

In Defense of “Extreme Apriorism” By Murray N. Rothbard^{*}

The stimulating methodological controversy between Professors Machlup and Hutchison proves that there are sometimes *more* than two sides to every question.¹ In many ways, the two are debating at cross-purposes: Professor Hutchison is primarily tilting against the methodological (and political) views of Professor Ludwig von Mises; his most serious charge is that Professor Machlup’s entire position is, at bottom, an attempt to cloak the Misesian heresy in the garments of epistemological respectability. Professor Machlup’s reply, quite properly, barely mentions Mises; for, in fact, their methodological views are poles apart. (Machlup’s position is close to the central “positivist” tradition of economic methodology.) But, in the meanwhile, we find that Professor Mises and “extreme apriorism” go undefended in the debate. Perhaps an extreme apriorist’s contribution to this discussion may prove helpful.

First, it should be made clear that neither Professor Machlup nor Professor Hutchison is what Mises calls a *praxeologist*, that is, neither believes (a) that the fundamental axioms and premises of economics are absolutely true; (b) that the theorems and conclusions deduced by the laws of logic from these postulates are therefore absolutely true; (c) that there is consequently no need for empirical “testing,” either of the premises or the conclusions; and (d) that the deduced theorems could not be tested even if it were desirable.² Both disputants are eager to test economic laws empirically.

^{*} Murray Rothbard (1926-1995) wrote this piece in 1956. It originally appeared in the *Southern Economic Journal*, January 1957, pp. 314-320, and was reprinted in Murray Rothbard, *The Logic of Action One* (Edward Elgar, 1997, p. 100-108. This online edition is published with the permission of the Rothbard Estate, Copyright © 2002 The Mises Institute.

¹ Terence W. Hutchison, “Professor Machlup on Verification in Economics,” *Southern Economic Journal* (April 1956): 476-83; Fritz Machlup, “Rejoinder to a Reluctant Ultra-Empiricist,” *ibid.*, pp. 483-93.

² The praxeological tradition, though named only recently, has a long and honored place in the history of economic thought. In the first great methodological controversy in our science, John Stuart Mill was the positivist and Nassau Senior the praxeologist, with J.E. Cairnes wavering between the two positions. Later on, the praxeologic method was further developed by the early Austrians, by Wicksteed, and by Richard Strigl, reaching its full culmination in the works of Ludwig von Mises. Mises’s views may be found in *Human Action* (New Haven, Conn: Yale University Press, 1949), and in his earlier *Grundprobleme der Nationalökonomie* [translated

The crucial difference is that Professor Machlup adheres to the orthodox positivist position that the *assumptions* need not be verified so long as their deduced consequents may be proven true--essentially the position of Professor Milton Friedman--while Professor Hutchison, wary of shaky assumptions takes the more empirical--or institutionalist--approach that the assumptions had better be verified as well.

Strange as it may seem for an ultra-apriorist, Hutchison’s position strikes me as the better of the two. If one must choose between two brands of empiricism, it seems like folly to put one’s trust in procedures for testing only *conclusions* by fact. Far better to make sure that the assumptions also are correct. Here I must salute Professor Hutchison’s charge that the positivists rest their case on misleading analogies from the epistemology of physics.

This is precisely the nub of the issue. All the positivist procedures are based on the physical sciences.³ It is physics that knows or can know its “facts” and can test its conclusions against these facts, while being completely ignorant of its ultimate assumptions. In the sciences of human action, on the other hand, it is impossible to test conclusions. There is no laboratory where facts can be isolated and controlled; the “facts” of human history are complex ones, resultants of many causes. These causes can only be isolated by theory, theory that is necessarily a priori to these historical (including statistical) facts. Of course, Professor Hutchison would not go this far in rejecting empirical testing of theorems; but, being commendably skeptical of the possibilities of testing (though not of its desirability), he insists that the assumptions be verified as well.

In physics, the ultimate assumptions cannot be verified directly, because we know nothing directly of the explanatory laws or causal factors. Hence the good sense of not attempting to do so, of using false assumptions such as the absence of friction, and so on. But false assumptions are the

into English as *Epistemological Problems of Economics* (Princeton, N.J.: D. Van Nostrand, 1960]. On the similarity between Senior and Mises, see Marian Bowley, *Nassau Senior and Classical Economics* (New York: Augustus M. Kelley, 1949), chap. 1, esp. pp. 64-65. Lionel Robbins’s *Essay on the Nature and Significance of Economic Science* was emphatically praxeologic, although it did not delve into the more complex methodological problems.

