

Chapter Ten

Carl Menger

On Austrian Philosophy and Austrian Economics

1. *The Intellectual Background of Austrian Economics*

Carl Menger, the founder of the Austrian school of economics, was born in 1840 in Neusandez (Nowy Sącz), 50 miles south of Cracow in the Carpathian mountains. He died in Vienna in 1921. From 1859 to 1865 he studied and worked in Vienna, Prague and Lvov, and in 1867 he received the Doctor of Laws from the University of Cracow. For much of the period leading up to the publication in 1871 of his *magnum opus*, the *Principles of Economics*, Menger was employed as a financial journalist, and his observation of the detailed day-to-day workings of the markets can be seen to have contributed significantly to the micro-economic and subjectivistic orientation of his economic thinking.¹ The school which he founded has been influential of late above all in virtue of its emphasis on the unsurveyable complexity of economic phenomena and on the consequent unfeasibility of macro-economic planning. Some contemporary Austrian economists see their work as providing a theoretical alternative to mainstream neo-classical economics and they have criticized especially the use of the concept of market equilibrium as a central tool of economic theory. Market phenomena are from the Austrian perspective to be conceived not in terms of static equilibria but rather as a matter of processes constantly in flux, processes which turn above all on changes in the perceptions and expectations and subjective evaluations of economic agents. The members of the Austrian school have accordingly devoted much effort to the analysis of the role of knowledge and error and of processes of reason and appraisal in economic life.

1. See Boos 1986, ch. II.

Menger himself contributed not only to economics but also to the foundations of the social sciences in general, above all in the clarification of the notion of a 'spontaneous order' or in other words of the ways in which social formations may represent the consequences of human actions without being the products of human design. It is especially Hayek who has exploited Menger's thoughts in this respect, applying them to phenomena such as language, law, religion, politics and morals in a way which Hayek sees as providing a new foundation of the social sciences in general. Here, however, we are concerned not with the economic and social theories of the Austrian school, but rather with the philosophy which underlies their work, a philosophy which will prove to be an integral part of Austrian philosophy in general.

Austrian philosophy is marked, as we saw, by the absence of entrenched Kantian and Hegelian elements, philosophical education in the Habsburg lands having been dominated instead by textbooks whose content was drawn from Catholic school-philosophy and from the Leibnizian-Wolffian '*Popular-philosophie*' that had been current also in Germany until the time of Kant. It is against this background that both the Brentanian movement and the Austrian school of economics grew up and became established. Machian positivism, too, was a product of this same intellectual environment, and it is interesting to note that both Mach and the Brentanists share with Menger the use of what we might call a compositive method, consisting in the analysis of a given subject-matter into simple and basic elements together with an investigation of the systematic ways in which these elements may be combined together into wholes. Where for Mach, however, the repertoire of available wholes is limited to always provisional and continually changing aggregations with which at best quantitative measures and provisional hypotheses concerning functional relations can be associated, Brentano sees the compositive method as leading to apodictic knowledge of qualitatively different sorts of structured wholes built up in intelligible ways out of different sorts of parts. Both Mach and Brentano were 'empiricists', but there is a striking difference between the phenomenalist empiricism of Mach and what we might call the qualitative and structuralist empiricism of Brentano and his circle.

Many later philosophers of science have embraced a view of science as an essentially predictive enterprise, conceiving the scientific method as bound essentially to what is capable of being expressed numerically and as being

concerned primarily with the building up of quantitative ‘models’. For thinkers in the Brentanist tradition, in contrast, empiricism is consistent both with the idea that the scientist may have insight into the structures with which he deals (in a sense to be explained below), and with the idea that mere description is a scientific enterprise worthy of pursuit, even if such description leads to the conclusion that predictive laws in certain spheres are unobtainable. It is not least for this reason that the Austrian economists will be seen to be allied with Brentano and his heirs.

Menger stands out from other economists of his day most of all in that he affirms the possibility of a quite specific sort of theoretical rigour in economic science. More precisely, he argues that ‘exact theory’, a theory resting on a small number of evident axioms, is possible in economics.² There are, he holds, certain simple economic categories which are *universal* (in the sense that they are capable of being exemplified in principle in every economy) and which are capable of being grasped as such by the economic theorist. Propositions expressing the relations among such categories are called by Menger ‘exact laws’. Such laws may be either static or dynamic – they may concern either the co-existence or the succession of corresponding individual instances. It is knowledge of exact laws, as Menger sees it, which constitutes scientific knowledge and scientific theory in the strict sense. The general laws of essence of which such a theory would consist are subject to no exceptions. In this respect they are comparable to the laws of geometry or mechanics, and contrasted with statements of fact and with inductive hypotheses. The aim of the ‘exact orientation of research’ is, as Menger puts it,

the determination of strict laws of the phenomena, of regularities in the succession of phenomena which not only present themselves as exceptionless, but which, when we take account of the ways in which we have come to know them, in fact bear within themselves the guarantee of their own exceptionlessness (1883, p. 38, Eng. p. 59, translation corrected).

