**A Critical Look at Austrian Rationalism**

Despite its Aristotelian beginnings—which were identified by David Gordon—the modern day Austrian School is predominantly neo-Kantian and rationalistic in its epistemological outlook. This shift was brought about by the works of Ludwig von Mises and later deepened by the works of Hans-Hermann Hoppe. This is mostly due to the fact that Aristotelian Austrians seldom elaborated on their epistemological perspectives, while Mises and Hoppe wrote on them extensively. This article aims to examine the roots and elements of this rationalistic turn, and to bring attention to its potentially devastating consequences.

The Austrian School of economics is unique in many respects, but most importantly and fundamentally in its methodology. Ever since the time of Milton Friedman’s (1953) work, the science of economics adopted a strictly positivist methodology. Positivism is rooted in the scientistic notion of methodological monism; the idea that the proper method of the social sciences is the same as the method of the natural sciences (Ayer 2001; Carnap 1966; Schlick 1974).[[1]](#footnote-1) This method, in short, consists of forming hypotheses based on observable facts and conducting controlled experiments to continually test such hypotheses against observable facts. Thus, Friedman (1953, 8-9; emphasis in original) writes:

Viewed as a body of substantive hypotheses, theory is to be judged by its predictive power for the class of phenomena which is intended to “explain.” Only factual evidence can show whether it is “right” or “wrong” or, better, tentatively “accepted” as valid or “rejected.” As I shall argue at greater length below, the only relevant test of the *validity* of a hypothesis is comparison of its predictions with experience. The hypothesis is rejected if its predictions are contradicted (“frequently” or more often than predictions from an alternative hypothesis); it is accepted if its predictions are not contradicted; great confidence is attached to it if it has survived many opportunities for contradiction. Factual evidence can never “prove” a hypothesis; it can only fail to disprove it, which is what we generally mean when we say, somewhat inexactly, that the hypothesis has been “confirmed” by experience.

As was the case with the other social sciences, mainstream economics got swept up in the wave of positivist verificationism and (post-positivist) falsificationism, and as a consequence still accepts the methodology of post-Humean empiricism to this day (Blaug 1992, Boumans 2007, Boland 2015). The rejection of positivist methodology is what fundamentally separates the Austrian School from all others. The Austrians adopt a radically different method, an axiomatic-deductive one (Mises 1962, 1998, 2003; Rothbard 1997; Hoppe 1995). It starts with an irrefutable and necessarily true axiom that “man acts”, and deduces from it and a few subsidiary postulates the entire body of economic knowledge. Positivism holds that axioms are arbitrary and any process of deduction from them produces only “analytic statements” and “tautologies” which provide no information about reality (Ayer 2001, 78-80). Ludwig von Mises and the later Austrians launched intellectual assaults on the positivist doctrine, establishing praxeological claims as necessary truths that don’t simply convey information about our linguistic conventions, but do in fact convey information about reality. A crucial point to emphasize is that various Austrian economists differed in their views regarding the epistemological status of these necessary truths. As David Gordon (1993) notes, Carl Menger and Eugen von Böhm-Bawerk were broadly Aristotelian in their orientation, while in Mises one finds a neo-Kantian turn. Gordon (15) writes that “the deductive method of Austrian economics stems from Aristotle. But an obvious objection comes to mind. When one turns to the third great figure of the Austrian School, Ludwig von Mises, Aristotle seems absent from the scene. Instead, Mises resorts to a distinctively neo-Kantian terminology: in particular, he regards the propositions of Austrian economics as synthetic a priori truths.”[[2]](#footnote-2)

Even though Mises’ language is strictly Kantian, “nothing in his argument depends on Kant’s system . . . Those who prefer an Aristotelian approach can easily translate Mises' terms into their own preferred usage.” (ibid.). Even though one can reconstruct Mises’ system to fit within an Aristotelian framework if one wishes, the fact that Mises was a neo-Kantian and that his Kantian rationalism played a large role in shaping the epistemological base of the modern Austrian School isn’t something that can be simply brushed aside, because the arguments he used to ground his claims are decidedly *not* Aristotelian.[[3]](#footnote-3) If one believes an Aristotelian approach is needed in order to ground necessary truths about the world, he will not find it in Mises. As a side note, it is important to point out that Mises is not strictly an Orthodox Kantian. In order to identify the similarities and differences and their relevance, a brief overview of Kantianism and its origins is necessary.

**The Post-Humean Positivists and the Austrian Response**

The motivating force of Kant’s philosophy was his determination to answer David Hume, the arch-skeptic. Hume (1978, 2008) declared that terms such as “entity”, “the self”, “the external world” etc. are meaningless, that the law of causality is a myth because one cannot perceive the necessary connection between “conjoined” events, that one cannot derive normative values or necessary truths from experience and that there is no basis whatsoever for any inductive generalization. For the purposes of this article, Hume’s most important idea is his distinction between “relations of ideas” and “matters of fact”. “Relations of ideas” are necessarily true propositions because they are true by definition and thus say nothing about reality and aren’t derived from experience. “Matters of fact” are brute, contingent facts which happen to be the case but could have been otherwise and are derived from experience. In this Humean distinction one sees the precursor to the positivist attacks on the epistemic claims of the Austrian School. Their claims that praxeological axioms are arbitrary and the deductions from them are merely tautological and thus divorced from reality have their roots in Hume’s skepticism. After all, the logical positivists are simply the updated, modern version of Hume’s philosophy. The crucial question is, how does one answer these Humean charges and establish the existence of necessarily true propositions which aren’t just floating abstractions divorced from reality? As has already been established, the Austrians broadly fall into two philosophical camps: the Aristotelian-Thomist and the Kantian. Although it wasn’t always the case, the modern day Austrian School falls mostly—but not entirely—in the Kantian camp. This is mainly because the Aristotelian camp among the major Austrians—for whatever reason—decided not to spend much time elaborating on their epistemological foundations.[[4]](#footnote-4) In contrast to this, Ludwig von Mises and Hans-Hermann Hoppe, the two major Austrians in the Kantian camp, devoted entire books solely to epistemological matters. The logical positivists gained intellectual prominence during Mises’ time, so he was the one who took it upon himself to decisively answer them from an Austrian perspective, which he of course did in an openly Kantian way. What is the essence of the Kantian answer to the Humean-positivist strain? It is in establishing the truth of what Kant called “*synthetic a priori judgments*”.

