

Economic Science and the Austrian Method

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PART 2

On Praxeology and the Praxeological Foundation of Epistemology

I.

Mises like other great economists intensively and repeatedly analyzed the problem of the logical status of economic propositions and was unique in how strongly he realized that it is essential to solve this problem if we are to make systematic progress in economics.

In this chapter Hoppe will argue two things: 1. explain Mises's solution re the ultimate foundations of economic science, 2. why this solution is much more than an incontestable insight in *economics*, but provides us with an insight into the basis of epistemology proper.

II.

In answering the question re the logical status of economic propositions Mises was faced with two competitors:

1. empiricism (see above): Model for economics is natural sciences. This implies skepticism.
2. historicism (in modern form this is hermeneutics, rhetoric, deconstructionism, etc.): model for economics is literary text. According to historicism economic phenomena are not measurable objective magnitude but subjective expressions and interpretations unfolding in history to be understood and interpreted by economics just as a literary text unfolds before and is interpreted by a reader. This implies that there are no objective laws that economic phenomena follow. Anything can be expressed or interpreted concerning everything. This implies *relativism*.

The most immediate criticism of both empiricism and historicism is that they cannot be applied to themselves without contradiction (if they are empirical or subject to hermeneutics they lose their status as epistemology. If they are categorically true, then synthetic a priori truth is possible after all). Moreover, such things like marginal utility are clearly not empirical propositions nor can the relationship between the elements in it be undone by other kinds of interpretation.

Moreover, such things as observation and measurement themselves cannot in turn be observed but have to be clear to the person in another way *prior* to being able to interpret certain observable phenomena as the making of an observation or taking of a measurement. So our empirical knowledge about observation and measurement is based on *reflective understanding* rather than on observation itself, which empiricism cannot account for.

Moreover, historicism itself *must* be constrained by logic (by which Hoppe here seems to mean propositional meaning of statements plus laws of logic), these must be presupposed by historicism and cannot then be accounted for by historicism itself.

So Hoppe says that these refutations contain synthetic a priori knowledge and so prove our possession of a priori knowledge that is not derived from observation and yet is constrained by objective laws.

Now how do economic propositions qualify as such knowledge? Two requirements have to be met according to Mises (and traditional rationalist philosophy)

1. It must be demonstrated that they are not derived from observational evidence but grounded in reflective cognition
2. This reflective understanding must yield certain propositions as self-evident (I a logical, not psychological sense) material axioms

The action axiom fulfills both of these requirements. We understand it not from observation (because we only observe bodily movements, not action) but by reflective understanding and the truth of this understanding cannot be denied since the denial itself would be an action and thus its truth is self-evident in a logical, *not psychological* sense. Mises's brilliance lay in revealing, making clear and systematizing this reflective understanding and deducing the whole of economics from it.

Pretty cool.

III.

Now how does praxeology also provide the foundation for epistemology in general?

To do so we have to introduce a second a priori axiom, *a priori of argumentation*, and clarify its relation to the action axiom. Humans are capable of argumentation and hence know the meaning of truth and validity. This insight is not derived from observation (cuz we can only observe verbal behavior) but derived from prior reflective cognition (which is required to understand verbal behavior as meaningful statements) Denying that one can argue is arguing, thus this axiom is undeniable.

The action and argumentation axioms are related because 1. on the one hand action is more fundamental than argumentation because the latter is a subclass of the former, 2. to recognize what has just been said about action one requires argumentation and so in that sense argumentation is more fundamental. But since argumentation presupposes action in that validity claims can only be *explicitly* discussed in the course of argumentation if individuals doing so already know what it means to act and to have knowledge implied in action. So both meaning of action in general and argumentation in particular must be thought of as logically interwoven strands of a priori knowledge.

This interwovenness suggests that the traditional epistemological project of formulating what can and what cannot be known a priori can be reconstructed as that of formulating propositions that are argumentatively indisputable in the sense that their truth is already implied in the very fact of making one's argument. All other statements are either empirical (verifiable/falsifiable by empirical evidence) or metaphysical (not verifiable/falsifiable at all) Pretty cool eh?

So we have to see what is implied in the very fact of arguing. Most generally, it cannot be denied that argumentation presupposes action and that arguments are those of actors. More specifically it cannot be denied that knowledge itself is a category of action and that its structure must be constrained by peculiar function knowledge fulfills in framework of action categories and that these constraints can never be disproved.

In this was insights contained in praxeology must be regarded as providing foundations of epistemology.

Knowledge is not scarce and thus once acquired an inexhaustible resource. And it is not just a free good but it is subject to *validation*, which is to say that it must prove to fulfill a positive function for an actor in the invariant constraints of the categorical framework of actions. Epistemology must clarify what these constraints are and thus what one can know about structure of knowledge as such.

The cool thing about looking at praxeological constraints of structure of knowledge is that the idealism problem that rationalism has suffered from gets solved. (see above) Action is a cognitively guided adjustment of a physical body in physical reality and thus there can be no doubt that a priori knowledge, conceived of as an insight into the structural constraints imposed on knowledge qua knowledge of action, must indeed correspond to the nature of things. The realistic character of such knowledge is clear from the fact that one cannot think otherwise and in fact that one could not *undo* its truth. (not sure about this.)

Other cool stuff follows from understanding knowledge as displayed in argumentation as a peculiar category of action: the laws of logic are as much laws of thinking as of reality because they have their ultimate foundations in action and cannot be undone. In each and every action an actor identifies some specific situation and categorizes so that he can make a choice. This explains law of identity and non-contradiction, and quantifiers and predicates and what not.

Similarly for arithmetic: under empiricism-formalism arithmetic is manipulation of arbitrarily defined signs according to arbitrarily stipulated transformation rules and so devoid of any empirical meaning. Then applying such a system to reality, e.g. in physics, and seeing it work, seems pretty darn miraculous. If however arithmetic is grounded in action (operative or

constructivist approach) we focus on it as repetition of action. It rests on our understanding of ‘do this! And again and again, etc.’ (Wittgenstein flashback, no? KS)

Euclidean geometry is tied with action because spatial knowledge is included in meaning of action. Without action we don’t have such knowledge or possibility of measurement. (I don’t quite understand how Hoppe here deals with non-Euclidean geometry. He seems to dismiss it as mere play or forever subject to empirical testing. But that doesn’t seem to make sense. Suppose people are able to act on the scale of the domain relativity theory talks about. Then non-Euclidean geometry applies to our *actions*.)

So when we recognize the praxeological character of knowledge we can integrate arithmetic, geometry and logic into a system of epistemological dualism, i.e. that there are two distinct realms of intellectual inquiry that can be understood a priori as requiring distinct methods of treatment and analysis, one characterized causally the other teleologically.

Causality too is a necessary presupposition of action (also see above) and as such it is also immediately clear (also see above) that its range of applicability is delineated in a a priori way, applying to the natural but not the social sciences (teleological, purpose-directed, meaningful)

Thus: it is a priori true that historical or sociological explanations reconstruct (not predict) an actor’s knowledge in terms of knowledge of means and ends, etc. and such explanations are constrained by laws of praxeology. Like geometry (which can be discovered by reflection because spatial knowledge is embodied in action, but which itself does not apply to action but to the other causal domain) does in field of observations (non-actions) constrains structure of observational reality, praxeology constrains range of things that can possible be experienced in the field of actions.

IV

Smart rationalist philosophers will become praxeologists, and smart praxeological economists recognize their place in the wider tradition of Western rationalist thought.