2. Compare Husserl’s treatment of ‘exact science’ in his *Ideas I*, §§ 72f. An exact science, in Husserl’s sense, is a theory built up logically from a small number of primitive concepts and axioms which together suffice to determine completely a given domain of research. (Husserl is thinking here above all of Euclidean geometry.) It is essential to this domain that the totality of all its possible constituent formations is determined ‘completely and unambiguously on lines of pure analytic necessity’.

The scientist must from Menger's point of view learn to recognize the general recurring structures in the flux of reality. The theoretical understanding which he seeks cannot be achieved via any mere inductive enumeration of cases. It is attained, rather, only by apprehending the phenomenon in question as

a special case of a certain regularity (conformity to law) in the succession, or in the coexistence of phenomena. In other words, we become aware of the basis of the existence and the peculiarity of the essence of a concrete phenomenon by learning to recognize in it the exemplification of a conformity-to-law of phenomena in general. (Menger 1883, p. 17, Eng. pp. 44f.)

Theoretical research, for Menger, 'seeks to ascertain the *simplest elements* of everything real, elements which must be thought of as strictly typical just because they are the simplest.' (1883, p. 41, Eng. p. 60) The theorist must therefore learn to penetrate through the dross of ephemeral detail. He must seek to determine the elements

without considering whether they are present in reality as *independent* phenomena; indeed, even without considering whether they can at all be presented in their full purity. In this manner theoretical research arrives at *qualitatively* strictly typical forms of the phenomena (*loc. cit.*).

Exact theory results, then, at least in part, when means are found for mapping or picturing the composition of such simple and prototypical constituents into larger wholes. Or as Brentano puts it, the theoretical science of psychology,

seeks to display all the ultimate psychic components from whose combination one with another the totality of psychic phenomena would result, just as the totality of words is yielded by the letters of the alphabet (quoted in Brentano 1982, pp. xf.).

Menger is critical of those 'historicist' economists in Germany who had insisted on a relativization of the content of economics to particular times and cultures, and he is critical also of a purely quantitative economics. He will thus be seen to stand in opposition to German historicist economics in a way which parallels the opposition of Brentano to for example Hegel, just as he stands in opposition to merely quantitative theorizing in a way which parallels Brentano's opposition to Mach and Wundt.³

3. Compare also the structuralist opposition to historical linguistics defended by Marty and de Saussure.

As we have seen, the two movements of Austrian philosophy and Austrian economics are historically linked in virtue of the fact that both Meinong and Ehrenfels, founders of the ‘second’ Austrian school of value theory, were students of Menger in Vienna. But Prague too was a centre of Austrian economics, and the first and second Austrian schools of value theory were closely associated there also, above all through the acquaintanceship of Ehrenfels and Wieser and through the activities of Brentano’s disciple Oskar Kraus. Böhm-Bawerk in his three-volume work on capital theory (1909–14) takes explicit account of the work of Brentano and Kraus in his attempts to establish a psychological foundation for his theory of the role of time in interest-rate formation, and Kraus (1905) attempted in his turn to lay bare what he saw as the Aristotelian roots of Austrian economic theory – thereby demonstrating also its affinities to certain Brentanian ideas.

The two movements are linked together by their common relationship to English philosophy,⁴ and they are linked further by a common ‘subjectivist’ concern to relate all macro-phenomena to the underlying beliefs, decisions, expectations, preferences, habits, tastes, etc. of individuals and thus also by a more or less explicit orientation around psychology. There are links also between Austrian economics and phenomenology. Thus Husserl, too, attempts to develop a general theory of value on a subjective (‘phenomenological’) basis. He propounds his own version of the compositive method and he defends a qualitative empiricism relying in no small part on the evidence of introspection. Moreover, in his doctrine of the *a priori* of the *Lebenswelt*, Husserl adopts as the basis of his philosophizing just those phenomena of everyday human action which, from a different perspective, form the starting point of Austrian economics.⁵

Of all the phenomenologists, however, it is Adolf Reinach who is most important for our present purposes, Reinach having in some respects achieved for legal science what Menger and his school had sought in the field of economics. Thus in his “A Priori Foundations of Civil Law” of 1913 Reinach seeks to develop a categorial ontology of the legal sphere as a first step towards

4. See Shearmur 1986 and the references there given.

5. On Husserl’s value theory see the materials collected in Husserl 1988. On his compositive method see Smith and Mulligan 1982, esp. §§ 3f. On the *Lebenswelt* or ‘life world’ see Husserl 1962.

what he calls an *a priori* ontology of the social world.⁶ As Reinach puts it, when I predicate something of a particular legal formation, for example of a claim, obligation, relation of ownership, etc.,

then the predication applies to the entity not as this individual but rather as a formation of this specific kind. But this means that the predication is valid for *absolutely everything* which is of this kind, and that it *necessarily* belongs to every such thing ... That certain objects lie next to each other in the world is an individual and accidental state of affairs. That a claim lapses through being waived is grounded in the essence of a claim as such and holds therefore necessarily and universally. *A priori statements hold of legal formations.* This *a priori* does not mean anything dark or mystical, it is based on the simple facts which we just mentioned: every state of affairs which is universal and such as to obtain necessarily in the sense explained is what we shall call *a priori*. We shall see that there is a vast realm of such *a priori* statements, which can be rigorously formulated, have an evidence enabling them to be known by insight, and are independent of the consciousness which grasps them (Reinach 1913, p. 689, Eng. p. 5).

