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Von Mises' apriorism and Austrian economics: From Menger to Mises

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There is no doubt that Carl Menger and Ludwig von Mises can be considered as two of the most representative and influential members of the Austrian school of economics. However, given the fact that this school is well known for being a methodological school, it might be surprising to note how far these two prominent economists apparently stand on methodological questions. While Menger frequently insisted that "no *essential* differences between the ethical and the natural sciences exists, but at most only one of *degree*"¹, Mises emphasizes the alleged gulf between social and natural sciences to the point of adopting what he called a "methodological dualism". As a consequence of this dualism, Mises did not hesitate when it comes to the analysis of human action to refer to laws "derived *a priori*" that "permit of no exception" because they belong to "an aprioristic and universally valid theory" ². Such an uncompromising apriorism was so contrary to the empiricist mood of

¹ Menger [1883], p. 58

² Mises, 1976, pp. 43, 197 and xxvii.

contemporary methodology that Mises has been voicefully ostracized by economists¹ who tended to be rather sympathetic to Menger's apparently more palatable views.

In this context, it might be fruitful to look for eventual similarities that should be expected between these two Austrian economists and methodologists since any common denominator between such different intellectual personalities would surely be an important part of the core, if anyone exists, of the Austrian methodological approach. By the same token, such an analysis should highlight the significance of Mises' apriorism in the development of the Austrian thought which originates with Carl Menger. In any case, my intention here is not to propose an apology for Mises' thought which I consider objectionable on various grounds; however, a byproduct of this comparison of his approach with Menger's might be a more acceptable interpretation of what seems to be the gist of Mises' apriorism. More specifically, my thesis will be that apriorism has been a misformulated but consistent response to the problem of conciliating two fundamental features of the Austrian school, namely anti-naturalism and anti-historicism, but that this role could have been filled in a more satisfactory fashion by a much less dramatic rendering of what was conveyed by this apriorism.

To substantiate these points, I propose to successively consider these two features as they have been illustrated both by Menger and by Mises, before looking at the way each of these Austrian economists has managed to reconcile them. But first let me try to characterize these two features in a more general fashion. By anti-naturalism, I mean the systematic opposition to a trend frequently encountered in the social sciences, which consists in attempting to increase the 'scientific' character of the analysis involved by

¹ Eugen Rotwein once attempted to discredit a paper by Bruce Caldwell by entitling his own review of it «Flirting with Apriorism: Caldwell on Mises» (Rotwein, 1986). Apparently, for serious methodologists, it was highly recommended to keep away from Mises' ideas and especially from his apriorism!

reducing human phenomena to natural ones, subjective phenomena to objective ones, mental phenomena to physical ones, and so on. By anti-historicism, I mean a systematic opposition to a quite different trend also frequently met in the social sciences, which consists in an attempt to treat human phenomena as explainable only through their historical development rather than through general principles applicable to any of them. One could inquire why I am focussing on negative rather than on positive features, but when it comes to finding a common denominator between highly personal thinkers as Menger and Mises, what both of them reject can be expressed in a much more exact and correct wording than what both of them agree with.

Anti-naturalism in Menger and Mises

The anti-naturalism which is manifest by both of these authors is closely related to the subjectivism which is, in some sense, the trade mark of Austrian thought. It is true that the marginalist revolution, which overthrew the classical objectivist theory of value in favor of a subjectivist one, involved not only Menger, the father of the Austrian school, but also Jevons and Walras. But it is also clear that the subjectivist dimension of this revolution was extensively developed by Menger, and still more by his successors, whereas it has been rather stifled by the two other fathers of the marginalist revolution. More precisely, the very mathematization of subjective preferences in the economic analysis that was introduced by Jevons and Walras would not have been possible had not their respective theories both offered a naturalistic and mechanistic interpretation of the choices of the *homo oeconomici* involved in each. With Menger, the picture is quite different. As has been clearly documented by Philip Mirowski¹, rather than adopting a mathematical language to model his analysis on Physics, as Jevons and Walras have done, Menger rejected as mistaken all

¹ Mirowski [1989], pp. 259-261. Incidentally, Menger seems to be blamed by Mirowski, for not adopting a mathematical approach.