³ On the differences between the methodologies of praxeology and physics, see Murray N. Rothbard, “Toward a Reconstruction of Utility and Welfare Economics,” in *On Freedom and Free Enterprise: Essays in Honor of Ludwig von Mises*, Mary Sennholz, ed., (Princeton, N.J.: D. Van Nostrand, 1956), pp. 226ff)

reverse of appropriate in economics. For human action is not like physics; here, the ultimate assumptions are what is clearly known, and it is precisely from these given axioms that the corpus of economic science is deduced. False or dubious assumptions in economics wreak havoc, while often proving useful in physics.⁴

Hence, Professor Hutchison is correct in wishing to establish the assumptions themselves. But these premises do not have to be (indeed, cannot be) verified by appeal to statistical fact. They are established, in praxeology, on a far more certain and permanent basis as definitely true. How, then, are these postulates obtained? Actually, despite the “extreme a priori” label, praxeology contains one Fundamental Axiom--the axiom of *action*--which may be called *a priori*, and a few subsidiary postulates which are actually empirical. Incredible as it may seem to those versed in the positivist tradition, from this tiny handful of premises the whole of economics is deduced--and deduced as absolutely true. Setting aside the Fundamental Axiom for a moment, the empirical postulates are: (a) small in number, and (b) so broadly based as to be hardly “empirical” in the empiricist sense of the term. To put it differently, they are so generally true as to be *self-evident*, as to be seen by all to be obviously true once they are stated, and hence they are not in practice empirically falsifiable and therefore not “operationally meaningful.” What are these propositions? We may consider them in decreasing order of their generality: (1) the most fundamental--variety of resources, both natural and human. From this follows directly the division of labor, the market, etc.; (2) less important, that *leisure is a consumer good*. These are actually the only postulates needed. Two other postulates simply introduce limiting subdivisions into the analysis. Thus, economics can deductively elaborate from the Fundamental Axiom and Postulates (1) and (2) (actually, only Postulate 1 is necessary) an analysis of Crusoe economics, of barter, and of a monetary economy. All these elaborated laws are absolutely true. They are only *applicable* in concrete cases, however, where the particular limiting conditions apply. There is

⁴ This holds also for Professor Machlup’s “heuristic principles” which are allegedly “empirically meaningful” without being verifiable as true.

I do not wish to deny that false assumptions are useful in economic theory, but only when they are used as *auxiliary constructs*, not as premises from which empirical theories can be deduced. The most important such construct is the *evenly-rotating economy*, or “equilibrium.” It is not intended that this state be considered as *real*, either actual or potential. On the contrary, the empirically impossible ERE is constructed precisely in order to analyze theoretically a state of no-change. Only by analyzing a fictive changeless state can we arrive at a proper analysis of the changing real economic world. However, this is not a “false” assumption in the sense used by the positivists, because it is an absolutely true theory of a changeless state, if such a state could exist.

nothing, of course, remarkable about this; we can enunciate as a law that an apple, unsupported, will drop to the ground. But the law is applicable only in those cases where an apple is actually dropped. Thus, the economics of Crusoe, of barter, and of a monetary economy are applicable when these conditions obtain. It is the task of the historian, or “applied economist,” to decide which conditions apply in the specific situations to be analyzed. It is obvious that making these particular identifications is simplicity itself.

When we analyze the economics of indirect exchange, therefore, we make the simple and obvious limiting condition (Postulate 3) that indirect exchanges are being made. It should be clear that by making this simple identification we are not “testing the theory”; we are simply choosing that theory which applies to the reality we wish to explain.

The fourth--and by far the least fundamental--postulate for a theory of the market is the one which Professors Hutchison and Machlup consider crucial--that firms always aim at maximization of their money profits. As will become clearer when I treat the Fundamental Axiom below, this assumption is by no means a necessary part of economic theory. From our Axiom is derived this absolute truth: that every firm aims always at maximizing its *psychic* profit. This may or may not involve maximizing its *money* profit. Often it may not, and no praxeologist would deny this fact. When an entrepreneur deliberately accepts lower money profits in order to give a good job to a ne'er-do-well nephew, the praxeologist is not confounded. The entrepreneur simply has chosen to take a certain cut in monetary profit in order to satisfy his consumption--satisfaction of seeing his nephew well provided. The assumption that firms aim at maximizing their *money* profits is simply a convenience of analysis; it permits the elaboration of a framework of *catalactics* (economics of the market) which could not otherwise be developed. The praxeologist always has in mind the proviso that where this subsidiary postulate does *not* apply--as in the case of the ne'er-do-well--his deduced theories will not be applicable. He simply believes that enough entrepreneurs follow monetary aims enough of the time to make his theory highly useful in explaining the real market.⁵

⁵ I do not mean to endorse here the recent strictures that have been made against the monetary-profit maximization assumption--most of which ignore *long-run* as opposed to short-run maximization.

