

PRAXEOLOGY IN MISES'S WORK

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Abstract: Praxeology is the science of human action and conduct. It is the study of those aspects of human action that can be grasped a priori; in other words, it is concerned with the conceptual analysis and logical implications of preference, choice, means-end schemes, and so forth. Praxeology consists of the logical implications of the universal formal fact that people act, that they employ means to try to attain chosen ends. Technology deals with the problem of how to achieve ends by adoption of means. Psychology deals with the question of why people adopt various ends and how they go about adopting them. Ethics deals with the question of what ends, or values, people should adopt. And history deals with ends adopted in the past, what means were used to try to achieve them-and what the consequences of these actions were.

Key words: Praxeology, economics, human action, decision, satisfaction, error

Praxeology is a unique discipline within the social sciences; for, in contrast to the others, it deals not with the content of men's values, goals, and actions-not with what they have done or how they have acted or how they should act-but purely with the fact that they do have goals and act to attain them. The laws of utility, demand, supply, and price apply regardless of the type of goods and services desired or produced.

Praxeology or a priori epistemology rests on the fundamental axiom that individual human beings act, that is, on the primordial fact that individuals engage in conscious actions toward chosen goals. Besides this fundamental axiom of action, there are also a few subsidiary axioms, such as that individuals vary and that human beings regard leisure as a valuable good.

The basic principles of praxeology were first discovered by the Greek philosophers, the approach was further developed by the Scholastics, and, in the late nineteenth century, the praxeological approach to economics and social science was rediscovered by Carl Menger, founder of the Austrian School. But the term praxeology was first applied to this approach by the Austrian economist Ludwig von Mises. Mises attempted to find the conceptual root of economics. He employed praxeological principles to show that much existing economic and social theory was conceptually incoherent.

Ludwig Heinrich Edler von Mises has been called the "uncontested dean of the Austrian School of economics". He contributed broadly to both theoretical and applied economics. Ludwig von Mises was strongly influenced and stimulated by the "Austrian School of Economics" (Menger, Böhm-Bawerk etc.) during his studies at the Vienna University. His disciples include great economists like F. A. von Hayek, Israel Kirzner, Gottfried Haberler and Murray Rothbard.

Money is demanded for its usefulness in purchasing other goods, rather than for its own sake; business cycles are caused by the uncontrolled expansion of bank credit; socialism is bound fail economically-these are only a couple of Mises's notable contributions to the world of economics. He was a strong proponent of laissez-faire; he advocated that the government not intervene anywhere in the economy (yet, he believed that military conscription could be justified in wartime). For more than six decades in the twentieth century Mises was one of the leading voices for individual freedom and the market economy. Many of his works were on two related economic themes: monetary economics and inflation; the differences between government controlled economies and free trade.

Like other Austrian and classical economists, he rejected the use of observation, saying that human actors are too complex to be reduced to their component parts and too self-conscious not to have their behavior affected by the very act of observation. Observation of human action, or extrapolation from historical data, would thus always be contaminated by overlooked factors in the way that the natural sciences would not be.

Mises was searching for a theoretical foundation that could not be questioned or doubted. He wanted to find knowledge of logical necessity. He also wanted to escape from the concrete-based empiricism of historicism. His mission became to look inward in order to deduce a system that was logically unobjectionable. He wanted to find laws that could only be verified or refuted by means of discursive reasoning. "All that is needed for the deduction of all the praxeological theorems is knowledge of the essence of human action. It is a knowledge that is our own because we are men".

Mises's axiom of action, the universal introspectively-known fact that men act, was the foundation upon which Mises built his deductive system. Action, for Mises, is the real thing. "Human action is purposeful behavior. Or may we say: Action is will put into operation and transformed into an agency, is aiming at ends and goals, is the ego's meaningful response to stimuli and to the conditions of its environment, is a person's conscious adjustment to the state of the universe that determines his life." Mises said that action was a category of the mind, in a Kantian sense, which was required in order to experience phenomenal reality (i.e., reality as it appears to us). The unity found in Mises's theorems of economics is rooted in the concept of human action. Mises' economic science is deductive and based on laws of human action that he contends are as real as the laws of nature. His praxeological laws have no spatial, temporal, or cultural constraints. They are universal and pertain to people everywhere, at every time, and in all cultures.