"attempts to carry over the peculiarities of the natural-scientific method of investigation uncritically to economics"¹. Far from reducing choices to a matter of computation, Menger emphasized the uncertainty of choices, the possibility of error², the limitation of knowledge³ and the subjectivity of decision. Rather than being interested like Jevons by quasi-objective degrees of utility attributed to goods, he gave all his attention to individuals' subjective satisfaction. For him, it was more important to understand the *meaning* of individual choices than to artificially compute their intensity. Various commentators⁴ did not hesitate to associate this way of understanding the meaning of a subjective satisfaction to the *Verstehen* that Dilthey, Menger's contemporary, opposed to the *Erklären* which was more adapted to the natural sciences. After all, when it comes to comparing the social sciences with biology, Menger does not hesitate to say that the "extraordinary difficulties" met in the natural sciences "do not really exist for exact research in the realm of social phenomena" because "the human *individuals* and their *efforts*, the final elements of our analysis, are of empirical nature", a fact which, according to Menger, brings to the social sciences "a great advantage over the exact natural sciences"⁵. There is no doubt that these considerations on "the human *individuals* and their *efforts*" reflect correctly the way Menger, in his *Principles*, analyzes the relations between human needs and satisfactions which are at the source of value⁶. Satisfactions, indeed, are never treated by him as

¹ Menger [1871], p.47, quoted by Mirowski, 1989, p. 261.

² The index of Menger [1871] reports for the entry "Error", pp. 53, 67-71, 86, 105, 108, 120, 147-8, 216, 224, 273, 283 and suggests to look also at "Irrationality" and "Uncertainty".

³ For example, Menger [1871], pp. 195 and 224 over and above what is reported in the entry "Irrationality" and "Uncertainty".

⁴ For example, Max Alter, "What do we know about Menger?" in Caldwell 1990, pp. 313-348 and some other contributors to the same book, including Lawrence H. White who contradicts Alter on most other points.

⁵ Menger [1883], p. 142, note 51.

⁶ Menger [1871], part III.

mechanical components whose intensity can be usefully measured, but they can nonetheless be described with great precision since they are directly experienced by human beings.

This Mengerian intuition was radicalized by Mises, who invoked a principle of "methodological dualism"¹ to underscore the originality of the social sciences and their difference from the natural sciences. Consistent with this orientation, he developed an analysis of human action which owes very little to the methods of the natural sciences. It is true that Menger would have strongly objected to the principle of «methodological dualism» since, as we have seen, he devoted the first book of his *Investigations* to deny the existence of any "essential difference between the ethical and the natural sciences"² However, Menger's systematic insistence on the parallel between the social and the natural sciences was of a rather formal character and concerned more specifically the *relation between the exact and empirical orientations* in each group of sciences. No matter how the social and natural sciences establish their respective theorems, the important point for Menger was that the apparent discrepancies between the results of empirical inquiries and the theorems of exact theory were in no way a peculiarity of the social sciences and were equally characteristic of the natural sciences. According to Menger, it is true that the theorems of pure economics do not precisely correspond to the observed behavior of economic agents, but neither do the theorems of pure physics correspond to the actual movement of bodies. Thus, the differences between the discrepancies observed in each kind of science would be in both cases a matter of degree.

At first glance, Menger's commitment to a strict parallelism between the social and natural sciences seems to clash with Mises' methodological dualism. However, it might be

¹ Mises [1957], p. 1.

² Menger [1883], p. 58.

mistaken to overemphasize the difference between these two methodologists. After all, while not renouncing his methodological dualism, Mises echoed some aspect of this parallelism when he put praxeology (and consequently economics) on the same footing as logic, mathematics and, from a certain point of view, the natural sciences¹. In any case, Menger's insistence on the similarities between all kinds of scientific knowledge once obtained does not nullify the differences highlighted above between the *origin* of knowledge in economics and in natural sciences. His denegations of differences between the social and the natural sciences was dictated by his fear to see the general and universal character of science dissolved by repeated attempts to reduce social sciences to the historical accounts of the development of particular social institutions. And, according to Menger, such a systematic orientation was already characteristic of the German academic world in his time, which brings us to the second fundamental feature of Austrian thought, namely anti-historicism.