In his account of the relations between such basic legal phenomena as contract, obligation, promise, etc., Reinach goes on to deal explicitly with the ways in which the corresponding *a priori* structures may become modified in their instantiation in given contexts, for example through the acts of legislators and judges.⁷ Reinach's work in this connection bears comparison with that of Friedrich von Wieser, who sees economic theory analogously as beginning with the description – based in part on introspection – of the simplest structures of economic reality, this description being then supplemented and to some extent corrected by empirical research into the various ways in which these simple structures may come to be affected contingently in different historical contexts.⁸

It will be important in what follows further that there exist affinities between the second generation of Austrian economists and Austrian philosophers of science. Thus for example the mathematician Karl Menger, son of Carl, was an active member of the Vienna circle and the author of a number of works in ethics and decision theory. Hayek (a distant cousin of Wittgenstein

6. Reinach 1913, pp. 690ff., Eng. pp. 5ff. See also the papers collected in Mulligan (ed.) 1987. On Reinach's general apriorism see his 1914.

7. Reinach 1913, §§ 8f.

8. See Wieser 1927, pp. 5ff.

and friend of Popper) had himself seriously considered joining the Vienna circle, and phenomenologists such as Alfred Schütz and Felix Kaufmann, themselves close friends of Hayek, who sought to apply Husserlian ideas in the social sciences, also maintained friendly relations with the logical positivist movement. Ludwig's brother Richard we have already met as a member of the Vienna circle and author of a tract on logical positivism. And even though the Mises brothers were methodologically at odds with each other, ideas accepted by the Vienna circle did, as we shall see, influence Ludwig's economic thinking, though the major influence of Viennese positivism on contemporary economics has been in helping to determine the methodological ideas of the neo-classical mainstream, most conspicuously through the work of Milton Friedman and the Chicago school.

2. *A Priori and Analytic Truths*

My concern, however, is not primarily with the historical links between the two traditions of Austrian economics and Austrian philosophy, but rather with the affinity between their respective methods and doctrines. For an awareness of this affinity can help us to understand both certain peculiarities of Austrian economics as this has developed from the time of Menger, and also the precise nature of that Austrian philosophy which is the subject of this volume. More precisely, I want to argue that it is a certain non-Kantian account of the *a priori*, first formulated explicitly by Husserl and Reinach,⁹ which underlies the work of Menger and of the school that he founded.

From the Kantian perspective (which for present purposes we need offer only in a heavily simplified form), the world as it is in itself is – from the point of view of the cognizing subject – an unintelligible chaos. There arises an *a priori* dimension in our knowledge of this world only as a result of the fact that we ourselves ('transcendentally') impose an order on this chaos, an order which reflects the structures of the human mind. (Recall, here, Hume's doctrine of the causal relation as something that is superadded to what is given in sensation.) The logical positivists, too, started out from this Kantian conception of the *a*

9. The germs of this account are present already in Leibniz's doctrine of the *disparatae* (see e.g. Burkhardt 1980, pp. 134ff.), and in Hume's treatment of colour-relations (see, again, Reinach 1911 and the discussion in Smith (ed.) 1982).

priori. They went further than Kant, however, in embracing the thesis that propositions are capable of being known *a priori* if and only if they are ‘analytic’ in the sense that they are capable of being reduced to substitution instances of truths of logic by a process of successive elimination of defined terms. ‘All bachelors are unmarried’ is analytic in this sense, as can be seen if we replace ‘bachelor’ by ‘unmarried man’ in such a way as to yield a sentence of the form: ‘all As which are B are B’. In order to defend this view, the logical positivists sought to show how candidate examples of ‘synthetic’ *a priori* propositions can be reduced to analytic truths via demonstrations of a sort which, especially through the work of Frege and Russell, had already been obtained with some success in the sphere of mathematics. When it came to driving home these (partial) successes in extra-mathematical spheres, however, the results obtained were much less convincing, often involving *ad hoc* shifts in the meaning of ‘analytic’. What is not usually recognized in this respect is that the most problematic examples were precisely those taken over from the aprioristic tradition of Husserl, Reinach and other early phenomenologists.¹⁰ Thus the members of the Schlick circle were especially concerned with propositions like ‘nothing can be both red and green all over’, ‘if something is red then it is not green’, ‘all colours are extended’, and so on, examples of candidate synthetic *a priori* propositions which would not have been at home in the framework of Kant and his successors.