The curious idea that failure to pursue monetary goals is “irrational,” or refutes economics, is similar to the old notion that consumers were being irrational, or “uneconomic,” when they preferred to pay higher prices in stores nearer to them, or with a more congenial atmosphere.

We turn now to the Fundamental Axiom (the nub of praxeology): *the existence of human action*. From this absolutely true axiom can be spun almost the whole fabric of economic theory. Some of the *immediate* logical implications that flow from this premise are: the means-ends relationship, the time-structure of production, time-preference, the law of diminishing marginal utility, the law of optimum returns, etc. It is this crucial axiom that separates praxeology from the other methodological viewpoints--and it is this axiom that supplies the critical “a priori” element in economics.

First, it must be emphasized that whatever role “rationality” may play in Professor Machlup’s theory, it plays no role whatever for Professor Mises. Hutchison charges that Mises claims “all economic action was (or must be) rational.”⁶ This is flatly incorrect. Mises assumes nothing whatever about the rationality of human action (in fact, Mises does not use the concept at all). He assumes nothing about the wisdom of man’s ends or about the correctness of his means. He “assumes” only that men *act*, that is, that they have *some* ends, and use *some* means to try to attain them. This is Mises’s Fundamental Axiom, and it is this axiom that gives the whole praxeological structure of economic theory built upon it its absolute and apodictic certainty.

Now the crucial question arises: how have we obtained the truth of this axiom? Is our knowledge *a priori* or empirical, “synthetic” or “analytic”? In a sense, such questions are a waste of time, because the all-important fact is that the axiom is self-evidently true, self-evident to a far greater and broader extent than the other postulates. For this Axiom is true for all human beings, everywhere, at any time, and could not even *conceivably* be violated. In short, we may conceive of a world where resources are *not* varied, but not of one where human beings exist but do not act. We have seen that the other postulates, while “empirical,” are so obvious and acceptable that they can hardly be called “falsifiable” in the usual empiricist sense. How much more is this true of the Axiom, which is not even conceivably falsifiable!

Postivists of all shades boggle at self-evident propositions. And yet, what is the vaunted “evidence” of the empiricists but the bringing of a hitherto obscure proposition into *evident* view? But some propositions need only to be stated to become at once evident to the self, and the action axiom is just such a proposition.

⁶ Hutchison, “Professor Machlup on Verification in Economics,” p. 483.

Whether we consider the Action Axiom “a priori” or “empirical” depends on our ultimate philosophical position. Professor Mises, in the neo-Kantian tradition, considers this axiom a *law of thought* and therefore a categorical truth *a priori* to all experience. My own epistemological position rests on Aristotle and St. Thomas rather than Kant, and hence I would interpret the proposition differently. I would consider the axiom a *law of reality* rather than a law of thought, and hence “empirical” rather than “a priori.” But it should be obvious that this type of “empiricism” is so out of step with modern empiricism that I may just as well continue to call it *a priori* for present purposes. For (1) it is a law of reality that is not conceivably falsifiable, and yet is empirically meaningful and true; (2) it rests on universal *inner* experience, and not simply on external experience, that is, its evidence is *reflective* rather than physical⁷; and (3) it is clearly *a priori* to complex historical events.⁸

The epistemological pigeon-holing of self-evident propositions has always been a knotty problem. Thus, two such accomplished Thomists as Father Toohey and Father Copleston, while resting on the same philosophical position, differ on whether self-evident propositions should be classified as “a posteriori” or “a priori,” since they define the two categories differently.⁹

⁷ See Professor Knight’s critique of Hutchison’s Significance and Basic Postulates of Economic Theory. Frank H. Knight, “What is Truth in Economics?” *Journal of Political Economy* (February 1940): 1-32.

⁸ Professor Hutchison may have had me in mind when he says that in recent years followers of Professor Mises try to defend him by saying he really meant “empirical” when saying “a priori.” Thus, see my “Praxeology, Replay to Mr. Schuller,” *American Economic Review* (December 1951): 943-44. What I meant is that Mises’s fundamental axiom may be called “a priori” or “empirical” according to one’s philosophical position, but is in any case a priori for the practical purposes of economic methodology.