**Immanuel Kant’s “Copernican revolution”**

By the time Immanuel Kant entered the scene, philosophy had found itself in a deeply precarious position. Humean skepticism had decimated the confidence in the ability of reason to arrive at necessary truths about reality, and the mechanistic implications of modern science brought faith in God, morality and the immortal soul into question. Kant had started out as a typical continental rationalist before reading David Hume, who woke him up from his “dogmatic slumber”. After his awakening, Kant began to reject the unsupported metaphysical claims of the rationalists and agree with the empiricists that there are no innate ideas and that human knowledge is limited to the realm of experience. Disillusioned with the rationalists and determined to answer Hume’s skepticism, he went on to construct the most elaborate, intricate and influential system in modern philosophy.

Kant separates propositions into analytic and synthetic on the one hand, and a priori and a posteriori on the other. An analytic statement is one whose predicate concept is contained within its subject concept, while a synthetic statement is one whose predicate concept is related to its subject concept but not contained within it. An a priori proposition is one whose justification doesn’t rely on experience, an a posteriori statement is one whose justification does rely on it. Hume’s system recognizes the existence of analytic a priori and synthetic a posteriori propositions, but Kant finds non-tautological, necessarily true propositions in the science of mathematics, thus identifying the realm of *synthetic a priori* propositions. The central project of the *Critique of Pure Reason* is an investigation of the nature of synthetic a priori knowledge and that which makes it possible.

The basis of Kant’s system is what he calls his “Copernican revolution” in philosophy. He was searching for a grounding of necessarily true knowledge about reality and agreed with Hume that this could not be done on the basis of experience, while the rationalists seemed to offer no non-arbitrary accounts of how such knowledge is possible. Up to now, the science of metaphysics has been nothing but “groping among mere concepts” (Kant 1998, B xv). Staring at a dead end, Kant proposed a completely new, revolutionary approach. Instead of assuming that our minds and our knowledge ought to conform to external objects, one should instead assume that external objects must conform to our minds. Kant (B xvi) writes:

Up to now it has been assumed that all our cognition must conform to the objects; but all attempts to find out something about them a priori through concepts that would extend our cognition have, on this presupposition, come to nothing. Hence let us once try whether we do not get farther with the problems of metaphysics by assuming that the objects must conform to our cognition, which would agree better with the requested possibility of an a priori cognition of them, which is to establish something about objects before they are given to us. . . . If intuition has to conform to the constitution of the objects, then I do not see how we can know anything of them a priori; but if the object (as an object of the senses) conforms to the constitution of our faculty of intuition, then I can very well represent this possibility to myself.

If experience is the glue which binds synthetic a posteriori knowledge together, then Kant held that the glue which binds synthetic a priori knowledge together must be the internal mental processes of the human mind. There are necessary ways of perceiving and conceiving according to Kant, and since one cannot derive necessity from experience, the necessary forms of cognition cannot be a reflection of reality “as it really is”, but are instead a contribution of the human mind. No matter what the structure of reality actually is, it is guaranteed that the synthesizing activities of our mind will structure our experience in such a way that reflects our necessary forms of cognition. Thus, the realm of our experiences (the “phenomenal world”) conforms to the structure of our mind and by that process yields necessity. The phenomenal world is thus a product of the interaction between the data coming from true reality (the “noumenal world”) and the human mind’s synthesizing activities. The noumenal world, or the “things in themselves” are completely unknowable to us, says Kant (1998, B xx): “[a priori] cognition reaches appearances only, leaving the thing in itself as something actual for itself but uncognized by us.” This is the way in which Kant aimed to solve the issues of necessarily true knowledge about reality and the reconciliation of science with metaphysical questions such as the existence of God, morality and the immortal soul etc. Man can have synthetic a priori knowledge, but only within his subjectively created world of appearances (Kant would argue that cognition of the phenomenal world is “objective” because the structure of the mind which it conforms to is universal for all people). Science can be reconciled with grand metaphysical claims, but only by designating them to the phenomenal and noumenal worlds, respectively. Rationalism takes on a different form as the innate ideas of the early rationalists get replaced by Kant's innate structure of the mind. Being acquainted with the basics of the Kantian method, it is now possible to investigate its influence within the Austrian School.

**Ludwig von Mises**

Ludwig von Mises was the first Austrian thinker to adopt an epistemologically neo-Kantian position. His metaphysics differ from Kant’s in crucial ways, but many of the epistemological premises are still intact. To begin with, Mises (1962, 6) does not hold that our realm of experience is a subjective creation of the mind:

The much discussed question whether physical objects can or cannot be conceived as existing independently of the mind is vain. For thousands of years the minds of physicians did not perceive germs and did not divine their existence. But the success or failure of their endeavors to preserve their patients' health and lives depended on the way germs influenced or did not influence the functioning of the patients' bodily organs. The germs were real because they conditioned the outcome of events either by interfering or by not interfering, either by being present in or by being absent from the field.

Nor does Mises (1998, 36) postulate a necessary existence of a world totally unknowable to man (nor does he exclude the possibility of such a world): “It is idle to ask whether things-in-themselves are different from what they appear to us, and whether there are worlds which we cannot divine and ideas which we cannot comprehend. These are problems beyond the scope of human cognition. . . . All the theorems of praxeology refer only to these categories of action and are valid only in the orbit of their operation. They do not pretend to convey any information about never dreamed of and unimaginable worlds and relations.”