Anti-historicism in Menger and Mises

While frequently understood in various senses, "historicism" is a word which has frequently been used to characterize the Historical School doctrine according to which the social sciences, in contrast with natural sciences, should be treated as historical rather than theoretical sciences. For historicists of this kind, a purely historical approach was required in social sciences, given the necessary dependance of social phenomena on the characteristics of the era in which those phenomena occur. The influence of Historical School was so prominent in Germany during the second half of the XIXth century that the historical relativism associated with it was fashionable not only among those who discussed juridical and economical questions, but even among German philosophers who were looking for new orientations after the disintegration of Hegelianism. Dilthey's

¹ Mises 1949, pp. 48-49.

emphasis on the role of the *Verstehen* in the social sciences was associated with the idea of *Weltanschauungen*, which suggested that each historical period developed not only its own institutions but its own way of understanding. In the context of such a historicism, the idea of an exact science of social phenomena looked almost self-contradictory. The originality of Menger's thought, and actually of Austrian thought as a whole, was to be as strongly opposed, where the social sciences were concerned, to this kind of historicism as to the too mechanical type of analysis promoted by Walras and Jevons.

Since Menger was addressing a XIXth century German audience, and not the disciples of Jevons and Walras in his methodological and polemical book, the *Investigations*, it is hardly surprising that this work placed more emphasis on the anti-historicist dimension of his thought than on its anti-naturalist dimension. In this context, his defense of methodological monism and rejection of methodological dualism were understandable. However, the situation was quite different when Mises was writing for an Anglo-Saxon audience in the mid-XXth century. The role of pure theory was no longer denied except by rather marginal economists. It would hardly have been conceivable, at least in Anglo-saxon countries, to confuse economics with history. Even sociology, which was almost indistinguishable from history in Menger's time, had, through the influential intellectual efforts of Durkheim, Pareto and a few others, successfully contrasted itself with history. For most economists, more and more attracted by what Milton Friedman called "positive economics"¹, physics was spontaneously perceived as the best model of what a science was supposed to be. Consequently, historicism and relativism as such were no longer a serious temptation, at least for economists. In such a context, it is understandable that, by contrast with Menger, Mises — who like Menger was an indefatigable polemist — put more emphasis on the anti-naturalist dimension of Austrian thought and accentuated the

¹ Friedman [1953].

differences between the natural and social sciences to the point of opening his *Theory and History* with an explicit apology for methodological dualism.

This does not mean that Mises left out the anti-historicist dimension that was so closely associated with Austrian thought. Actually, Mises defines historicism in a way which is perfectly applicable to the historical school denounced by Menger: "The fundamental thesis of historicism is the proposition that, apart from the natural sciences, mathematics, and logic, there is no knowledge but that provided by history"¹ and he denounces a number of conclusions that he associates with this thesis. In his time, however, the attack on the universal validity of economic theory did not really come from the relativism which results from historicism, as was the case in Menger's time. It came rather from theories which, since they pretended to hold the key to the movement of history, tended to subordinate economic theory to the laws of history. For Mises, philosophies of history were indeed the most pernicious way to draw conclusions from an investigation of history and among these philosophies, of which Hegelianism had been the paragon, Marxism, with its considerable audience in the mid-XXth century, was seen as by far the most dangerous. Given such a perception of Marx's thought, Mises' crusade against Marxism was perceived by him as a continuation of the battle for the rights of pure theory against the pernicious effects of historical doctrines. As did Popper who, in this context, used himself the word "historicism"², Mises claimed that philosophies of history had the vicious pretension to know diachronic laws of history; and both Popper and Mises maintained that these alleged laws of history were strictly incompatible with the universal laws of the theoretical social sciences. Furthermore, since it was reducing most economic theories to the rank of historically determined ideologies serving the interests of the dominant classes, Marxism tended to undermine the legitimacy of the theorems of

¹ Mises [1957], p. 199.

² See Popper [1957]

economics — and of "praxeology", the theoretical science of human action in general — which, according to Mises, had to be universally valid. Thus, Mises' target, in his personal struggle against historicism, was not so much the eventually surviving disciples of Schmoller as the manifold disciples of Marx. Mises' target was the irritating habit of so many of Marx' disciples of appealing to a philosophy of history in order to validate their own view of the development of society while simultaneously appealing to historical relativism to dissolve the very principles on which all other theories of society were based. With this in mind, Mises' lifelong campaign against Socialism and Marxism can be seen as an updated Austrian contribution to the *Methodenstreit*.