Husserl and Reinach, in contrast, regarded such examples as giving rise to the necessity of holding on to a more traditional view according to which the division of propositions into *analytic-necessary* and *empirical-contingent* is not exhaustive: a third class of irreducibly synthetic *a priori* propositions must be recognized also, embracing not only propositions relating to colour-relations and like phenomena but also propositions drawn from disciplines relating quite generally to the territories of phenomenology, value theory, Reinachian legal theory, phonology, universal or categorial grammar, speech act theory, and that proto-science of human action we call Austrian economics. The claim of Husserl and Reinach is indeed that there is an *a priori* dimension across the entire range of both science and everyday experience, so that vastly more

10. See, on this, especially Delius 1963, Chs. 1 and 2, Visser 1979, and Zilian 1990, Ch. 10.

propositions turn out to be synthetic and *a priori* from their point of view than from that of Kant.¹¹

The realm of what is knowable is thereby seen as embracing not only contingent regularities knowable *a posteriori* (by experiment and induction) and analytic truths knowable *a priori* (by analysis of words or concepts), but also truths synthetic and *a priori* which reflect corresponding structures or relations in the world. These structures are universal or multiply exemplifiable, and they are typically a matter of how simple elements are bound together in intelligible ways into larger wholes. It is, as Husserl puts it:

not a peculiarity of certain sorts of parts that they should only be parts in general, while it would remain quite indifferent what conglomerates with them, and into what sorts of contexts they are fitted. Rather there obtain firmly determined relations of necessity, laws *determinate in their content* which vary with the species of dependent contents and accordingly prescribe one sort of completion to one of them and another sort of completion to another. (1900/01, vol. II, A244f., Eng. p. 454)

Such structures are ‘intelligible’ in the sense that they can be grasped immediately and without experiment or inductive inference, in much the same way that we grasp, for example, the validity of a mathematical proof. How, after all, could we go about verifying the proposition that red is not green, or that nothing can be red and green all over? It is clearly not conceivable that propositions such as this should be verified by induction or experiment.

Perhaps, though, we can show that propositions of the given sort (for example the propositions holding in the sphere of colour-relations) are analytic. The issue as to whether this is possible comes down, first of all, to the question whether we can re-express the given propositions in such a way that at most one single primitive non-logical concept would be employed. For suppose that two such concepts were required, neither definable in terms of the other. Then we shall have to address the issue as to the nature of those propositions which express the non-trivial relations between these concepts. These cannot, *ex hypothesi*, be analytic, for there are no defined non-logical terms which could be eliminated in such a way as to reveal the corresponding statements as truths of logic, and no substitution instance of a truth of logic contains a plurality of

11. Cf. again Reinach 1913, p. 689, Eng. p. 5. In his “Origins of Geometry” (published as Beilage III to Husserl 1962), Husserl presents the outlines of a theory of the *a priori* of history (of tradition, culture, historical evidence and historical time).

non-logical terms in other than trivial ways (of the sort that are illustrated, for example, in a case like ' $\forall x(Fx \& Gx \rightarrow Gx)$ '). But nor can the relations between such primitive concepts (for example brightness and saturation in the sphere of colours) be merely factual (synthetic *a posteriori*). Yet no alternative remains, so that the original assumption that there are two or more such concepts must be rejected. In a domain like that of colour-relations, however, the thesis that there should be only one such concept can be ruled out also, in reflection of the degree of complexity that is manifested by the phenomena in question.

An argument such as this helps to make intelligible why logicist philosophers of mathematics sought so strenuously to prove that all propositions of mathematics were analytic by showing how they could all be derived from axioms governing the single non-logical primitive concept of *set*. But the same argument serves also to make intelligible one peculiarly controversial feature of Austrian economics in the formulation that was given to it by Mises, the leading figure in the twentieth-century renaissance of Austrian economics in the United States. For Mises held that there is but one single non-logical concept (or 'category' or 'essence') of that general theory of human action which he calls 'praxeology':

All that is needed for the deduction of all praxeological theorems is knowledge of the essence of human action ... The only way to a cognition of these theorems is logical analysis of our inherent knowledge of the category of action ... Like logic and mathematics, praxeological knowledge is in us; it does not come from without. (1966, p. 64; see also Rothbard 1957)

Mises, as we shall see shortly, has here drawn together in illegitimate fashion the two concepts of the *a priori* and the analytic.

Even a discipline whose axioms are constructed on the basis of only one non-logical primitive need not be analytic however. Consider, for example, the case of mereology, the theory of part and whole, which we can assume to have been built up from the single primitive concept *part*. The latter is a formal concept, in the sense that it can be applied, in principle, to all matters without restriction. But it is not treated as a logical concept in the standard textbooks, and nor can it be defined in terms of the logical concepts which are standardly recognized as such. Thus it seems that the concept *part* is a non-logical primitive. Consider the proposition

If *a* is part of *b*, and *b* is part of *c*, then *a* is part of *c*,

which asserts that the corresponding relation is transitive. This is, to be sure, a ‘trifling proposition’ in the sense of Locke.¹² Yet it is not analytic, for there is no law of logic to which, when defined terms are removed, it would correspond as a substitution instance. But it is surely also *a priori*.