Despite these divergences with Kant, Mises (1962, 18-19) still takes over his view that the human mind has an innate structure which implies the existence of limitations of our knowledge of “real” reality:

What we know is what the nature or structure of our senses and of our mind makes comprehensible to us. We see reality, not as it "is" and may appear to a perfect being, but only as the quality of our mind and of our senses enables us to see it. . . . our senses are imperfect and do not fully and faithfully reflect reality. . . . We must never forget that our representation of the reality of the universe is conditioned by the structure of our mind as well as of our senses. We cannot preclude the hypothesis that there are features of reality that are hidden to our mental faculties but could be noticed by beings equipped with a more efficient mind and certainly by a perfect being. We must try to become aware of the characteristic features and limitations of our mind in order not to fall prey to the illusion of omniscience.

Echoing Kant, Mises holds that man can only experience reality through the categories of our minds, which are the necessary preconditions of experience. In Mises’ (1998, 35) view, these categories are a product of biological evolution through the process of natural selection: “The human mind is not a tabula rasa on which the external events write their own history. It is equipped with a set of tools for grasping reality. Man acquired these tools, i.e., the logical structure of his mind, in the course of his evolution from an amoeba to his present state. But these tools are logically prior to any experience.” If man can only experience reality through his imperfect, limited categories, and the realm of our experiences isn’t subjectively constructed by them so as to yield necessity, how can he know if his categories conform to reality at all? Mises (1962, 14-16) here gives a pragmatic answer, claiming that one can have confidence in the power of man’s categories to apprehend reality (at least to some extent) since he are able to engage in successful action using their faculties:

Natural selection eliminated those specimens and species which developed instincts that were a liability in the struggle for survival. Only those endowed with impulses serviceable to their preservation survived and could propagate their species. . . . Only those groups could survive whose members acted in accordance with the right categories, i.e., with those that were in conformity with reality and therefore—to use the concept of pragmatism—worked. . . . Since the a priori categories emanating from the logical structure of the human mind have enabled man to develop theories the practical application of which has aided him in his endeavors to hold his own in the struggle for survival and to attain various ends that he wanted to attain, these categories provide some information about the reality of the universe. They are not merely arbitrary assumptions without any informative value, not mere conventions that could as well be replaced by some other conventions. They are the necessary mental tool to arrange sense data in a systematic way, to transform them into facts of experience, then these facts into bricks to build theories, and finally the theories into technics to attain ends aimed at.

For Mises (1962,8), the category of action is the “fundamental category of epistemology, the starting point for any epistemological analysis”. Praxeology starts with the proposition: man acts. Mises (2003, 29) argues that the action axiom is not and cannot be arrived at inductively, but must be understood introspectively before any external experience can be interpreted as an action: “Nothing is more clearly an inversion of the truth than the thesis of empiricism that theoretical propositions are arrived at through induction on the basis of a presuppositionless observation of “facts.” It is only with the aid of a theory that we can determine what the facts are.” The category of action and its subsequent categories are thus prior to experience, they are “not subject to verification and falsification on the ground of experience and facts. They are both logically and temporally antecedent to any comprehension of historical facts. They are a necessary requirement of any intellectual grasp of historical events” (Mises 1998, 32). In other words, they are *a priori*. For Mises (1962, 18), the characteristic feature of a priori knowledge is that “we cannot think of the truth of its negation or of something that would be at variance with it”. For example, one could not even imagine a world without the existence of causality and teleology.

With regard to causality, Mises (1998, 22; emphasis in original) states: “Man is in a position to act because he has the ability to discover causal relations which determine change and becoming in the universe. Acting requires and presupposes the category of causality. Only a man who sees the world in the light of causality is fitted to act. In this sense we may say that causality is a category of action. The category *means and ends* presupposes the category *cause and effect*. In a world without causality and regularity of phenomena there would be no field for human reasoning and human action.” This passage only serves to establish that causality as a prerequisite of action, which doesn’t itself prove that it actually applies to the external world. Here Mises is moving in a circle; since human action is *caused* by man, the action axiom has to be validated by at least an implicit reference to causality, but then causality is validated on the basis that it is a prerequisite of human action. On this circularity, Mises (1998, 23) comments: “We are fully aware that in asserting this we are moving in a circle. For the evidence that we have correctly perceived a causal relation is provided only by the fact that action guided by this knowledge results in the expected outcome. But we cannot avoid this vicious circular evidence precisely because causality is a category of action. And because it is such a category, praxeology cannot help bestowing some attention on this fundamental problem of philosophy.” Elsewhere, Mises (2007, 9) affirms the impossibility of proving causality and the validity of scientific induction: “There is no deductive demonstration possible of the principle of causality and of the ampliative inference of imperfect induction; there is only recourse to the no less indemonstrable statement that there is a strict regularity in the conjunction of all natural phenomena. If we were not to refer to this uniformity, all the statements of the natural sciences would appear to be hasty generalizations.” Thus, causality can be no more than an assumption which makes human action possible.