How anti-naturalism and anti-historicism have been reconciled

Thus, both on anti-naturalism and on anti-historicism, Mises developed a more radical and uncompromising version of Menger's stands. On the one hand, Mises not only objected to the Walrasian or Jevonsian mathematization of economics, he systematically contrasted the natural and the social sciences (this is the point of his "methodological dualism"). On the other hand, he not only objected to those who would reduce economic theory to history, he fought against a more radical form of historical doctrine which pretended, by invoking an alleged knowledge of the hidden dynamic of history, that history rebuts the universal principles of economics. However, insofar as the question is to make in a consistent way anti-historicism compatible with anti-naturalism, it is Menger much more than Mises who could be challenged since his main objection to anti-historicism was based on the pro-naturalist idea that social (or "ethical") sciences have not to be differentiated from natural sciences otherwise than in a matter of degree.

Menger's response to such a challenge would probably start by restating that, in both the natural and the social sciences, "exact" orientation in theoretical research has a rightful

place alongside a "realistic-empirical" orientation in theoretical research. Thus, the law of demand and the law of falling bodies are exact laws, even if neither the amount of goods demanded by actual consumers nor the actual bodies falling in the atmosphere strictly obey them. On the one hand, Menger could claim that the law of demand is not derived from empirical inquiry. Consequently, he could claim that, as with natural laws, the law of demand is independent of the data accumulated through historical inquiries. But on the other hand, he could also claim that such a law, far from being derived like the laws of natural sciences from mathematical analyses of mechanical processes, was established through a precise understanding of the way typical individuals (or what Menger calls "economizing individuals") *subjectively* react to given situations. In fact, Menger was insisting on the precision and the exactness of the typical behavior he refers to precisely because he rejected both historicism and naturalism. Against the Historical School, he claimed that exact laws of economic behavior can be scientifically established, but if these laws are exact laws, it is because they are not based on this kind of approximative statistical data on which are based those social sciences which model themselves by mimicking the natural sciences. Let us consider, for example, one of Menger's arguments concerning money which is very representative of his way of arguing in the *Principles of Economics*. After denouncing a frequently heard argument based on a rough statistical average of data, he observes that "a *particular* quantity of wool and a *particular* quantity of money (or any other commodity) that can mutually be exchanged for each other — that are equivalents in the objective sense of the term — can nowhere be observed for they do not exist. There can thus be no question of a measure of these equivalents"¹ According to him, what, in contrast, *can be observed* because it is concrete and actual is "the quantity of commodities or the sum of money that is the equivalent, *to the particular individual himself*, of a good or of a quantity of a good"². For Menger, the commitment to exact laws of economic is not

¹ Menger [1871], p. 274, Menger's emphasis.

² *Ibidem*, Menger's emphasis.

based on a naturalist methodology, it is based on the direct analysis of *subjective* but concrete phenomena which can be observed and characterized with precision.

However, while Menger's commitment to exactness, to precision and to concreteness in social science might look sympathetic to contemporary economists, his position would quickly hurt their positivist and empiricist convictions. How could one legitimize an "exact" theory, which would be based on precise observation of subjective phenomena but which could not be put to empirical tests? It is true that, strictly speaking, the exact laws of physics also are frequently contradicted by immediate observations, but if, nonetheless, their authority remains unaffected, this is because they are part of a larger theory which can, at some point or another, be tested in a convincing fashion. If bodies do not strictly obey the law of falling bodies, this is due to other factors whose effects can be measured independently, in such a way that the law can be tested more and more precisely, once physical theory has taken account of these factors¹. Especially in the post World War II period, in the context in which Mises wrote *Human Action* in 1949 and *Theory and History* in 1957, economists fascinated by the idea of a positive economics would not have been very sensitive to Menger's subtle argument for an exact orientation of theoretical research whose validity remains totally independent of any empirical tests. This does not mean that those economists could *satisfactorily* test their own theories; the point is rather that the anti-naturalist stand of Menger — and of Mises — excluded *in principle* the idea that the authority of the exact theory could be based on such tests. Whatever the results to be obtained in this way, neoclassical economists, but not the Austrians, could consistently turn towards physics as a methodological model *when the issue was one of characterizing not the formal features of their theory but the very foundation of its authority*.