Kantians and positivists conceive the *a priori* as a matter of relations between concepts which enjoy a purely mental existence and as being in some sense a contribution of the knowing subject. The Husserlian, in contrast, conceives the *a priori* as a matter of intrinsically intelligible relations between species or structures of objects in the world, relations which would obtain even if there were no minds to apprehend them. And where Kantians and positivists hold that a *priori* knowledge is either empty (‘analytic’) or a reflection of the fact that we see the world through ‘conceptual spectacles’ which somehow allow us to make sense of that world, the Husserlian holds that *a priori* knowledge is read off the world, reflecting the fact that certain structures in reality are intrinsically intelligible.¹³

When once they are properly understood, however, the two conceptions of *a priori* judgments or propositions need not be irresolvably in conflict. It may very well be that, even in a world which manifests structures of an intrinsically intelligible sort, there might still be room for certain dimensions of non-contingent (conventional?) structures that are read into the world in the way the Kantian would require. Moreover, it may be that the Kantian notion of an epistemological *a priori* itself requires a foundation in an ontological *a priori* of the sort here defined. For if Kantian *a priori* formings and shapings are read into reality, then we know at least that reality must be dispositionally such that it can bear such forms, and the *fundamenta* of the relevant dispositional properties would then constitute something like the *a priori in re* that is

12. *Essay*, Book IV, Ch. VIII. Apparent counterexamples (obtained for example by setting A = my finger, B = me, C = the human race) turn on equivocations in the meaning of ‘is part of’.

13. I have spoken here rather loosely of ‘Kantians and positivists’, but Kant’s own views are rather special, and it is a simplified version of these views which has influenced the debate on the synthetic *a priori* in the last hundred years. Thus there are no *a priori* propositions in Kant, but rather *a priori* ‘forms’; these allow *a priori* judgments, which are held in turn to provide the ‘conditions of the possibility’ of science. Mathematics, for example, is based on the *a priori* forms of intuition (space and time), physics on causality and on other *a priori* categories of the understanding.

admitted by Husserl and Reinach. Moreover, even if the world in itself were infinitely elastic in the sense that it would be capable of bearing any and every sort of forming and shaping, then it seems that there must still be some residual *a priori* structure in the Husserlian sense on the side of the mind that is responsible for this forming and shaping. For if the latter is not itself entirely random, then the mind itself must possess some structures of its own, and these cannot themselves be the result of forming and shaping in the Kantian sense, on pain of vicious regress.

This brings us to a further central argument against the Kantian view, which we might call the argument from arbitrariness, an argument which incidentally applies also to Mach's doctrine of the *a priori* as a matter of 'thought economy'. Let us suppose, for the moment, that the Kantian is correct in his view that the *a priori* quality of laws or propositions is entirely a matter of impositions. Imagine that the totality of all laws or propositions is laid out before us. Is it to be completely arbitrary which of these laws or propositions are to enjoy the 'imposed' quality of aprioricity? A positive answer to this question of the sort that is favoured by Carnap is belied by the extent to which there is wide agreement across times and cultures as to which the candidate *a priori* laws or propositions might be. A negative answer, on the other hand, implies that there is some non-arbitrary quality on the side of certain laws or propositions themselves, in virtue of which precisely those laws or propositions do indeed serve as the targets of imposition. Clearly, however, this special quality must itself be prior to any sort of mental imposition which might come to be effected, which means that the original assumption, to the effect that the *a priori* quality of laws or propositions is a matter of imposition, turns out to be self-refuting.

One poignant illustration of the opposition between the views described is to be found in the metaphysics of Schopenhauer. In the second volume of *The World as Will and Presentation* we find a table of what Schopenhauer calls "Praedicabilia A Priori".¹⁴ These are *a priori* truths divided by Schopenhauer into three groups of 27 propositions each, relating, respectively, to time, space and matter. Under 'Time', for example, are listed:

- There is only *one* time, and all different times are parts thereof.

14. 1966, vol. II, p. 46.

- Different times are not simultaneous but successive.
- Time cannot be thought away, yet everything can be thought away from it.
- Time has no permanence, but passes away as soon as it is here.

Under ‘Space’, similarly, Schopenhauer has:

- There is only *one* space, and all different spaces are parts of it.
- Different spaces are not successive but simultaneous.
- Space cannot be thought away, yet everything can be thought away from it.
- Space can never pass away but endures forever.

And under ‘Matter’ he has:

- There is only *one* matter, and all different stuffs are different states thereof: as such it is called *substance*.
- Different matters (stuffs) are not so through the subject but through their accidents.
- The annihilation of matter cannot be conceived, yet the annihilation of all its forms and accidents can.
- The accidents change, the substance endures.

