduced from the axiom of action aprioristically with the aid of the *ceteris paribus*

In the course of laying out this argument, Mises makes his first move beyond Kant. Critics of Kant's synthetic *a priori* notion worried that such a view gives license to any set of theories. According to these critics, by arbitrarily postulating any given axiom as aprioristic, any number of erroneous conclusions can be arrived at. A related line of criticism points out that even if we could agree on what axioms are truly known aprioristically, how are we to choose among the axioms to employ when different axioms yield differing or even contradictory results? In response to criticisms about the alleged arbitrary selection of starting axioms Mises argued that the deductive procedure does not begin with an arbitrary choice of axioms, but rather with reflection on the essence of human action. As he stated it: "The starting point of praxeology is not a choice of axioms and a decision about methods of procedure, but reflection about the essence of action" (1949: 40). In our efforts to understand reality *we do not choose* the axiom we wish to begin with so much as it is *chosen for us* by the world in which we live. The axiom of action is in a sense imposed on us by the world. As the 'filter' through which we make sense of our surroundings, we must necessarily begin our understanding processes with the concept of purposeful action. It is the only means available to us for this purpose as we cannot help but see the world through the 'lenses' conditioned by the unavoidable structure of our minds. If we desire to ground economics in the reality of the world, Mises maintained, we have no choice but start with the axiom of action. No other starting point can root us in the world in which in actually live.

It is true, economic theory could begin with another axiom, and the laws thus deduced would be valid if no errors were made in the process of deduction and the assumptions posited corresponded to the circumstances at hand. But because for Mises economics is both *aprioristic* and interested in illuminating the real world, its starting axiom

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assumption that enables a sort of controlled mental experiment.

must be both known without reference to experience *and* fundamentally connected to the world of man. The action axiom fits both of these descriptions. It is peculiar in that it is both aprioristic and imparts knowledge to us about the real world as described above. The competitive equilibrium world of Arrow-Hahn-Debreu is derived aprioristically but eschewed by Mises because unlike theory deduced from the axiom of action, it remains largely unconnected to the real world. Far from arbitrary, we begin with the axiom of action precisely because it is unique in its capacity to bridge the gulf between aprioristic theory and reality of the world in which we live.

Drawing again on Kant again, Mises suggests that action implies certain prerequisites of action—categories of the mind, which are also known *a priori*. He indicates six such categories without which purposeful behavior is impossible: temporality, causality, uncertainty, dissatisfaction, an imagined preferred state of affairs, and beliefs or expectations about the means available for the satisfaction of wants.

In examining the *apriori* nature of these logical categories, Mises (1949, 1962) offers a speculative history as to how they evolved as part of the human mind. According to Mises, the *a priori* categories evolved along with humans in a Darwinian fashion. We have the categories of the mind that we do today precisely because they were best able to impart accurate information about the real world to us necessary for our survival. The categories are subject to future evolution as improved variations enable us to better understand the world or the underlying reality of the world itself changes. This hypothesized evolutionary process helps explain the necessary connection of the starting point of action and the categories that it implies to the real world. If they were not connected in this way to the world, humans possessing them could not have evolved as they have. Thus, there is a mutually interactive process between our minds and the world, forming a feedback loop between the evolution

of our *a priori* mental categories that determine the world we experience, and the reality of the world that conditions our way of thinking and understanding reality.

From these categories implied in the axiom of action, Mises contends we can deduce the pure logic of choice. The theories thus arrived at, because they represent the elucidation and teasing out of the implications of the fact that man acts “are, like those of logic and mathematics, *a priori*” (Mises 1949: 32). If no logical error has been made in the process of deducing from the axiom of action, the theories arrived at are aprioristically true and apodictically certain. Their aprioristic quality, however, does not render them irrelevant to the real world. “The theorems attained by correct praxeological reasoning are not only perfectly certain and incontestable, like the correct mathematical theorems. They refer, moreover with the full rigidity of their apodictic certainty and incontestability to the reality of action as it appears in life and history. Praxeology conveys exact and precise knowledge of real things” (Mises 1949: 39).