¹ For an interesting discussion of testing in physics by contrast with economics, see Rosenberg 1992, pp. 124-131.

It is true that when pressed to answer the question about the legitimacy of the results of exact research which seem to be disconfirmed by empirical data, Menger's answer sounds less radical: "the results of exact research ... are true only with certain presuppositions, with presuppositions which in reality do not always applied."¹ However, with such an interpretation, the next question would be: "To what kind of presuppositions is Menger referring?" If he had in mind formal postulates from which the exact theory could be derived analytically, his claim about the exactness of a non empirical theory would be vindicated, although such an exact theory would be purely analytic or, to use Alexander Rosenberg's wording, it would be a mere "branch of mathematics"². However, it is clear that this was not the real position of an economist so reluctant to indulge himself in the abstraction of mathematical language. To show that Menger's exact theory is far from being a purely analytic system, we may consider one of the exact laws he has in mind. According to him, "the law that the increased need for an item results in an increase of prices" is "absolutely true"³. Even if Menger were to qualify this claim by saying it implies that "definite presuppositions" are admitted, it is clear that these presuppositions are not of the kind which would make the law analytic. Rather, Menger means that an essential relation necessarily holds between needs and prices *unless* it is countered by disturbing factors. The exact theory is developed by looking for the "*simplest elements* of everything real"⁴ and therefore by looking for the "strictly typical" elements. According to him, theoretical research "strives for the establishment of these elements by way of an only partially empirical-realistic analysis, i.e., without considering whether these in reality are present as *independent* phenomena; indeed, even without considering whether they can at all be

¹ Menger [1883], p. 69.

² For example, Rosenberg, 1992, p. 247.

³ Menger [1883], pp. 71-72.

⁴ Menger [1883], p.60, Menger's emphasis.

presented independently in their full purity"¹. This passage has to be carefully scrutinized. According to Menger, while an exact theory is partially based on a kind of empirical inquiry, this empirical inquiry is only partial, since it does not care nor need to check whether *de facto* the considered elements are pure, meaning "free of all disturbances" or whether they are mixed with disturbing factors. Nonetheless, it is clearly implied that the exact theory will work only if these elements are pure since such a purity corresponds to the required presuppositions referred to by Menger. For Menger, the crucial point is that "in this manner theoretical research arrives at empirical forms which *qualitatively* are strictly typical"². But if such is the Mengerian "exact orientation of theoretical research", many questions remain: in what sense can these forms be characterized as "empirical"? How do we know that they are *typical* and that they are the "*simplest elements* of everything real"? In what sense can the laws based on these typical forms be called "exact" and "absolutely true" without being put to a conclusive test?"

Indeed, such a position sounds rather odd. Menger would strongly object to any attempt to characterize his theory as analytic and based purely on definitions³. It is partially empirical, but the absoluteness of its truth could hardly be warranted by this kind of empiricity. Apparently, Menger means that a partial empirical inquiry reveals what is typical about economic behavior and that, once this is uncovered, logically derived theorems are developed from these typical elements to produce a strictly exact and absolutely true theory. Let me try to illustrate this with the most fundamental of all possible examples. It is an empirical claim to say that people are typically rational in the sense that they take adapted means to reach their goals. Indeed, such a claim is empirical since it cannot be established without empirical inquiry about human behavior, but it is only *partially* empirical since such

¹ *Ibidem*.

² Menger [1883], p.60, Menger's emphasis.

³ See, for example, Menger [1883], p. 37 n. 4.

an inquiry flatly discounts the "atypical" irrational behavior which is so frequently observed and attributes it to disturbing factors. Be that as it may, once it is admitted, along with a few other things, that such rational behavior is the typical behavior of economic agents, economists can logically derive various theorems which will constitute what Menger calls an exact and absolutely true theory. But why characterize this as absolutely true? It seems to be at the best *hypothetically* true; if and only if people act according to the typical behavior, will the theorems hold. On the other hand, if "typical" means "statistically probable" the conclusions based on the derived theorems will be *probably* true at best. On what basis can Menger claim that such behavior is typical in a more significant sense? Ideal-types are rather doubtful bases for an alleged exact and absolutely true science.