Just like an assumption of time-invariant causal relations has to be made, an assumption of the goal-directedness on the part of human beings has to be made in order to make human actions possible (after all, action is defined as “purposeful behavior”). This is the category of teleology. The problem of reconciling the categories of causality and teleology can be compared to Kant’s task of reconciling modern science with belief in “God, freedom and immortality”. Contrary to scientism, Mises (1962, 7) writes that “The natural sciences are causality research”, while “the human sciences are teleological”. To say that “man acts” is simply another way of saying that man has free will. The faculty of volition is what differentiates *action* from mere *behavior*. The basic validation of the action axiom is that one affirms it in the process of trying to negate it.. But for this validation to work, man has to have free will. If man has no free will, a man saying that “man doesn’t act” would not actually be an action, but merely a disteleological noise produced by a complex chain of mechanistically determined causes, and thus the man would not fall into a performative contradiction by uttering that sentence. One could train a parrot to say “parrots don’t act”, but that would not mean that the parrot fell into a performative contradiction and thus established that parrots in fact do act. Given the absolutely crucial importance of human volition to the science of praxeology, where does Mises stand on the free will question? It might be surprising to find out that Mises, the arch-praxeologist, was actually a determinist. In a brief discussion on volition, Mises (1998, 46) writes: “The innate and inherited biological qualities and all that life has worked upon him make a man what he is at any instant of his pilgrimage. They are his fate and destiny. His will is not "free" in the metaphysical sense of this term. It is determined by his background and all the influences to which he himself and his ancestors were exposed.” Here seems to be a devastating contradiction at the very heart of Mises’ system. How can he affirm the proposition that “man acts” while being a full-blown determinist? The answer lies in the fact that Mises does not ascribe volition to man in the metaphysical, but in the *methodological* sense. Mises (1998, 18) points out that “No bridge connects-as far as we can see today” the worlds of “physical, chemical, and physiological phenomena and the internal world of thought, feeling, valuation, and purposeful action.” and goes on to argue that “as long as we do not know how external facts—physical and physiological—produce in a human mind definite thoughts and volitions resulting in concrete acts, we have to face an insurmountable *methodological dualism*.” (Mises 1998, 17; emphasis in original). It is thus not any metaphysical truths that commits science to methodological dualism, but the present lack in our scientific knowledge about the causes of human actions. Thus, Mises (2007, 1) claims science must adopt a dualistic approach “less as a philosophical explanation than as a methodological device”. Thus Mises develops a kind of “human action of the gaps” explanation of free will.

**Murray Rothbard**

After Mises, the next dominant figure in the Austrian School is Murray Rothbard. He dissented from Mises’ neo-Kantianism, instead adopting an Aristotelian/neo-Thomist epistemology. After the action axion is established, the method of praxeology is a process of deductive inferences from that axiom. But the crucial question is, how does one arrive at the action axiom in the first place? Is it through an inductive generalization, or does it come from the mind’s categories as Mises claimed? Here, Rothbard (1997, 106) takes up the former viewpoint:

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 physical; and (3) it is clearly a priori to complex historical events.

Elsewhere, Rothbard (1997, 63-64) expressed similar attitudes in a stronger fashion:

Turning from the deduction process to the axioms themselves, what is their epistemological status? Here the problems are obscured by a difference of opinion within the praxeological camp, particularly on the nature of the fundamental axiom of action. Ludwig von Mises, as an adherent of Kantian epistemology, asserted that the concept of action is a priori to all experience, because it is, like the law of cause and effect, part of “the essential and necessary character of the logical structure of the human mind.” Without delving too deeply into the murky waters of epistemology, I would deny, as an Aristotelian and neo-Thomist, any such alleged “laws of logical structure” that the human mind necessarily imposes on the chaotic structure of reality. Instead, I would call all such laws “laws of reality,” which the mind apprehends from investigating and collating the facts of the real world. My view is that the fundamental axiom and subsidiary axioms are derived from the experience of reality and are therefore in the broadest sense empirical. I would agree with the Aristotelian realist view that its doctrine is radically empirical, far more so than the post-Humean empiricism which is dominant in modern philosophy.

This marks a realist turn in the Austrian School, where the action axiom is seen as being arrived at via *apprehension* of the facts of reality rather than via *construction* by the mind’s categories.[[5]](#footnote-5)

**Hans Hermann-Hoppe**

With the works of Rothbard’s protégé, Hans Hermann-Hoppe, neo-Kantian epistemology makes a grand return to the dominant position within the Austrian School. After noting the proper methodological differences between economics and the natural sciences, Hoppe (1995, 17; emphasis in original) finds the explanation for these differences in Kantian epistemology: “In order to better understand his explanation, we must make an excursion into the field of philosophy; or more precisely into the field of the philosophy of knowledge or epistemology. In particular, we must examine the epistemology of Immanuel Kant as developed most completely in his *Critique of Pure Reason*.” Hoppe (18) continues by establishing Mises as a Kantian: “The characteristic mark of Kantian philosophy is the claim that true a priori synthetic propositions exist-and it is because Mises subscribes to this claim that he can be called a Kantian.[[6]](#footnote-6) Synthetic a priori propositions are those whose truth-value can be definitely established, even though in order to do so the means of formal logic are not sufficient (while, of course, necessary) and observations are unnecessary.” Synthetic a priori truths are derived “ultimately from inner, reflective” experience, since “observational experience can only reveal things as they happen to be; there is nothing in it that indicates why things must be the way they are” (19) and “there are only bodily movements to be observed but no such thing as actions” (61). Facing the charge of idealism, Hoppe (19) comments:

It has been a common quarrel with Kantianism that this philosophy seemed to imply some sort of idealism. For if, as Kant sees it, true synthetic a priori propositions are propositions about how our mind works and must of necessity work, how can it be explained that such mental categories fit reality? How can it be explained, for instance, that reality conforms to the principle of causality if this principle has to be understood as one to which the operation of our mind must conform? Don't we have to make the absurd idealistic assumption that this is possible only because reality was actually created by the mind?

