

## Misesian Praxeology and Christian Philosophy

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### Introduction

This essay is an attempt to demonstrate that Mises's praxeology does not contradict Christian philosophy. To develop this thesis, several concepts must be defined. I use the term *Christian philosophy* similar to the way Gilson used it, namely, as a philosophical statement that demonstrates the freedom and personal nature of God, the spiritual character of human intelligence, free will, and an objective moral order.<sup>1</sup> The principal author of these arguments is Thomas Aquinas, but this does not exclude the influence of others, including contemporary thinkers, who would be useful for the same philosophical purposes.<sup>2</sup>

For the two concepts to be in a noncontradictory relation means that there is no mutual implication between them, such that one does not necessarily deny the other. From a logical perspective this is quite elementary, but its philosophical implications must not be understated.

The difficulty for us comes in deciphering what is meant by "Mises's praxeology." Having studied his *Human Action*, I think that praxeology is the hard core, as Lakatos would say, of economic theory. This concept includes the following items:

- a) praxeology's central axiom
- b) the theorems deduced from it
- c) the *a priori* methodology employed in praxeology
- d) the general nature of praxeology

### Praxeology's Central Axiom

An axiom is a statement not demonstrable in system *a*, but could be a

theorem of system *b*. For Mises, praxeology's central axiom is that *human action is a purposeful attempt to substitute a more satisfactory state of affairs for a less satisfactory one.*<sup>3</sup> This statement could also be a theorem of another system. My central point is simply that Mises's praxeology does not entail a neo-Kantian epistemology; it could function as a theorem within a Thomistic philosophical structure.

To begin, let us focus on two famous statements regarding human action from the *Summa Contra Gentiles*,<sup>4</sup> Book III, chapters two and three: "Omne agens agit propter finem" and "Omne agens agit propter bonum." That is to say, every subject acts toward an end that is a good for him. Metaphysically speaking, aside from the Divine essence, in all other acting subjects individual human action implies the change from potency to act, and this act implies a gradually increasing perfection of the acting subject.

Rational behavior adds to the acting subject's intelligence and free will, so we must talk in this case of an acting person who knows that she is using limited means to achieve ends that are not limited per se. In the case of human action, we must account for the fact that this action is the result of a substantial unity. Aquinas states clearly that human intelligence utilizes the senses even in the process of abstract thought. Senses are, therefore, instrumental causes within the intellectual process. In Thomistic philosophical reflection, the passions are not separable from rational behavior and the exercise of free will. In fact, Aquinas only completely excludes human unconsciousness.

But there are other important properties that are not excluded from human action that figure prominently in Mises's *magnum opus*. For example, error is not excluded. Human courses of action may simply be mistaken, misguided, or simply unfruitful. Rationality does not entail that the allocation of means to ends will always be correct. Uncertainty cannot be excluded either. That is to say, the acting person has limited knowledge, so that she cannot discern either important secondary values or preferences, or the future consequences of her choices. Similarly, ignorance is an essential property of human action. Human actors not only do not have complete information regarding the means they need, but they also do not know that they do not know it.<sup>5</sup> Finally, since evil cannot be excluded, given free will, the attempted end could contradict the human being's ultimate end (God),<sup>6</sup> but even then, it is a rational and free relation between a means and an end, which qualifies it as a human action.

It makes sense to view human action as a purposeful attempt to substitute a more satisfactory state of affairs for a less satisfactory one. First, be-

cause all human action assumes an uncoerced human will; and second, because every human action implies a change from potency to act, even in the case of evil.<sup>7</sup>

### The Praxeological Theorems

The praxeological theorems are the formal implications of the praxeological central axiom. This is one of the more problematic aspects of Mises's system. The terminology he uses tends to sound materialistic because we are accustomed to understanding words such as *gain*, *profit*, and *cost*, in their "catallactic," or market process, sense. But the praxeological meaning of these words may also be formalized. If I say, for example, that every human action has a cost and a possible gain, or an allocation of means to ends, I may not be using those concepts with materialistic or consumerist ends in view. I am only stating that an action gains when it achieves its end; the value given to the abandoned scenario is its cost; the allocation of scarce means is the "economic" character of every human action. The concepts of *gain*, *cost*, and *allocation* are applicable to every human action, because they are deduced from the central axiom. In other words, these concepts function as praxeological theorems.<sup>8</sup>

Among those theorems, scarcity, subjective value, gain, allocation, marginal productivity, time preference, and originary interest are the most important. They are universal to all human action; however, they are also the principal axioms of catallactic theory, and are directly applicable to the analysis of market process. Of these theorems, subjective value proves to be the most difficult for Thomists. According to Aquinas, every being is good in himself as a transcendental property.<sup>9</sup> Each being stands in close relation to an objective moral order, where moral values are not defined in relation to subjective human preferences, but in view of human nature as such and its ultimate end, God. But this seems to contradict praxeologically-based subjective value theory. However, if concepts are clearly defined and articulated, no such contradiction will result.

