

## Social Science and Natural Science

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I.

Up until the 18<sup>th</sup> century there was *history*, not *social sciences*. The criterion of *good* or *bad* intentions prevailed over practical considerations. Then though the founders of Political Economy (Smith, Cantillon, Hume, Physiocrats) discovered regularity in the operations of the market which opened the possibility of investigating human actions from a different than moral judgment, namely in terms of human choice and preference (not just market)

II.

Since the elements of social cognition are abstract and not reducible to concrete images one would like to have metaphors. First there were biological metaphors, now mostly mechanistic ones. These are based in positivist view of social science that holds that social science should be built up by experimental method as ideally applied in Newtonian physics. Economics becomes experimental, mathematical and about *measurement*. This is all wrong:

1. Social sciences cannot be based on experience like the natural sciences. Social experience is of a complexity and cannot be experimented with
2. Therefore the social sciences can never use experience to verify their statements. Every fact and experience is open to multiple interpretations (but see Kuhn. KS)
3. The impossibility of experimenting implies the impossibility of measurement. In human behavior there are no invariable relations like there are between physical properties, which means that it is pointless to mathematize them in order to make predictions. Statistics merely studies *history*.
4. Mathematics does not deal with actual operations of human actions but with a fictitious concept, *static equilibrium* (tomorrow is like today, no uncertainty), that economists build up for instrumental purposes. But not only is this unrealistic, it is also *inconsistent* for lack of uncertainty and change implies lack of actions. The only purpose mathematics can have in economics is the study of the nature of relations between costs and prices and thereby of profits.
5. Mathematics cannot tell us how the market *arrives at* a static equilibrium.
6. Mathematicians are prone to consider the price either as measurement of value or as equivalent to the commodity. But prices are neither; they are simply the amount of money exchanged for a commodity and there is *reversed valuation*.

III.

Economics deals with *human action*, not with *objects* (as physics does) such as commodities, economic quantities or prices. Therefore economists do not consider their subject matter *from without*, but *from within*, through our own understanding of what it is to be human and to act. *What makes natural science possible is the power to experiment, what makes social science possible is the power to grasp the meaning of human action.*

We here have to distinguish between two different kinds of comprehension:

a) we *conceive* the meaning of an action when we take an action as such, as the endeavor to reach a goal by the use of means, i.e. we conceive its logical (praxeological) qualities and categories. All we do here is bring to light through *deductive analysis* everything that is contained in the first principle of action and to apply it to different kinds of thinkable conditions. This procedure and method are also the mode of ordinary daily apprehension of social facts. There is no categorical difference between the economist and the layman here. The difference is one in systematicity and scrupulousness. What we do in economics is inquire whether the special conditions of action that we have implied in our reasoning correspond to those we find in the segment of reality under consideration. [Then follows some short stuff about idealization which I think he is not very clear about. He doesn't make the distinction that e.g. Roderick Long makes. KS] Economic theory is not

derived from experience, but the indispensable tool for the grasp of economic history.

#### IV.

b) To orient ourselves in the world of human actions we need to do more than just conceive the meaning of human action, we have to understand (*verstehen*) the meaning of human choice. This is the specific method of historical research. The historian has to use praxeology and natural sciences, but he has to go farther: he has to study the individual and unique conditions of the case in question. . He has to grasp the meaning of individuality by a *psychological* process, he has to make sense of valuations, aims, theories, beliefs, errors and the conditions the individual acts in. This implies that this specific understanding cannot be separated from the philosophy of the interpreter which in turn means that there cannot be the scientific objectivity of the natural sciences.

History then is a representation of the past in terms of *type concepts*. These concepts can be built up only by the use of specific understanding and they are meaningful only in the frame of the understanding to which they owe their existence. So not every logically valid (all the elements united in one class are characterized by one common feature) type-concept is useful for purposes of understanding. Classes don't exist in reality and are product of human mind. They are not statistical concepts, not subject to numerical determination. They are also not *praxeological* concepts: the latter are more function-oriented (entrepreneur is personification of the function that results in profit or loss) and precise in that way.

Example of history through type-concepts: *Bolshevism vs. Fascism* may be a way to represent early 20<sup>th</sup> century history and both are valid type-concepts, but there are other ways to represent history that may be better.

#### V.

Social sciences have a distinct method, praxeology and *verstehen*, due to the special character of their objects, and owe their progress through it and do not have to and cannot use the method of the *natural sciences*.

Praxeological concepts refer exactly and with certainty to the reality of human action because both the science of human action and human action itself have their root in human reason. The quantitative approach would not render them more exact.

Nobody denies that economics is not perfect yet, but:

1. the present unsatisfactory state of social and political affairs is not due to deficiencies in economic theory, but in *policy*. People just don't use economic theory enough.
2. even if economics needs to be drastically reformed someday it cannot take the direction proposed by those who use the model of the natural sciences. This idea has been thoroughly refuted forever.