In meeting this challenge, Hoppe (20) claims that

Mises provides the solution to this challenge. It is true, as Kant says, that true synthetic a priori propositions are grounded in self-evident axioms and that these axioms have to be understood by reflection upon ourselves rather than being in any meaningful sense "observable.” Yet we have to go one step further. We must recognize that such necessary truths are not simply categories of our mind, but that our mind is one of acting persons. Our mental categories have to be understood as ultimately grounded in categories of action. And as soon as this is recognized, all idealistic suggestions immediately disappear. Instead, an epistemology claiming the existence of true synthetic a priori propositions becomes a realistic epistemology. Since it is understood as ultimately grounded in categories of action, the gulf between the mental and the real, outside, physical world is bridged. As categories of action, they must be mental things as much as they are characteristics of reality: For it is through actions that the mind and reality make contact.

Thus, Mises establishes realism by stressing the applicability of the mind’s categories to actions in the real world.

Utilizing Humean arguments against the empirical case for the law of causality and the validity of inductive generalization, Hoppe (77) states that causality must be understood as “implied in our understanding of action as an interference with the observational world”. On the other hand, action is “a reality that must be categorized teleologically as purpose-directed, meaningful behavior” (Hoppe 1995, 78). The categories of causality and teleology are irrefutable axioms since any action presupposes them. For Hoppe (79; emphasis in original), “Neither a causal, nor a teleological monism could be justified without running into an open contradiction: physically stating either position, and claiming to say something meaningful in so doing, the case is in fact made for an indisputable complementarity of both, a realm of causal *and* teleological phenomena.”

On the topic of free will, Hoppe (2006, 301) opts for a Popperian argument: “No scientific advance can ever alter the fact that one must regard one’s knowledge and actions as uncaused. One might hold this conception of “freedom” to be an illusion, and from the point of view of a “scientist” with cognitive powers substantially superior to any human, that is, from the point of view of God, such a description may well be correct. However, we are not God, and even if freedom is illusory from His standpoint, for us human beings it is a necessary illusion.” This is a milder version of Mises’ position. It doesn’t outright endorse determinism, but accepts it as a possibility, and denies Mises’ view regarding the possibility that humanity could one day arrive at a causal explanation for all human behavior.

With the neo-Kantian turn, much of the Austrian School finds itself adopting the following metaphysical/epistemological system: praxeological concepts are not arrived at via observation and apprehension of reality, but via the understanding made possible by the innate categories of our minds. These categories can be known to be in accordance with (at least a part of) external reality since they have successful practical applications to actions in the real world. Causality and free will are presuppositions of the category of action. None of these concepts can be arrived at through observation, which is all for the better, since observation can only provide contingent facts which need to be continually tested. This system is littered with grave and dangerous fallacies which places the Austrian School in a vulnerable philosophic position. The following will seek to illustrate some of these fallacies.

**The Incoherence of “Kantian Realism”**

Unlike Orthodox Kantian philosophy, the neo-Kantians of the Austrian School do not subscribe to the doctrine of metaphysical idealism. Mises claims to establish realism by claiming the structure of the mind doesn’t construct its own reality, but offers limited access to a mind-independent reality. However, Mises’ pragmatic, evolutionary argument for the epistemic validity of the mind’s categories simply doesn’t hold up. If one wants to establish the validity of the human sensory and rational apparatus, he has to take them as axiomatically valid, as any other attempt must necessarily include inescapable circularity. If one claims that there are necessary ways of perceiving and reasoning and thus one cannot axiomatically know that his perceptions are valid since his way of perceiving may or may not correspond to reality, then all attempts at rationally establishing their validity are futile, since by this chain of logic there would be no reason to assume that his way of *reasoning* could ever correspond to reality any more than his way of perceiving would. In other words, if the necessary ways in which man perceives cannot be axiomatically established as valid, then neither can his necessary ways of reasoning, which drags him down into the pit of skepticism. This is an inevitable result of viewing the fact that consciousness has identity as an *obstacle* to perceiving reality rather than as the only possible *means* of perceiving it. Kant was more consistent than Mises on this point, which is why he ended up with an idealistic philosophy in the first place. In an illuminating passage, Kant (1998, A277/B333; emphasis in original) writes:

If the complaints "*That we have no insight into the inner in things*" are to mean that we do not understand through pure reason what the things that appear to us might be in themselves, then they are entirely improper and irrational; for they would have us be able to cognize things, thus intuit them, even without senses, consequently they would have it that we have a faculty of cognition entirely distinct from the human not merely in degree but even in intuition and kind, and thus that we ought to be not humans but beings that we cannot even say are possible, let alone how they are constituted.

This is, as clear as can be, a claim that knowledge of reality “in itself” would have to be acquired without a basis in sense perception, since the fact that consciousness has identity makes it an agent of distortion. This led to Ayn Rand’s (1961, 26; emphasis in original) famous characterization of this argument: “man is blind, because he has eyes—deaf, because he has ears—deluded, because he has a mind—and the things he perceives do not exist, *because* he perceives them”[[7]](#footnote-7)

Hoppe’s attempts at establishing realism fare no better. Instead of seeing the source of knowledge as coming from an abstract noumenal self, one should instead recognize knowledge as “structurally constrained by its role in the framework of action categories . . . For as soon as this is realized, all idealistic suggestions of rationalist philosophy disappear, and an epistemology claiming that a priori true propositions exist becomes a realistic epistemology instead. Understood as constrained by action categories, the seemingly unbridgeable gulf between the mental on the one hand and the real, outside physical world on the other is bridged.” (Hoppe 1995, 69). Since acting is a “cognitively guided adjustment of a physical body in physical reality”, one can be certain that “a priori knowledge, conceived of as an insight into the structural constraints imposed on knowledge qua knowledge of actors, must indeed correspond to the nature of things.” (Hoppe 1995, 70). According to Hoppe (ibid; emphasis in original), one could see the realism of a priori knowledge “not only in the fact that one could not *think* it to be otherwise, but in the fact that one could not *undo* its truth.” Thus, one can know that something is necessarily true about a mind-independent reality due to the fact that one cannot conceive of it being otherwise, and isn’t able to change its status as being true.