Valuation occurs when a person chooses between option *a* and option *b*. Valuing necessarily reflects the internal scale of preferences of the acting person. If John desires good *x*, and *x1* is a means to achieve it, *x1* has a subjective value, that is to say, is valuable to John, given his subjective preferences. John could be mistaken regarding his preferences, or ends, which includes the possibility of moral error, or erroneous with respect to the real capacity of *x1* to achieve *x*. But as we have already mentioned, error is a natural aspect of human rationality.

It should be apparent that this understanding of valuation does not contradict Aquinas's "bonum" theory. Everything is good in two ways: first, because it has been created by God, and second, because moral values have nothing to do with subjective preferences but, rather, with human nature itself.

Consequently, many people have confused the transcendental meaning of the concept of "good" in Aquinas with the praxeological notion of subjective value. But these meanings, however complementary, remain distinct. The book *X*, for example, could have a subjective value for me, given my studies, setting aside for the moment that it is an objective good because it is capable of being desired. Thus, a thing could be very important in itself while its appeal to a broad range of people may be significantly diminished.

### The "A Priori Methodology"

As mentioned previously, I intend to supplement Mises's Kantian epistemology with a Thomistic epistemology. Methodologically, however, the *a priori* character of praxeology remains unaltered for two reasons. First, the central axiom is established prior to any empirical testing. The reason is that it is a theorem of another philosophical system, namely, Thomism. Once again, the ultimate foundations of Aquinas's philosophy is the evidence of participated being, which is not susceptible to any kind of empirical testing. It is not, however, beyond any kind of experience.

The praxeological theorems are also prior to empirical testing because they are logically deduced from the central axiom, and given that this central axiom is true, the conclusions—that is to say, those theorems—are true if the deduction is valid. So empirical testing is not necessary. It is also impossible because they are essential properties of human action that are, in themselves, beyond any kind of empirical testing.

In this sense, praxeological methodology is *a priori*, meaning it is beyond empirical testing. This is not because of a result of a neo-Kantian theory of knowledge, as in Mises, but because the central axiom has been grounded in a Thomistic philosophical framework. In economic science the case is somewhat different, but I will briefly explain this at a later point.

### Definition of Praxeology

So what is praxeology? Praxeology is the science that studies human action from the point of view of the central axiom's formal implications.<sup>10</sup> Thus, given this succinct definition, it is now possible to respond to

Caldwell's objections:

One may begin by asking, what are the basic postulates of praxeology? Clearly, the 'fundamental axiom' that all human action is rational is to be included, but what about such categories as teleology and valuation process, cause and effect, time, and the uncertainty of the future: are they equally fundamental? And just what is meant by such terms as 'teleology' and 'uncertainty'; their definitions are less precise than that of rationality in the Misesian system.<sup>11</sup>

I would respond by saying that the central axiom is singular; its methodological character is that of an axiom, and its "gnoseological" character is that of a theorem in the Thomistic philosophy. So, praxeology is not *a priori* in a neo-Kantian sense but in a Thomistic sense, as I have already explained. In addition, philosophical issues such as the causality principle, free will, and final cause are grounded and defined in the Thomistic meta-system I am using as the ultimate foundation of praxeology.

### Conclusion

There are three aspects to my general conclusion. First, Mises's praxeology is not a materialistic conception of human action. While his use of key terms may sound materialistic, his characterization of rationality as a free allocation of scarce means to infinite ends is universally applicable to every human action, including the most altruistic ones. This characterization of rationality, according to Kirzner, is open to an extraordinary paradigm where there is no algorithmic calculation of means and ends, but a decision open to uncertainty and error, where the framework of ends and means is not given but discovered.<sup>12</sup> Nothing could be further removed from the rationalistic, materialistic, and unreal abstraction of *homo economicus*.