How does Schopenhauer suggest that we are to interpret these and the remaining seventy or so different *a priori* propositions on his list? Two alternatives are available, he tells us, and these turn out to correspond exactly to the Kantian and Husserlian alternatives presented above. We can, he says,

regard this table at our discretion either as a collection of the eternal, basic laws of the world, and consequently as the basis of an ontology; or as a chapter from the physiology of the brain; according as we take up the realistic or idealistic point of view (*loc. cit.*).

It is the second view which is, Schopenhauer goes on, ‘in the last instance right’ – which means that, for a philosopher of Schopenhauerian bent, the *a priori* sciences turn out to be branches of neurophysiology: each has to do with the ways in which the *brain* forms or shapes experience according to its own requirements (in a way which makes Schopenhauer very easily susceptible to the argument from arbitrariness presented above).

3. *Linguistics and Economics*

We can begin to make more sense of the Husserlian doctrine if we consider briefly the more recent ‘universals of language’ research programme in linguistics.¹⁵ Here the assumption is made that there are structures in (linguistic) reality which are universal to all languages. There are different ways in which this universality might be understood. One might, for example, be able to demonstrate that (some of) the structures in question reflect the hard wiring of the human brain or the make-up of the organs of speech and hearing. Alternatively, one might seek to show that they are structures manifested (in principle) by every natural language because they are indispensable to every utterance as such, or to every act of communication, to every promise, and so on. The given structures are, in any case, at least tacitly familiar to everyone who has dealings with the objects concerned (i.e. to every speaker of a language). Yet this does not by any means imply that it is a simple matter to discover what such structures are and to formulate workable and realistic theories about them. Nor does it imply that the issue as to which sorts of linguistic structures are universal is a matter of the ‘conceptual spectacles’ of the language-using subject. Nor, finally, does it imply that this issue is merely a matter for arbitrary legislation by the linguistic theorist. Universals of language are not created by the linguist. They are discovered through painstaking theoretical efforts.

And so, too, in the case of Husserlian phenomenology. Here, also, we are dealing with universal structures of experience (of perception and judgment, feeling and imagination) which are at least tacitly familiar to every individual. Yet this does not imply that it is a simple matter to discover what such structures are and to formulate workable theories about them. Nor does it imply that the issue as to which structures of experience are universal is a matter for arbitrary legislation by the phenomenologist, or that it is a matter of the ‘conceptual spectacles’ brought to bear on his experience by the experiencing subject. Universals of experience are not created, either by the phenomenologist or by the experiencing subject. They are discovered through painstaking theoretical efforts.

15. See Holenstein 1975, 1986 and the references there given.

And Austrian economics, similarly, is built up on the basis of the thesis that there are in the sphere of economic phenomena structures which are universal in the sense that – because they are indispensable to every economic action as such, or to every instance of exchange, barter, rent, profit, price as such – they are manifested (in principle) in every economy. The given structures are also at least tacitly familiar to everyone who has dealings with the objects concerned (i.e. to every economic agent, to every observer of the behaviour of markets). Yet this does not by any means imply that it is a simple matter to discover what such structures are and to formulate workable theories about them. Nor does it imply that the issue as to which sorts of economic structures are universal is a matter for arbitrary legislation by the economic theorist or of the ‘conceptual spectacles’ of the economic agent. Universals of economic reality are not arbitrary creations of the economist. They are not created in any sense. They, too, are discovered through painstaking theoretical efforts.

Menger quite clearly believes that there are *a priori* categories (‘essences’ or ‘natures’) existing autonomously in reality and that *a priori* propositions reflect structures or connections among such essences. Thus he insists that economists study not concepts or other creatures of the mind, but rather the qualitative essences or natures of and the relations between such categories as value, rent, profit, the division of labour, money, and so on:

Theoretical economics has the task of investigating the *general essence* and the *general connection* of economic phenomena, not of analyzing economic *concepts* and of drawing the conclusions resulting from this analysis. The phenomena, or certain aspects of them, and not their linguistic image, the concepts, are the object of theoretical research in the field of economy. (Menger 1883, p. 6, n. 4, Eng. p. 37)

Or again:

The goal of scholarly research is not only the *cognition*, but also the *understanding* (*das Verständnis*) of phenomena. We have *gained cognition* of a phenomenon when we have attained a mental picture of it. We understand it when we have recognized the reason for its existence and for its characteristic quality (the reason for its *being* and for its *so-being*). (*Op. cit.*, p.14, Eng. p. 43)

Menger, in fact, seeks to develop a categorial ontology of economic reality in just the sense in which Brentano sought a categorial ontology of psychological reality. He seeks to establish how the various different sorts of building blocks

of economic reality can be combined together in different sorts of structured wholes, and to establish through the application of what he himself called a genetico-compositive method how such wholes may originate and how they may develop and become transformed over time into other kinds of wholes. Indeed, because the essences and essential structures are intelligible, the corresponding laws are capable of being grasped by the scientific theorist in principle on the basis of a single instance. As Menger puts it:

There is one rule of cognition for the investigation of theoretical truths which is not only, as far as this is possible, verified by experience, but is verified in indubitable fashion by our very laws of thinking ... This is the thesis that *whatever was observed in even only one case must always come to appearance again under exactly the same factual conditions* ... This rule holds not only of the *essence* of phenomena, but also of their *measure* (1883, p. 40, Eng. p. 60, translation amended).