This explanation fails on both counts. For starters, idealism does *not* imply that the mind can change any fact about the supposedly mind-created reality at will. Kant’s transcendental idealism, for instance, prohibits such a possibility, but is not any less idealistic because of it. The inability of a mind to manipulate facts in the realm of its experience does *not* yield realism. For all one knows, Hoppe’s “praxeologically constrained” actor could be acting only within Kant’s phenomenal world, leaving the noumenal world completely unknowable to him.[[8]](#footnote-8)

As has been previously shown, both Hoppe and Mises claim that the defining characteristic of a priori knowledge is that it cannot be conceived as being otherwise (Mises 1962, 18, 54; Hoppe 1995, 69, 70).[[9]](#footnote-9) This falsely places human conceivability as the standard of what differentiates between a necessary truth and a mere “contingent fact”. The error in this line of thinking consists in giving consciousness metaphysical primacy over existence. In reality, consciousness is the faculty for perceiving existence, it does not have the power to set the terms regarding the issues of metaphysical necessity and contingency.[[10]](#footnote-10) As Leonard Peikoff (1990, 116) points out: “This argument confuses Walt Disney with metaphysics. That a man can project an image or draw an animated cartoon at variance with the facts of reality, does not alter the facts; it does not alter the nature or the potentialities of the entities which exist. An image of ice sinking in water does not alter the nature of ice; it does not constitute evidence that it is possible for ice to sink in water. It is evidence only of man’s capacity to engage in fantasy. Fantasy is not a form of cognition.” On Kantian grounds, conceivability would only be able to yield necessity in the phenomenal world. In his “Transcendental Dialectic”, Kant (1998, A297; brackets in original) argued against attempts to infer facts about the noumenal world via reference to our necessary forms of cognition: “in our reason (considered subjectively as a human faculty of cognition) there lie fundamental rules and maxims for its use, which look entirely like objective principles, and through them it comes about that the subjective necessity of a certain connection of our concepts on behalf of the understanding is taken for an objective necessity, the determination of things in themselves. [This is] an illusion that cannot be avoided at all . . .” Unfortunately, Mises and Hoppe fell victim to this “transcendental illusion”, but they may be forgiven considering its apparent inevitability. So much for the project of “Kantian realism”.

**Causality and Teleology**

The primacy of consciousness runs deep all throughout Kant’s philosophy; not just in his idealism, but also in a much more subtle way which Mises and Hoppe share. Kant began his answer to Hume by asking what reality would have to be like in order for a priori knowledge to be possible. He doesn’t start by asking what reality actually is like, but how it would have to be in order to satisfy the need of consciousness for having a priori knowledge. As a parallel to this method, consider what Hoppe (1989, 194) says about causality:

Only because we are actors and our experiences are those of acting individuals can observations be conceived of as occurring objectively earlier or later and as being related to each other through time-invariantly operating causes. . . . no one's knowledge of the meaning of action and causality could ever be said to be derived from contingent observational evidence, as the very fact of experiencing already presupposes action and causally interpreted observations. Every action is and must be understood as an interference with the observational world, made with the intent of diverting the "natural" course of events in order to produce (i.e., to cause to come into being) a different, preferred state of affairs—of making things happen that otherwise would not happen—and thus presupposes the notions of events placed in objective time and of time-invariantly operating causes

Hoppe claims that causality isn’t and cannot be established by investigating the way that reality is, but by recognizing it as a presupposition of any goal-oriented action. Thus, this method doesn’t start by asking what reality is actually like, but how it would have to be in order for successful action to be possible. This type of approach is hopeless, since the needs and desires of a consciousness do not dictate what reality is actually like.

The category of teleology is in even worse shape. In praxeology, this category is applied to human free will, which Mises denies and which Hoppe is agnostic towards. Considering that action implies free will, with these kinds of attitudes, praxeology is on shaky ground indeed.

**Polylogism**

There is a great irony in the fact that Mises (1998) coined the term “polylogism” and subjected the doctrine to scathing attack, when the source of such a doctrine lies in Kantian epistemology. In a brief explanation of polylogist ideology, Mises (2007, 31-32) states: “Polylogism denies the uniformity of the logical structure of the human mind. Every social class, every nation, race, or period of history is equipped with a logic that differs from the logic of other classes, nations, races, or ages. Hence bourgeois economics differs from proletarian economics, German physics from the physics of other nations, Aryan mathematics from Semitic mathematics.” On the Kantian origins of polylogism, Peikoff (1971, 14) writes:

Kant [is] the real father of polylogism, the first among the major philosophers officially to sever logic from reality.

Applying his subjectivism to the theory of logic, Kant maintains that the laws of logic are not learned by or based on a study of reality, but are an expression of the innate, subjective structure of the human mind. StilI a traditionalist to some extent, Kant holds that all men have the same logical structure, and that it is Aristotelian in nature. As with his basic philosophy, however, so with his theory of logic: it is a short step from Kant to his disciples. In terms of fundamentals, Nazi polylogism, like Nazi subjectivism, is simply a pluralizing and racializing of the Kantian view.

Post-Kantian thinkers had seen no reason to suppose that the structure of the mind is identical and universal for all men since nothing could be known about the noumenal “transcendental ego”, so they posited the existence of different structures for different classes of people. But the basic premise that made polylogism possible was supplied by Kant. A full refutation of polylogism would necessitate a full refutation of Kant’s epistemology.[[11]](#footnote-11) As Peikoff (1982, 47; emphasis in original) explains:

Later philosophers accepted Kant’s fundamental approach, but carried it a step further. If, many claimed, the mind’s structure is a brute given, which cannot be explained—as Kant had said—then there is no reason why all men should have the same mental structure. There is no reason why mankind should not be splintered into *competing* groups, each defined by its own distinctive type of consciousness, each vying with the others to capture and control reality. The first world movement thus to pluralize the Kantian position was Marxism, which propounded a social subjectivism in terms of competing economic classes. On this issue, as on many others, the Nazis follow the Marxists, but substitute race for class.