Of course, Mises points out, while in principle all of economic theory can be logically spun out of the axiom of action in this fashion, for practical purposes we limit our activities to elucidating those theories that are relevant for the world in which we live. We could, for instance, imagine all possible states of the world and develop theories that logically follow from the assumptions posited. Such theories, assuming no errors were made in the process of deduction, would accurately describe processes and outcomes whenever the assumptions posited actually held. For example, we could imagine a world in which instead of labor bringing about disutility, it brought about joy. The labor theory deduced from this assumption would be correct but hold only in a world in which labor brings about joy. Since our purpose, however, is to understand the world in which we actually live, we observe the conditions of our world (in our example the disutility of labor) and use this empirical

subsidiary postulate to circumscribe the bounds of our theorizing.<sup>8</sup> As Mises put it, “the end of [economic] science is to know reality. It is not mental gymnastics or a logical pastime. Therefore praxeology restricts its inquiries to the study of acting under those conditions . . . which are given in reality” (1949: 65).

Mises’s *apriorism* implied an important insight regarding possibility of value freedom. The deductive logic entailed in examining economic chains of events must always take ends as given. The role of the economist is to employ *apriori* theory in evaluating the efficacy of the means chosen in light of the stated ends. The economist then has nothing to say about the ends themselves, but is instead in the position of commenting upon the coherence of various means towards the achievement of those ends. As Mises put it: “The ultimate judgments of value and the ultimate ends of human action are given for any kind of scientific inquiry; they are not open to any further analysis. Praxeology deals with the way and means chosen for the attainment of such ultimate ends. Its object is means, not ends” (1949: 21). Thus, in contrast to the procedural value freedom of positivist methodology then, aprioristic methodology is *analytically* value free.<sup>9</sup> Means-ends analysis in light of *aprioristically* deduced economic law both avoids the fatal positivist failure to recognize that all facts are theory-laden and avoids the importation of value judgments into economic elucidation.

Mises points out that the *aprioristic* character of the pure logic of choice implies that economic theory can never be empirically validated or invalidated. The laws of economics “are not subject to verification or falsification on the ground of experience and facts” (Mises 1949: 32). Attempts to empirically test economic theory are not only fruitless, but indicate the wrong-headedness of the scientists who attempt to do so. Such scientists are in the same

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<sup>8</sup> It should be noted that such use of empirical subsidiary postulates does not alter the aprioristic nature of the theories thus arrived at.

<sup>9</sup> On the Austrian argument for value-freedom see Boettke (200: 7-28).

position as those who believe that they can validate or invalidate the Pythagorean Theorem by measuring right triangles in the real world. Both fail to grasp the aprioristic nature of the theory they try in vain to test. Like the laws of mathematics, the laws of economics “are both logically and temporally antecedent to any comprehension of historical facts” (Mises 1949: 32). This fact in conjunction with the impossibility of controlled experiments in the real world makes it impossible to empirically test economic theory.

The critics of Mises are quick to point to this as evidence of his denial of the importance of empirical work and the real world. As we noted earlier however, though typically ignored, Mises is explicit in asserting that *apriori* economic deduction is to be the servant of empirical examinations of the world. Thus, in Mises’s eyes, Carl Menger’s institutionally contingent historical explanation of the emergence of money accurately represents the “fundamental principles of praxeology and its methods of research” (Mises 1949: 402). We are interested in economic theory because it illuminates the world outside the window. The institutional arrangements of the world that frame the rules within which the logic of choice in human decision making operates are the fundamental elements towards which economic theory is aimed. Thus, every argument in Mises, from the impossibility of rational economic calculation under socialism to the movement of the business cycle are institutionally embedded and contingent. The function of *aprioristic* theory in these analyses is to put parameters on people’s utopias. So, while an examination of the emergence of money is necessarily an empirical inquiry into the institutional features that enable or disable its emergence, the demand for money always slopes downward. In this fashion, *a priori* theory bounds our behavioral possibilities while making it possible for us to examine real features of the empirical world. Thus, “Theory and the comprehension of