Clearly none of the above allows that the economist's understanding might flow from the fact that the propositions of economics reflect structures that have been imposed upon the world – in Kantian fashion – by either the economic theorist or the economic agent. Rather, Menger's view implies precisely that economic reality is such as to manifest certain simple intelligible structures in and of itself, structures which the economic theorist is able to grasp in virtue of the fact that he is in a position to put himself into the shoes of the individual subjects in whose processes of thought and action they are exemplified.

4. *Ludwig von Mises and the Synthetic A Priori*

An apriorism of this sort does not mean (any more than in the case of linguistic universals) that economic theory is free of any empirical components. As we shall see, it is a difficult matter to sort out what, precisely, the appropriate role for empirical investigation in economics (and in related disciplines) might be. It is insisted upon by apriorists of whatever hue, however, that quantitative investigations and quantitative theorizing can be carried out coherently only on the basis of at least some prior categorial understanding of the natures of the entities to be measured and compared. Not only for Kant, but from the Husserlian perspective, too, the dimension of *a priori* structures has an important role to play in the foundation of the sciences. All scientists, the apriorist holds, bring with them descriptive presuppositions of different sorts, presuppositions which are usually tacit in nature, which will often seem trivial when made explicit, and which will therefore no less often lend sanction to the view that they are merely empty or analytic. The ontological grammar of economic reality that is sketched by Menger can be seen in this light as providing a pre-empirical qualitative framework of this sort in whose terms specific empirical hypotheses in the social sciences can be formulated.

Ludwig von Mises, too, was aware of this necessary role of *a priori* propositions at the basis of economic science. The propositions of praxeology, as he himself points out,

are not derived from experience. They are, like those of logic and mathematics, *a priori*. They are not subject to verification or 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. Without them we should not be able to see in the course of events anything else than kaleidoscopic change and chaotic muddle. (1966, p. 32)

But what, then, was the precise doctrine of the *a priori* that was accepted by Mises? On the one hand it is clear that Mises sees his methodology primarily in terms recalling Kantian doctrines. This is seen, for example, in his oft-repeated remarks to the effect that: ‘The *a priori* sciences – logic, mathematics, and praxeology – aim at a knowledge unconditionally valid for all beings endowed with the logical structure of the human mind’ (Mises 1966, p. 57). But Mises insists in addition that the theory of human action is a purely analytic

discipline whose principles would flow from the logical analysis of certain concepts. Praxeology, he tells us, is like logic and mathematics in the sense that its content is a matter of empty tautologies: ‘Aprioristic reasoning is purely conceptual and deductive. It cannot produce anything else but tautologies and analytic judgments.’ Thus for example: ‘In the concept of money all the theorems of monetary theory are already implied.’ (1966, p. 38)

Consider, however, the veritable plenitude of non-logical concepts which praxeology involves. As Mises himself informs us,¹⁶ action involves *apprehension of causal relations and of regularities in the phenomena*. It presupposes *being in a position to influence causal relations*. It presupposes *felt uneasiness*. It involves the *exercise of reason*. It is a *striving to substitute a more satisfactory for a less satisfactory state of affairs*.

Acting man *transfers the valuation of ends he aims at to the means he anticipates utilizing*. Action *takes time*, which like other scarce factors must be economized. Action presupposes *choosing between various opportunities offered for choice*.

Action involves *the expectation that purposeful behaviour has the power to remove or at least alleviate uneasiness*. It presupposes *the uncertainty of the future*. It involves *meanings which the acting parties attribute to the situation*. A thing becomes a *means* only when reason plans to employ it for the attainment of some end and action really employs it for this purpose.

Certainly some of the concepts involved in the above may reasonably be counted as logical concepts; others may no less reasonably be conceived as being introduced by definitions formulated in terms of more primitive concepts. Consider, however, the concepts *causation, relative satisfactoriness, reason, uneasiness, valuation, anticipation, means, ends, utilization, time, scarcity, opportunity, choice, uncertainty and expectation*. The idea that one could simultaneously and without circularity reduce every one of these concepts to the single concept of action, that they could all be defined by purely logical means in terms of this one single concept, is decisively to be rejected. Indeed Austrian economics seems to be like other *a priori* disciplines in that it involves a multiplicity of concepts connected together not hierarchically but rather in a

16. Mises 1966, Chs. IV and V. Consider also Mises 1981, p. 24.

dense holistic network of mutual connections whose order is not capable of being antecedently established.¹⁷