A radical way to eliminate the whole problem would be to say that people act rationally in the sense that the means they take are taken in order to increase their satisfaction along the way they have in mind when taking them. The very meaning of "acting" and "taking means" imply that actions and means are oriented towards the attainment of some satisfaction to which the agent believes they are adapted. But pushing too far in this direction — which was to be adopted by Mises — would be hardly compatible with the empirical character (even though "partially" empirical) of this inquiry which is supposed to provide the elements on which the exact science is based. If any action, insofar as it is oriented towards increasing the satisfaction of the agents, is declared rational whatsoever and if economic theorems are derived from such a universalized rationality, then this exact economic science would be rather *a priori* than empirical. Given his commitment to partial empiricity, Menger would not be prepared to say that exact science is valid *a priori*, even though, he comes very close to claiming, while in a somewhat elusive fashion, that exact economic theory is absolutely true in spite of the absence of any conclusive empirical test.

In any case, a solution which was emphatically rejected by Mises and which could not have been adopted by Menger would be relying on common sense psychology to empirically establish the typical forms of the exact theory of economics. Common sense is too slippery and changing a notion to provide a solid basis for a theory which pretends to be "exact". Furthermore, how could a theory based on common sense, without being submitted to any empirical test, make a better claim to exactness and truth than other theories like Marxism, for example, which also appeal to common sense? Mises, for his part, coined the name "thymology" to identify the cognitive role of common sense psychology, but, in his mind, this role was associated with history and had nothing to do with the exact theory developed by praxeology and by economics in particular¹. To set up an *exact* theory, an economist should be in position to establish the universal validity which the laws and theorems which constitute that theory possess within their own domain. Consequently, to emphasize that the theorems of exact theory had not to be diluted either by the empiricist and naturalistic interpretation of the neoclassical school or by the relativistic and thymological interpretation of most Marxists and historicists, Mises had little choice but to claim that the statements and propositions of praxeology, and consequently of pure economics, "are, like those of logic and mathematics, *a priori*"². By opting for such a radical solution, Mises pushed to its extreme limit Menger's discretely expressed intuitions about "the great advantage" that "exact theoretical social sciences" have "over the exact natural sciences"³. For Mises as for Menger, this advantage resulted essentially from the fact that human agents are themselves *the subject* of exact theoretical social sciences. Mises' conclusion, which was not Menger's, was that the exact theory of economics and, more generally, the exact theory of praxeology are absolutely valid *because* the knowledge of human action is necessarily *a priori*. Human action "stems from the same source as human

¹ Mises, 1957, pp. 264-272.

² Mises, 1949, p.32.

³ Menger [1883], p. 142, n. 51.

reasoning"¹. Consequently, just as experience cannot test the structure of human reasoning because such a test would presuppose what is to be tested, neither can the structure of human action be put to the test. According to Mises, "Experience concerning human action differs from that concerning natural phenomena in that it requires and presupposes praxeological knowledge"². If Menger could not be perfectly consistent in his attempts to reconcile his relatively reasonable claims, Mises found a relatively consistent way to unify his somewhat extravagant claims.

Can apriorism be construed in a palatable way?

One might dislike apriorism and prefer Menger's more sober version of theoreticism, but it is difficult to defend the rights of an exact and true theory of economics which would be corrupted neither by empiricism, nor by logicism, naturalism, or historicism, without claiming that this theory is exact and true on an *a priori* basis. Now, the most problematic aspect of apriorism is the idea that the scientific laws of economics are absolutely valid *a priori* and that these laws have a status comparable, at the very least, to that of the laws of natural science which have been carefully and painstakingly established on an empirical basis. Naturally, an empiricist economist cannot but be concerned by Mises' imperturbable assurance when he speaks of laws "derived *a priori*" that "permit of no exception" because they belong to "an aprioristic and universally valid theory"³. The dogmatic tone of such a stand looks clearly incompatible with the attitude generally expected from a scientific researcher. However, to an unprejudiced reader, Mises' analysis might look much less dogmatic especially if one considers that it is consistently opposed to any value judgment in

¹ Mises, 1949, p. 39.

² Mises, 1949, p. 40.