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living and changing reality are not in opposition to one another,” but are rather enjoy a symbiotic relationship (Mises 1949: 38). Viewed this way, rather than hyper-theoretical, Mises’s *apriorism* is actually radically empirical.<sup>10</sup>

Mises’s critics were also fond of pointing out that if he is correct, then the pure logic of choice is ‘mere tautology.’ In responding to this claim, Mises makes his neo-Kantian move. Traditionally, philosophy distinguished between analytic and synthetic propositions. While the former were purely tautological, the latter, it was held, conveyed to us information about the real world. Kant’s notion of a synthetic *apriori*—a class of knowledge known to us apart from experience that nonetheless imparts information about the real world shattered traditionally held beliefs about necessity of *apriori* claims as analytic truths. Kant thus accepted the traditional analytic/synthetic distinction but argued that some *apriori* truths formerly thought to be analytic could in fact be synthetic. Although Mises can be understood as building upon Kant, he ultimately goes beyond Kant by rejecting the traditional analytic/synthetic distinction altogether.

According to Mises, it is true that like the laws of geometry, the pure logic of choice is entirely tautological. Nevertheless, these ‘mere tautologies’ have incredible empirical significance. Because the logic of choice is deduced from the axiom of action, which as we saw earlier is unavoidably connected to the real world, its propositions—though tautological—necessarily inform us about the real world. Tautologies need not be empirically empty as Mises’s opponents had contended. Who would deny, for instance, that the *aprioristic* propositions of geometry are applicable to the real world? All architectural structures from bridges to buildings rely on these tautological propositions to be effectively

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<sup>10</sup> Theories are not refuted or failed to be refuted by empirical analysis, but instead they are either applicable or inapplicable--relevant or irrelevant to the task of empirical interpretation.

constructed. Similarly, in economics we rely upon the law of demand for instance—which is tautological at its foundation—to analyze the coherence of various means for the attainment of various ends. Just because observation cannot falsify this law does not mean that the law is empirically irrelevant. Like all *aprioristic* propositions derived from the axiom of action, it is extremely empirically relevant. Indeed, without it we would be entirely unable to understand the functioning of the economy. Thus, Mises points out, tautologies deduced from an axiom inextricably linked to the real world are no vice. On the contrary, they are the indispensable mental constructs that make it possible for us to understand the real world.

Mises's starting point from the *axiom of action* thus bridges the gap between 'mere tautology' and information about the real world. Our actions necessarily involve the real world. Indeed, they are the means by which we manipulate the world around us towards the satisfaction of our goals. In this sense, action is inextricably linked to the world in which we live. In fact, the idea of action loses its meaning without a reality towards which it is directed. On the other hand, as we considered above, action is also an *a priori* category. The concept of action and the fact that we act is known to us through reflection on our nature as men and is given to us outside of experience. The economic laws deduced from this axiom thus constitute empirically relevant *apriori* truths. They are aprioristic and yet, owing to their necessary connection to reality, tell us something about world in which we live.

#### **4 The Relevance of Mises's Position for Modern Economics**

Mises's radical methodological and epistemological positions have been the source of considerable criticism. With the rise of positivism and empiricism, the desire to imitate the methods of the physical sciences in the social sciences has largely proved too strong to resist for the profession of economics. Influential economists from Paul Samuelson to Milton

Friedman argued that in order for economics to have the status of a 'real' science, it needed to take a formalist and quantitative turn. Others, like T.W. Hutchison, pushed for a purely positivistic approach. Over time, the lures of mathematical elegance and the desire for precise predictive power won over the hearts of most economists. As a result, Mises was largely viewed as out of step with the times. This is what led the well-known historian of economic thought Mark Blaug to dismiss Mises's methodological position as "cranky and idiosyncratic."