So praxeology can be understood as rational investigation of human decision-making, as the logic of action because, in order to counter the subjective nature of the results of historical and statistical analysis, Mises looked at the logical structure of human action.

For Mises, a social scientist should neither use laboratory experiments nor approach social phenomena 'from without' but rather should attempt to approach them 'from within'. "The research worker in the laboratory considers it is the sole worthy home of inquiry, and differential equations as the only sound method of expressing the results of scientific thought. He is simply incapable of seeing the epistemological problems of human action. For him economics cannot be anything but a kind of mechanics."

Mises formulates praxeology, which is widely accepted as being closely related to if not coextensive with methodological individualism, in opposition to what he regards as two misguided alternatives.

The first of these include what Mises calls panphysicalism, behaviorism, and positivism, all of which transfer the methods of the natural sciences to the social sciences. Indeed, according to Mises, these approaches fail to recognize the specific nature of social objects, “The postulates of positivism and kindred schools of metaphysics are illusory. [...] there is no means to establish an a posteriori theory of human conduct and social events.”

The second include approaches that rely solely on the methods of history (such as the approach of the German Historical School, according to Mises). These approaches do not recognize that phenomena can be studied from a theoretical (general) and historical (individual) perspective, according to Mises. “The subject matter of all historical sciences is the past. They cannot teach us anything which would be valid for all human actions that are for the future too. The study of history makes a man wise and judicious. But it does not by itself provide any knowledge and skill which could be utilized for handling concrete tasks.”

Mises also provided a much-needed methodological critique of the fashionable mathematical and statistical method in economics, a system derived from the Swiss neo-classicist, Leon Walras. Continuing in the explicitly anti-mathematical tradition of the classical economists and of the Austrians, Mises pointed out those mathematical equations are only useful in describing the timeless, static, never-never land of “general equilibrium.” Once you analyze individuals acting in the real world, a world of time and of expectations, of hopes and errors, then mathematics becomes not only useless but highly misleading.

His magnum opus, *Human Action* is a treatise which first appeared as *Nationalökonomie* in 1940. Fifty years ago, on September 14, 1949, Yale University Press released the work-*Human Action* by the Austrian economist. The following week, in his regular Newsweek column, Henry Hazlitt referred to this book as “a landmark in the progress of economics. *Human Action* is, in short, at once the most uncompromising and the most rigorously reasoned statement of the case for capitalism that has yet appeared. If a single book can turn the ideological tide that has been running in recent years so heavily toward statism, socialism, and totalitarianism, *Human Action* is that book. It should become the leading text of everyone who believes in freedom, individualism, and . . . a free-market economy.”

In Mises’s *Human Action* the reader finds a detailed and well-grounded conception of man, human nature, and society. Mises formulates a theory of social cooperation arising from the benefits from division of labor. He explains the institutional prerequisites for freedom and prosperity, and the workings of the market process, competition, the price system, and the role of the creative entrepreneur. He also restates in a refined exposition his criticisms of socialism, interventionism, and government monetary and fiscal policies.

In his review Hayek said the book “ranges from the most general philosophical problems raised by all scientific study of human action to the major problems of economic policy of our own time.”

In the foreword of the first edition of *Human Action: A Treatise on Economics*, Mises explains complex market phenomena as “the outcomes of countless conscious, purposive actions, choices, and preferences of individuals, each of whom was trying as

best as he or she could under the circumstances to attain various wants and ends and to avoid undesired consequences.” It is individual choices in response to personal subjective value judgments that ultimately determine market phenomena—supply and demand, prices, the pattern of production, and even profits and losses. Although governments may presume to set “prices,” it is individuals who, by their actions and choices through competitive bidding for money, products, and services, actually determine “prices”.

Thus, Mises presents economics—not as a study of material goods, services, and products—but as a study of human actions. He sees the science of human action, praxeology, as a science of reason and logic, which recognizes regularity in the sequence and interrelationships among market phenomena.