⁹ Thus, Copleston calls self-evident principles “synthetic propositions a priori” (though not in the Kantian sense)—synthetic as conveying information about reality not contained logically in previous premises; and *a priori* as being necessary and universal. Toohey virtually obliterates the distinctions and terms self-evident propositions synthetic—a posteriori, because, while being necessary and universals, they are derived from experience. See F.C. Copleston, S.J., *Aquinas* (London: Penguin Books, 1955), pp. 28 and 19-41; John J.H. Toohey, S.J., *Notes on Epistemology* (Washington, D.C.: Georgetown University, 1952), pp. 46-55. All this raises the question of the usefulness of the whole “analytic-synthetic” dichotomy, despite the prominence implicitly given it in Hutchison’s *Significance and Basic Postulates of Economic Theory*. For a refreshing skepticism on its validity, and for a critique of its typical use of dispose of difficult-to-refute theories as either disguised definitions or debatable hypotheses, see Hao Wang, Notes on the Analytic-Synthetic Distinction,” *Theoria* 21 (Parts 2-3, 1955): 158ff.

From the Fundamental Axiom is derived the truth that everyone tries always to maximize his utility. Contrary to Professor Hutchison, this law is *not* a disguised definition--that they maximize what they maximize. It is true that *utility* has no concrete content, because economics is concerned not with the *content* of a man's ends, but with the fact that he has ends. And this fact, being deduced directly from the Action Axiom, is absolutely true.¹⁰

We come finally to Mises's ultimate heresy in the eyes of Professor Hutchison: his alleged logical deduction of "wholesale political conclusions" from the axioms of economic science. Such a charge is completely fallacious, particularly if we realize that Professor Mises is an uncompromising champion of "Wertfreiheit" not only in economics, but also for all the sciences. Even a careful reading of Hutchison's selected quotations from Mises will reveal no such illegitimate deductions.¹¹ Indeed, Mises's economics is unrivalled for its avoidance of unanalyzed *ad hoc* value judgments, slipped into the *corpus* of economic analysis.

Dean Rappard has posed the question: how can Mises be at the same time a champion of "Wertfreiheit in economics and of *laissez-faire*" liberalism, a "dilemma" which leads Professor Hutchison to accuse Mises of making political deductions from economic theory?¹²

The following passages from Mises give the clue to this puzzle:

Liberalism is a political doctrine. . . . As a political doctrine liberalism (in contrast to economic science) is not neutral with regard to values and ultimate ends sought by action. It assumes that all men or at least the majority of people are intent upon attaining certain goals. It gives

¹⁰ See Hutchison, "Professor Machlup on Verification Economics," P. 480. Alan Sweezy fell into the same error when he charged that Irving Fisher's dictum: "each individual acts as he desires," since not meant as a testable proposition in psychology, must reduce to the empty "each individual acts as he acts." On the contrary, the dictum is deducible directly from the Action Axiom, and is therefore both empirically meaningful and apodictically true. See Rothbard, "Toward a Reconstruction of Utility and Welfare Economics," pp. 225-28.

¹¹ Thus: "Liberalism starts from the pure sciences of political economy and sociology which within their systems make no valuations and say nothing about what ought to be or what is good or bad, but only ascertain what is and how it is" Quoted by Hutchison, "Professor Machlup on Verification Economics," p. 483n.

¹² William E. Rappard, "On Reading von Mises," in *On Freedom and Free Enterprise*, M. Sennholz, e., pp. 17-33.

them information about the means suitable to the realization of their plans. The champions of liberal doctrines are fully aware of the fact that their teachings are valid only for people who are committed to their valuational principles. While praxeology, and therefore economics too, uses the terms happiness and removal of uneasiness in a purely formal sense, liberalism attaches to them a concrete meaning. It presupposes that people prefer life to death, health to sickness . . . abundance to poverty. It teaches men how to act in accordance with these valuations.¹³

Economic science, in short, establishes existential laws, of the type: if A, then B. Mises demonstrates that this science asserts that *laissez-faire* policy leads to peace and higher standards of living for all, while statism leads to conflict and lower living standards. Then, Mises as a citizen chooses *laissez-faire* liberalism because he is interested in achieving these ends. The only sense in which Mises considers liberalism as “scientific” is to the extent that people unite on the goal of abundance and mutual benefit. Perhaps Mises is overly sanguine in judging the extent of such unity, but he never links the valuational and the scientific: when he says that a price control is “bad” he means bad not from his point of view as an economist, but from the point of view of those in society who desire abundance. Those who choose contrasting goals--who favor price controls, for example, as a route to bureaucratic power over their fellow men, or who, through envy, judge social equality as more worthwhile than general abundance or liberty--would certainly not accept liberalism, and Mises would certainly never say that economic science proves them wrong. He never goes beyond saying that economics furnishes men with the knowledge of the consequences of various political actions; and that it is the citizen’s province, knowing these consequences, to choose his political course.

¹³ Mises, *Human Action*, pp. 153-54; also see pp. 879-81.