Second, the ultimate foundation of this kind of rationality is not to be found in Kant but in Aquinas. It is possible to conclude that Misesian economic theory is in clear contradiction with Christian philosophy, given that praxeology is the core of economics, with Mises himself linking praxeology to a neo-Kantian theory of knowledge. But on this point Mises is mistaken. He failed to realize that his own praxeology was not inextricably tied to a neo-Kantian framework. On the contrary, a Thomistic understanding provides a better foundation for free will and rationality. But this does not imply that Mises's praxeology must be completely transformed.

My last clarification is important from a methodological standpoint. Somebody could ask about the profit-maximization principle that Mises uses to deduce the theory of market process, in the same way that Hayek

uses his "learning factor"<sup>13</sup> and Kirzner his alertness theory. Mises claims that economic theory is also *a priori*. If economic theory were *a priori* as well, the profit-maximization principle would also necessarily be *a priori*. This does not accord with all that has been discussed thus far with regard to rationality.

In my judgment, praxeology is completely *a priori*, but economics is not. The maximization hypothesis and the alertness factor (which are necessary for deducing the tendency towards equilibrium in a market process theory) are auxiliary hypotheses, which are to be postulated between praxeology and catallactics. This methodological clarification (similar to Hayek and Machlup's middle ground<sup>14</sup> between extreme apriorism and "ultra-empiricism") has two main consequences: one is philosophical, the other methodological.

Philosophically, the profit-maximization behavior cannot be postulated as a person's necessary property but only as an auxiliary hypothesis in order to deduce certain economic laws. *Prima facie*, profit-maximizing behavior is morally neutral. The morality of the action depends upon the object, goal, and circumstances of the action. The methodological consequence is that economic laws remain prior to empirical testing—as is every model in contemporary post-Popperian epistemology—but are not necessary from an ontological point of view.

I would like to conclude with a final philosophical observation. This kind of discussion is important, because very few Thomistic thinkers have realized that Austrian economic theory and methodology are capable of establishing a fruitful dialogue with Christian philosophy. Very few Christian thinkers, especially those in the philosophical tradition of Aquinas, have seen the value of such a dialogue. Why? The simple reason is that they reject the neo-Kantian metaphysical agnosticism of Mises and Hayek. However, neither metaphysical agnosticism nor a neo-Kantian theory of knowledge are necessary presuppositions of Mises's theory of human action or Austrian economic methodology.

### Notes

<sup>1</sup> E. Gilson, *Elementos de filosofía cristiana* (Madrid: Rialp, 1981).

<sup>2</sup> D. Gamarra, "Algunas caloraciones históricas del neotomismo," *XXII Thomistic Week* (September 9th, 1997).

<sup>3</sup> Ludwig von Mises, *Human Action* (Chicago: Contemporary Books, Inc., 1963), 97.

<sup>4</sup> Saint Thomas Aquinas, *Summa Contra Gentiles* (Notre Dame, IN: University of Notre Dame

Press, 1975).

<sup>5</sup> Israel M. Kirzner, *The Meaning of Market Process* (New York: Routledge, 1992).

<sup>6</sup> Saint Thomas Aquinas, *Summa Theologia* (Torino: Marietti, 1963), I-II, Q. 2, a. 8c.

<sup>7</sup> Aquinas, *Summa Contra Gentiles*, chaps. 4 and 5.

<sup>8</sup> Mises, *Human Action*, Part 1, chap. IV, point 4.

<sup>9</sup> Saint Thomas Aquinas, *Quaestiones Disputatae, De Veritate* (Torino: Marietti, 1964), Q.I. a lc.

<sup>10</sup> Murray N. Rothbard, *Man, Economy and State* (Los Angeles: Nash Publishing, 1970), chap. 1.

<sup>11</sup> B. Caldwell, "Praxeology and Its Critics: an Appraisal," *History of Political Economy* 16 (1984): 3.

<sup>12</sup> Kirzner, *The Meaning of Market Process*, chaps. 9 and 10.

<sup>13</sup> F. A. Hayek, "Economics and Knowledge," in *Individualism and Economic Order* (Chicago: University of Chicago Press, 1980).

<sup>14</sup> Gabriel J. Zanotti, "Caminos abiertos," *Libertas* 25 (1997): 145-236.