Mises attributes the tremendous technological progress and the consequent increase in wealth and general welfare in the last two centuries to the introduction of liberal government policies based on free-market economic teachings, creating an economic and political environment which permits individuals to pursue their respective goals in freedom and peace. Mises also explains the futility and counter-productiveness of government attempts to regulate, control, and equalize all people’s circumstances: “Men are born unequal and ... it is precisely their inequality that generates social cooperation and civilization.”

People act in order to satisfy their desires. "There is no standard of greater or lesser satisfaction other than individual judgments of value, different for various people and for the same people at various times. What makes a man feel uneasy and less uneasy is established by him from the standard of his own will and judgment, from his personal and subjective valuation. Nobody is in a position to decree what should make a fellow man happier."

It is from praxeology that Mises derived the idea that every conscious action is intended to improve a person's satisfaction. He noted that praxeology is not concerned with the individual's definition of end satisfaction, just the way he sought that satisfaction and that individuals will increase their satisfaction by removing sources of dissatisfaction or "uneasiness".

In other words, for Mises, praxeology is unconcerned with establishing any "absolute standard" for judging that an action or end "X" is better or worse than behavior or goal "Y." He tells us that, "The teachings of praxeology and economics are valid for every human action without regard to its underlying motives, causes, and goals."

Ethics is irrelevant to Mises's purposes in explaining human behavior since ethical theories involve a ranking of choices external to the desires of any particular individual. For him, "Choosing determines all human decisions.... All human values are offered for option. All ends and all means, both material and ideal issues, the sublime and the base, the noble and the ignoble, are ranged in a single row and subjected to a decision which picks out one thing and sets aside another."

An acting man is defined as one capable of logical thought — to be otherwise would be to make one a mere creature who simply reacts to stimuli by instinct. Similarly an acting man must have a source of dissatisfaction which he believes capable of removing, otherwise he cannot act.

In order to clarify his view of the goal of economics, Mises makes a distinction. This view is exemplified in the following quotes:

“It is the task of history to describe the historical conditions which made such a crude doctrine popular [Marxism]. Economics has another task. It must analyze both Marxian polylogism and the other brands of polylogism formed after its pattern, and expose their fallacies and contradictions”.

“It is the task of scientific technology and therapeutics to explode errors in their respective fields. It is the task of economics to expose erroneous doctrines in the field of social action. But if men do not follow the advice of science, but cling to fallacious prejudices, these errors are reality and must be dealt with as such”.

“The main objective of praxeology and economics is to substitute consistent correct ideologies for the contradictory tenets of popular eclecticism”.

According to Mises, economics is a set of logical deductions about "what is" in the sense that the images it constructs must be relevant to the social facts one aims to describe. Ideology goes beyond the study of things as they are. It is "about the ought, i.e., about the ultimate ends which man should aim at in his earthly concerns." Ideology can also be distinguished from the broader concept of a world view, which is an interpretation of all things, and as a precept for action, an opinion concerning the best means for removing uneasiness as much as possible...Religion, metaphysics, and philosophy aim at providing a world view. They interpret the universe and they advise men how to act."

Mises regarded economics as an axiomatic-deductive science. According to Mises, economics is not a science by itself, but an integral part of the general science of human action, that is, praxeology.

The application of praxeology provides Mises with consistent knowledge of existing economic phenomena and processes.

The most important feature of human action is that it is purposeful action in the sense that the individual endeavors by his action to achieve a subjectively better situation, than that in which he already is. The main cause of human action is purpose and reason. Purpose, which is determined by the subjective preferences of the person, stimulates the action of people and reason directs this action so that the purpose is achieved.

These are the rules of logical deduction that come from the assertion that humans in fact act. If we believe that humans act then we can claim and prove various other fundamental truths that are vital to economic analysis. Praxeology asserts that humans act to meet certain ends and does not value these ends. Austrian methodology is "value-free" and does not claim that certain ends are inherently better than others but that they are all ends; these claims can and are made by other fields such as philosophy and psychology.

Praxeology can be used to deduce such economic laws as the law of marginal utility and the law of returns. Referring to the latter, Mises wrote: “The law of returns asserts that for the combination of economic goods of the higher orders (factors of production) there exists an optimum. If one deviates from its optimum by increasing the input of only one of the factors, the physical output either does not increase at all or at least not in the ratio of the increased input. This law is implied in the fact that the quantitative definiteness of the effects brought about by any economic good is a necessary condition of its being an economic good”.