Nonetheless, it is worth noting that for many years a more or less methodological *apriorism* as described by Mises was common among economists. In fact a deductive 'common sense' approach was the dominant way of doing economics for quite some time. As Mises put it, "We do not maintain that the theoretical science of human action should be aprioristic, but that it is and always has been so" (1949: 40). Nassau Senior, Destutt Tracey, J.B. Say, John Cairnes, Carl Menger, Lionel Robbins, Frank Knight, and many others were all *apriorists* of some sort or another. Economic theorems, these writers contended, were derived from 'self-evident' axioms. Far from out of step, this is the way that economic theorizing was done by classical and neoclassical economists for more than one hundred years.

Since this time, however, economics has made several turns in its preferred approach to economic inquiry.<sup>11</sup> In opposition to Mises's methodological stance, in the 1950s the economics profession adopted 'model and measure' as its mantra. With the later development of game theory and the introduction of the Folk Theorem the possibility of an infinite number of equilibria led to the emergence of a sort of formalistic historicism that used formal tools to describe particularistic economic phenomena. What both of these

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<sup>11</sup> For a description of this movement see: Boettke, Coyne, and Leeson (2003).

approaches have in common is an implicit rejection of the economic methodology employed by the classical economists as laid out and defended by Mises that inadvertently purges the peculiarly human element from economic science.

Because it began with the axiom of action, Mises's *apriorism* necessarily moved the human element to the forefront of economic analysis. The logical categories implied in the action axiom emphasized time, uncertainty and change in process of man's attempts to pursue his ends. Absent this aprioristic approach, the importance of the real world conditions that acting man confronts are all but lost. In its place is substituted man as machine operating in a sterile environment characterized by ideal conditions that in no way reflect reality.

Recent demands for new empirical methods of research illustrate the bankruptcy of the non-aprioristic approach. Ironically, it is Mises's radical *apriorism* that provides the answer to this burgeoning empirical problem. As Mises's approach implies, economic understanding increases by framing questions in terms of the particular but analyzing in terms of the logic of choice. Interpreting the particular by way of the universal yields the *analytical narrative*, which brings the real-world human chooser back to forefront of economic analysis. The analytical narrative makes the aprioristically deduced pure logic of choice the handmaiden of institutionally-focused ethnographic research. Borrowing from sociology and anthropology, economics may employ survey, interview, and participant observe techniques to glean new empirical knowledge from its subjects (the narrative) to be analyzed in light of aprioristic rational choice theory (the analytic) leading to analytically rigorous but institutionally rich analyses. It is this research methodology that emerges out of Mises's

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unique methodological approach to economic science that offers the way out of the problems generated by the empiricist/positivist approach to economic questions.

## 5 Conclusion

Far from embarrassing, we have argued that Mises's methodological position was way ahead of his time. His focus on the givenness of ends and the analysis of means to these given ends provides us with an alternative pre-positivistic notion of value-freedom; his clear statement on how the theory-ladenness of facts destroys any notion of unambiguous empirical tests anticipated developments in post-positivist philosophy and yet does not slip into the epistemological abyss of post-modernism; and his focus on the universal applicability of the science of human action (*praxeology*) paved the way for a unified social science grounded in methodological individualism. Furthermore, Mises's work is far from the armchair theorizing many have made it out to be. The entire purpose of the theoretical task is to enable better empirical investigation. It is just that these two tasks represent distinct epistemological moments (conception for theory, understanding for history). Mises, building on Kant, was able to develop a system for analysis which today is being discussed as the *analytical narrative* approach to political economy. It is this movement, we contend, that will save economics from its irrelevance by linking economic explanation back to the human actor --- the *alpha* and *omega* of all of economic life. Mises's *Human Action* was a monumental achievement in technical economics and social philosophy and public policy, but just as important is his contribution to the philosophy of the human sciences. Here Mises argued forcefully that the laws of economic science are deduced *apriori* and prove their relevance in the act of interpretation of historical phenomena. Without these *apriori* laws, we would be blind to the empirical world.

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