**Ethics**

Kant (2008) argued against any empirical approach to ethics, arguing that observational experience can only show the ends which men do in fact aim at, but it cannot *validate* the pursuit and attainment of those ends. Furthermore, observational facts are only contingent, and therefore cannot confer universalizable, time-invariant moral laws. Any natural rights ethic is out of the picture, since it’s derived from empirical observations of human nature. Following the conclusions of Kantian epistemology, both Mises and Hoppe stress the inadequacy of natural rights ethics. On the doctrine of natural law, Mises (1998, 714) writes:

There is, however, no such thing as natural law and a perennial standard of what is just and what is unjust. Nature is alien to the idea of right and wrong. "Thou shalt not kill" is certainly not part of natural law. The characteristic feature of natural conditions is that one animal is intent upon killing other animals and that many species cannot preserve their own life except by killing others. The notion of right and wrong is a human device, a utilitarian precept designed to make social cooperation under the division of labor possible. . . . From the notion of natural law some people deduce the justice of the institution of private property in the means of production. Other people resort to natural law for the justification of the abolition of private property in the means of production. As the idea of natural law is quite arbitrary, such discussions are not open to settlement.

Arguing that all other ethical theories lead to dogmatism and tyranny, Mises (2007, 60-61) opts out for a utilitarian doctrine: “[Collectivism] seeks to establish the exclusive supreme validity of only one system of values. There is, of course, but one way to make one's own judgments of value supreme. One must beat into submission all those dissenting. This is what all representatives of the various collectivist doctrines are striving for.” “Various collectivist doctrines” here means anyone prescribing a universalist system of ethics. Utilitarianism, on the other hand, recognizes and respects the differing, subjective ends of each individual. Thus, the “nonrationalist, nonutilitarian, and nonliberal social doctrines must beget wars and civil wars until one of the adversaries is annihilated or subdued” (Mises 1998, 147) because they have to impose their own subjective ends (which they mistakenly believe are objectively and universally valid to the exclusion of all others) on the reluctant population.

Mises’ utilitarianism has already been subject to scathing critique, most notably by Rothbard (1998, 206-214). Hoppe takes over this critique and agrees that utilitarianism cannot be a proper foundation of a libertarian ethic. But, as a result of his Kantian epistemology, he doesn’t adopt an empirical, natural rights approach either. Hoppe’s (2006, 339-345) breakthrough contribution in ethics is his “a priori of argumentation”, which asserts that the mere act of engaging in an argument presupposes self-ownership and private property rights in property acquired through homesteading, trade or gift. Hoppe (2006, 345) claims that this argument has “at least two distinctive advantages” over the natural rights argument: firstly, “the concept of human nature is far too diffuse to allow the derivation of a determinate set of rules of conduct”, and secondly, “there is the logical gap between “is-” and “ought-statements” which natural rights proponents have failed to bridge successfully”. Instead, Argumentation Ethics is said to be a “value-free” argument, making it completely devoid of any normative content. It does not say that “one ought not aggress” but “trying to argumentatively justify aggression is a performative contradiction”. In his article praising Hoppe’s theory, Rothbard (1988, 44) writes that it makes his natural rights position “seem almost wimpy in comparison.” Given that the natural rights position at the very least boasts normativity, one is inclined to assume the exact opposite of Rothbard’s statement.

**Induction and Deduction**

Despite its lack of normativity, why would Rothbard believe that Argumentation Ethics is more “hard nosed” than his own natural rights position? One cannot help but suspect that the answer lies in the fact that Argumentation Ethics is a *deductive* argument, while natural rights ethics relies on *inductive* inferences. In philosophy, it is extremely common to regard inductive inference as inconclusive, contingent, and uncertain. Questions such as “how can one know this observation applies across the board?”, “how can one know it will apply in the future?”, “how can one know he will never find a counter-example?”, “it appears to be like that, but does it *have* to be like that?”, “how can one justify making the leap from *some* to *all*?” are ubiquitous in discussions of inductive reasoning. In contrast, deduction offers the benefits of certainty and conclusiveness. It offers no wiggle room. If the premises are true, so is the conclusion; and that’s that. Thus it is common to hear that deductive reasoning offers *certainty*, while inductive reasoning offers only *probability*. Rothbard (1997, 215) himself hinted at a strong preference for deduction when he stated that “all reasoning is deductive, and this process is peculiarly vital to arriving at truth.” Mises (1962, 21) is even clearer on this subject, claiming that “Reasoning is necessarily always deductive. This was implicitly admitted by all the attempts to justify ampliative induction by demonstrating or proving its logical legitimacy, i.e., by providing a deductive interpretation of induction. The plight of empiricism consists precisely in its failure to explain satisfactorily how it is possible to infer from observed facts something concerning facts yet unobserved.”

The crucial error in this line of thinking is the evasion of the fact that *deduction presupposes induction*—the basic premises from which one makes deductive inferences have to be formed by a process of *induction*. These premises are not innate ideas, nor are they contributed to experience by the categories of the alleged structure of the human mind. They are formed by making generalizations from perceptual data. Any rationalist who scoffs at these generalizations as uncertain and subjective, and retreats to pure deduction as the only beacon of certainty, is cutting the ground from under his feet. If inductions are uncertain, then so are deductions, by necessity.