The individual is an acting person and his actions as rational and purposeful. The basic assumption of all economic theories is the axiom that people are active: they deliberately pursue their aims and prefer higher aims to lower, so that they maximize

their utility. Every acting person always prefers that which subjectively gives him greater utility, rather than that giving a lower level of utility, under the assumption that the supply of goods will increase by an additional unit. It follows from this that the additional unit of the product can be used only to satisfy such a need, which is situated lower than all the preceding needs, which were satisfied by units of the same product. It is a law of diminishing limit usefulness, which applies and is correct and does not need to be empirically proved.

As a person satisfies his first most important goal and after that his second most important goal then his second most important goal is always less important than his first most important goal. Thus, the satisfaction, or utility, that he derives from every further goal attained is less than that from the preceding goal.

The law of marginal utility does not depend on physiological or psychology grounds (the belief that the more of an item that is consumed the more "satisfied" the individual is) but instead relies on the fact that individuals will use the first amount of a good consumed to their most urgent need, the second amount of a good is used to their second most urgent need, the third to their third most urgent need, etc.

The productivity or use-value of these goods falls as the quantity increases due to the fact that each additional amount of the good is used to satisfy a less and less urgent need.

In human society many actions will be trading activities where one person regards a possession of another person as more desirable than one of his own possessions and the other person has a similar higher regard for his colleague's possession than he does for his own. This assertion modifies the classical economic view about exchange, which posits that individuals exchange goods and serves that they both appraise as being equal in value. This subject of praxeology is known as catallactics. So, praxeology includes the study of the isolated man (Crusoe economics) and the analysis of interpersonal exchange (catallactics), or as Mises put it, "Praxeology deals with the actions of the individual men" and "all actions are performed by individuals".

Decisions are indeed made on an ordinal basis. That is, it is impossible to carry out more than one action at once, the conscious mind being only capable of one decision at a time-even if those decisions can be made in rapid order. Thus man will act to remove the most pressing source of dissatisfaction first and then move to the next most pressing source of dissatisfaction. Additionally, Mises dismissed the notion that subjective values could be calculated mathematically; man can not treat his values with cardinal numbers: "in valuing very different states of satisfaction and the means for their attainment, man arranges all things in one scale and sees in them only their relevance for an increase in his own satisfaction"

Mises also applied his axiom about human action to the theory of money and the economic cycle, as well as to his whole system of theoretical economics, which he conceived as praxeology-the logic of action.

Mises distinguished between human action and human plans. A person is directed in his action by his own individual subjective plan. The action of a person is determined by his own plan, since only he has a good knowledge of his needs and possibilities. Therefore, only such a plan is rational. "What counts is a man's behavior, and not his talk about planned but not realized acts".

Such an understanding of economics is in sharp contrast to the views of those economists, who think that human action is decisively determined by the external

environment (social, economic, natural, historical, institutional) or by customs and traditions.

Many critics of praxeological economics cast doubt on the rationality of human action, and appeal to historical experience, with many tragic proofs of human fallibility and irrationality.

Praxeological economics understands human rationality differently. According to praxeological economics, human rationality cannot be understood ex post, in the results of human action, but ex ante, as the aim or purpose of human action oriented towards the future.

Human action oriented towards the future includes the factor of expectation, but also the factor of uncertainty. Since the future is unknown and uncertain, according to praxeological economics, the possibility of error does not contradict the rational action of people.

Mises' human action has a dynamizing effect. The aim of human action is to achieve a better situation than that already existing. A person's action changes his situation and puts him in a new situation, which he may not have expected, but which he evaluates to form a new plan for his future action.

If we take into consideration specific data about human action, for example, the price of goods expressed in money, according to Mises we leave the area of economics and come into the area of economic history, although it would be history only of the final factor. All numerical data about future prices are only speculative expectations. We can expect good and bad, but we can never be entirely certain in advance. "Economic calculation can comprehend everything that is exchanged against money." "Economic calculation cannot comprehend things which are not sold and bought against money."

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