³ Mises, 1976, pp. 43, 197 and xxvii.

economic analysis and appeals to nothing but the sheer authority of rational argument¹. In any case, the most problematic aspect of Mises' apriorism is the insistence put on the lawlikeness and the apodicticness of what is "derived *a priori*". But, as we will see, the word "law" here might be mistaken and Mises' insistence on using it is akin to Menger's insistence on the quasi-identity between exact theories in the natural and the social sciences. In a context where it is the *differences* between economics and the natural sciences that they tend to accentuate, the insistence by both Austrian economists on the similarities of these types of science is explained by the need to secure for the first a scientific and theoretical status comparable to the recognized status of the second.

Be that as it may, is it legitimate, for example, to claim that decreasing marginal utility is a *law*? It is neither an empirical (that is *a posteriori*) law nor an analytical one. If we follow Mises, our knowledge of decreasing marginal utility would have to be characterized as synthetic *a priori* in the Kantian sense. But, according to Kant, the *laws* of physics as such are not synthetic *a priori*; they are *a posteriori*. When physics is concerned, what is *a priori* and synthetic is rather general *principles* like the principle according to which "every alteration has its cause"². If one can possibly describe such principles as laws, they are much better described as conditions of intelligibility, that is, as conditions without which phenomena cannot be intelligible at all to human beings.

When it is not being dominated by an insistence on lawlikeness, Mises' thought looks much closer to such an interpretation. For example, it refers to "a priori elements of thought" as "necessary and ineluctable conditions of thinking, anterior to any actual instance of conception and experience"³. A few pages further, Mises explains what he

¹ See, for example, Mises 1957, part one (chapters 1-4).

² Kant 1929, Introduction.

³ Mises, 1949, p. 33.

means: "If we have not in our mind the schemes provided by praxeological reasoning, we should never be in position to discern and to grasp any action"¹. One might not be convinced by such an argument, but it cannot be disqualified — as many claims by Mises have been in the past — due to an alleged arrogant contempt for scientific procedure. When dealing with a condition of intelligibility, the crucial point is not so much its "absolute truth" as its unavoidability. The difference between these two perspectives is not immaterial: *we are no longer referring to a conquest of the mind, but to an acknowledgement of its limits*. For example, to maintain that marginal utility is decreasing is not to pretend to have established a law comparable to the law of falling bodies; it is to claim that if human beings were systematically to behave according to a principle of *increasing* marginal utility, it would be absolutely impossible to explain such a situation with the type of explanation the social sciences has been provided up to now². One might conclude that, were it ever experienced and empirically documented, such a hardly conceivable situation would have to be explained instead through some (still to be discovered) mechanistic laws similar to those which are involved in natural phenomena. Such a highly hypothetical theoretical possibility cannot be excluded in principle, but it remains true to say that an explanation based on the type of exact theory Menger has in mind — and more generally on any subjectivist theory of decision *like those on which almost all economic theories are based* — would not be possible, since such a theory implies that decisions and actions have some rationale which would be contradicted by the very idea of increasing marginal utility.

However, implied by the sober revision of "apriorism" adopted here is the idea that the theoretical elements which can really be considered as conditions of intelligibility are

¹ Mises, 1949, 40.

² I have discussed such a hypothetical case in "Apriorisme et empirisme en science économique", *Fundamenta Scientiae*, 9, 1988, 217-230.

relatively scarce and far from covering the whole area of economics. More precisely, they have — such as the principle of decreasing marginal utility — to be more or less reducible to the principle of rationality understood as claiming not that human action is efficient but that human action is purposeful. As is easily understood, the special virtue of the principle of rationality is that it is the condition without which human actions cannot be explained as rational. On this ground, the principle of rationality is comparable to the Kantian principle of causality, without which changes (alterations) could not be explained by their cause. If decreasing marginal utility can also be considered a condition of intelligibility, this is because, as usually construed, it can hardly be contradicted without also contradicting the principle of rationality. However, this does not imply that the whole "exact" economic theory — for example, the price theory, the theory of rent or the marginal productivity theory of distribution — could reasonably be construed as directly reducible to the principle of rationality. These various parts of the theory required, indeed, too many decisive postulates over and above the postulate of rationality. Just as the law of falling bodies cannot be reduced to the principle of causality, so these parts of economic theory cannot be reduced to the principle of rationality. As was implicitly underlined by Popper in his famous paper on rationality¹, all concurrent theories in the social sciences imply the principle of rationality, but they are concurrent precisely because none of them can be reduced to it.