**Conclusion**

Consider the state of praxeology after the neo-Kantian onslaught: man’s perception of and cognition regarding the external world cannot be validated. Causality and teleology are nothing more than baseless assumptions. Libertarian ethics cannot be normative. Economic deductions are mere relations of ideas whose connection to reality isn’t to be established by perceptual data, but exclusively by quasi-mystical “reflective understanding”. An example of Kantian idealism coming into full bloom among modern Austrians can be found in German economist Thorsten Polleit, who was convinced of Kant’s epistemology by Hoppe. In discussing Kant’s “Transcendental Deduction”, Polleit (2024, 81) explains that the Kantian “transcendental unity of apperception” references the “capacity of the human understanding to construct objects of experience or conceive them from sensory perceptions through synthesis or unification. Kant identifies the source of all unity in our objects of experience within the self-consciousness of the subject.” If this doesn’t give one pause about the potential for metaphysical subjectivism to ride roughshod over the Austrian School, nothing will.

This is an intolerable intellectual position to be in. Anybody who is acquainted with the history of philosophy knows that virtually every error in a given doctrine eventually gets pried open and gives its exponents a choice of ideological correction or a deeper dive into irrationality. The above errors cannot be simply swept under the rug, but instead have to be recognized and corrected as soon as possible. Contra Rothbard (1997, 105), these epistemological questions are not a “waste of time”.

In his attempts to answer Hume’s skepticism, Kant accepted a multitude of his basic premises (the impossibility of empirically validating causality and inductive generalizations, the severing of moral values and metaphysical necessity from observable facts) and offered a thoroughly subjectivist “solution”. The neo-Kantians of the Austrian School accepted both these premises and the basic gist of the Kantian answer, while adding some personal modifications. With regard to Hume, Mises (2007, 9) says: “Hume's skepticism was the reaction to a postulate of absolute certainty that is forever unattainable to man. Those divines who saw that nothing but revelation could provide man with perfect certainty were right. Human scientific inquiry cannot proceed beyond the limits drawn by the insufficiency of man's senses and the narrowness of his mind.” Hoppe (1995, 77) writes: “The idea of causality that there are constant, time-invariantly operating causes which allow one to project past observations regarding the relation of events into the future is something (as empiricism since Hume has noticed) which has no observational basis whatsoever. One cannot observe the connecting link between observations. Even if one could, such an observation would not prove it to be a time-invariant connection”

What the Austrian School needs is a non-Kantian answer to Hume. It cannot afford to accept Hume’s premises and then tie itself into knots to “account” for them. It needs an empirical validation of causality, volition, induction, ethical norms and metaphysical necessity. All of this is outside the scope of this article, which is polemical in nature. But, as a starting point, it is necessary to recognize these errors and the requirements for their correction.

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1. The term “scientism” was popularized by Austrian economist F. A. Hayek (1942, 270), who defined it as the “slavish imitation of the method and language of Science” [↑](#footnote-ref-1)
2. Interestingly, and contrary to Gordon’s assertion, Mises (1998, 38) holds that propositions which express a priori knowledge are *analytic*, not synthetic: “Aprioristic reasoning is purely conceptual and deductive. It cannot produce anything else but tautologies and analytic judgments. All its implications are logically derived from the premises and were already contained in them.” [↑](#footnote-ref-2)
3. In his introduction to Mises’ (2003) book, Jörg Guido Hülsmann (*li*) claims that Mises “can more usefully be classified as a representative of Aristotelian realism.” The use of the word “usefully” instead of “truthfully” here reveals the modesty of this claim. [↑](#footnote-ref-3)
4. Rasmussen (2020) outlined the most elaborate defense of the Aristotelian-Thomist interpretation of the action axiom to date, building upon the Rothbardian framework. [↑](#footnote-ref-4)
5. Gennady Stolyarov II (2007) attempted to argue that there is actually no difference between Rothbard’s views on the action axiom and those of Mises and Hoppe, and the misunderstanding is due to Rothbard’s imprecise use of terminology. Unfortunately, his argument fails since he failed to distinguish between consciousness and existence on the one hand and extrospection and introspection on the other. [↑](#footnote-ref-5)
6. Hoppe here makes the same classificatory error that Gordon (1993, 15) made prior, but it doesn’t change the validity of classifying Mises as an epistemological Kantian. [↑](#footnote-ref-6)
7. As is to be expected, Hoppe has heavy reservations regarding Rand’s interpretation of Kant. As proof of her ignorance on the subject, Hoppe (1995, 20) cites Bruce Goldberg’s (1961, 17-24) review of her (1961) book. Goldberg’s comments included much more outrage at Rand’s statements on Kant than any actual attempt at their refutation. [↑](#footnote-ref-7)
8. In addition, Kant (1998, A370) claims that one can be an empirical realist only if he accepts his transcendental idealism. On the other hand, transcendental realists have to inevitably fall into empirical idealism (A369). Kant (B274-294) addresses two forms of empirical idealism: the “problematic idealism” of René Descartes and the “dogmatic idealism” of George Berkeley. [↑](#footnote-ref-8)
9. Rothbard (1997, 105) also seemed to have sympathy for the “cannot be conceived of differently” argument. But one cannot help but notice that this isn’t a valid criterion even on its own terms. Taking the “categories” of causality and action as examples, one can easily conceive of an apple popping into existence out of nowhere, causelessly, just like one can imagine a human being who does not engage in purposeful behavior. To say that a being who doesn’t engage in action could not validly be defined as a “human” would be begging the question. [↑](#footnote-ref-9)
10. For more on the error of the “primacy of consciousness” see Rand (1982, 24) [↑](#footnote-ref-10)
11. A potential example of polylogism present within the Austrian School is Hoppe’s (2006, 118) agreement with Marx that the “ruling class is unified by its common interest in upholding its exploitative position and maximizing its exploitatively appropriated surplus product.” There’s obvious disagreement with Marx regarding what constitutes “the ruling class”, but the element of Marxian class polylogism is still intact. [↑](#footnote-ref-11)