Be that as it may, construed in this way, the gist of Mengerian view about the subjective character of satisfaction and of Misesian view about "apriorism" is practically contained in the idea that the social sciences are founded on a theoretical basis whose the key is rationality (understood as purposefulness) just as the natural sciences are founded on a theoretical basis whose key is causality. However, even if rationality provides a grasp on human actions and decisions which is more direct and immediate than the grasp causality

¹ Popper [1967], pp. 360-362.

provides on natural phenomena, there is naturally no reason to think that it provides ready made the kind of exact theory which Menger and Mises seem to have in mind, namely a complete theory of economic phenomena (I mean by a complete theory the type of theory which includes explanations of price, rent, distribution, etc.) which would be considered exact and absolutely true without being put to the test. More precisely, there is no reason to think that a complete theory of economic phenomena (by contrast with a simple description of the structure of human decision and action) could be an exact theory which would not be, like the exact theory of physics, a set of hypotheses to be empirically tested. The fact of being based on rationality and purposefulness, opens the social sciences to the possibility of invoking rational explanations for actions — or, if one prefers, *Verstehen* type of explanations. However, it does not allow the possibility of claiming that a complete economic theory is exact and absolutely true rather than being merely hypothetically true (which means correctly derived from reasonable presuppositions admitted as true by hypothesis). However, if it did not allow the whole economic theory to be proclaimed absolutely true nor true a priori, Menger and Mises' search for a way between historicism and naturalism did provide the proper foundation for an economic theory which, by contrast with historicism, makes room for *general* explanations of economic phenomena and, by contrast with the naturalism prevalent in neoclassical economics, pay serious attention to both the foundational and the limitative implications of the *subjective* character of "economizing individuals" and to the purposeful character of their actions.

These considerations do not imply that such a careful and systematic discussion of the subjective and rational basis of economics is the only contribution of Austrian economists. As well known, they have developed insightful views based on *empirical* inquiries about various topics such as, for example, economic cycles, entrepreneurship and many others. What these considerations imply, however, is that, when it comes to evaluating Menger's or Mises' views about exact theory or about apriorism, their respective

conclusions should not be construed as an alternative method for deriving or safeguarding economic results which have been established either through analytic reasoning or through empirical inquiries. Rather, they should be construed as methodological contributions which, if properly understood, might contribute to allowing those well established economic results to be *interpreted* in a sensible way.

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Naturally, one cannot but be concerned by Mises' imperturbable assurance when he speaks of . The dogmatic tone of such a stand looks clearly incompatible with the attitude generally expected from a scientific researcher. However, to an unprejudiced reader, Mises analysis might look very far from dogmatic: it is consistently opposed to any value judgment in economic analysis and appeals to nothing but the sheer authority of rational argument¹.

commitment to an equal treatment of scientific results has to be understood as a systematic attempt to counter the dangerous consequences that legitimizing a scientific method freely and loosely adapted to the requirements of the sciences of social phenomena was susceptible to generate. Indeed, Menger was acutely conscious that invoking any kind of methodological dualism could be tantamount of opening a Pandora's Box. The reason for this is pretty clear and has been central in the argumentation of all brands of positivism. Once it is admitted that economics or any other social science can be established on less demanding bases than the physical sciences can be, the door is opened for any type of "science" or, as one might prefer to say, of "pseudo-science", and consequently for a degeneration of theoretical research.

a position like Menger's would easily have fallen prey to criticisms from both sides — the "naturalist" (or positivist) and the "historicist"

Now, if one considers the discussions of marginal utility and of the theory of value developed in the *Principles of Economics*, one might be tempted to conclude that Menger relies somewhat on common sense psychology. Given Menger claims about exactness, the content of such a common sense psychology would have to be characterized in a much more specific way. In any case, whatever the correct exegesis of Menger's thought, a theory based on common sense psychology would not have been a satisfactory solution for those who were devoted to finding a rigorous foundation for the human sciences of Mises' day.

¹ See, for example, Mises 1957, part one (chapters 1-4).