As in Menger, therefore, so also in Mises, we are dealing with a family of *a priori* categories and categorial structures which are – in contradistinction to Mises' self-interpretation but still in concordance with his actual practice in economics – not analytic but synthetic. The laws governing such structures can almost all of them be expressed in the form of what linguists call 'implicative universals', which is to say principles to the effect that, if instances of some given species or category K_1 exist, then as a matter of necessity these and those other categories K_2, \dots, K_n must be instantiated also. Instances of the necessitating category K_1 are then said to be one-sidedly dependent upon instances of the necessitated categories K_2, \dots, K_n . The formal ontological theory of such dependence relations has been worked out in some detail.¹⁸ It is illustrated in the account of the essence of goods at the beginning of the *Principles*, where Menger tells us that a good exists as such only if the following prerequisites are simultaneously present: a *need* on the part of some human being; *properties of the object* in question which render it capable of being brought into a causal connection with the satisfaction of this need; *knowledge of this causal connection* on the part of the person involved; and *command of the object* sufficient to direct it to the satisfaction of the need.¹⁹ If a good exists, then as a matter of *de re* necessity, entities of these other sorts exist also. And the formal ontological theory of dependence relations is to be found at work also in the context of Misesian praxeology, for example in laws such as:

- If instances of the species *action* exist, then there exist also instances of the species *choice of means, choice of ends, etc.*
- If instances of the species *choice of ends* exist, then so also do instances of the species *apprehension of causal regularities, felt uneasiness, etc.*

17. The discipline of naive physics, too, a discipline which is in many respects comparable to that of praxeology, is marked by a similar network of conceptual connections. See Hayes 1985, pp. 18f., Smith 1993.

18. See Smith (ed.) 1982, Simons 1987, Part III, and Johansson 1989, Ch. 9.

19. Cf. Menger 1871, p. 3, Eng. p. 52 (section 1, "On the Essence of Goods").

Similar laws are formulated by Reinach for the *a priori* necessitation structures exemplified by speech acts of the various different types and of the associated legal formations, and the same idea can be extended also to the structures of entrepreneurial perception analyzed by Israel Kirzner.²⁰

5. *Two Kinds of Subjectivism*

A priori knowledge is on the Kantian conception a matter of our reading certain conceptual connections into reality. On the Husserlian conception it is a matter of our reading off certain structures in reality which are intelligible in themselves. A parallel opposition applies in the sphere of *value*, and an understanding of the affinities between Austrian philosophy and Austrian economics can help us to find our way also in regard to the issue of subjectivism in the value-theoretic sphere.

The opposition in question is clearly illustrated in the different attempts by Ehrenfels and Meinong to construct a general theory of value on the basis of Brentano's and Menger's ideas. Such a theory, as they conceive it, would establish the laws that govern value as such, wherever it might be realized. Meinong sought in this respect to defend an objectivist theory of value: desire,

20. On Reinach see Mulligan 1987. On Kirzner see my 1986, pp. 18f. Marx, too, utilized necessitation structures of exactly this sort, for example in his analysis of human work in chapter 5 of Book 1 of *Capital*. See, on this, my 1988.

Hoppe has put forward an interesting defence of a purportedly Kantian reading of Mises which seeks to break through the opposition between Kantian and Husserlian apriorism as this has been set out above. This, Hoppe affirms, can be effected by acknowledging the extent to which 'the gulf between the mental and the real, outside, physical world is bridged' through *actions*. Of Mises' 'axiom of action' Hoppe writes:

This axiom, the proposition that humans act, fulfills the requirement precisely for a true synthetic *a priori* proposition. It cannot be denied that this proposition is true, since the denial would have to be categorized as an action – and so the truth of the statement literally cannot be undone. And the axiom is also not derived from observation – there are only bodily movements to be observed but no such things as actions – but stems instead from reflective understanding. (1988, pp. 19f.)

There is much in this with which one can concur, though it has to be noted that a denial of the proposition that human beings act need not in every case be self-refuting: the given proposition might be quite consistently denied by an extra-terrestrial being. The approach copes well with a number of *a priori* truths (for example: 'One cannot argue that one cannot argue') at the borders of logic and pragmatics. Yet there would seem to be many propositions classically accepted as synthetic and *a priori* which would not be classified as such on Hoppe's criterion that their truth 'literally cannot be undone' because their denial would be self-refuting as a result of the fact that a denial is an action. Consider, for example, the propositions 'nothing can be red and green all over', 'orange is lighter than red', 'a promise gives rise to mutually correlated claim and obligation', 'given any three distinct tones, one lies intermediate between the other two'. The most worrying feature of Hoppe's account is indeed the suggestion that many of the most central propositions of praxeology will themselves fall outside the scope of the synthetic *a priori* as he conceives it.

he held, is derivative of value, which rests on a capacity of an independent object to awaken positive feelings within us. Value is thus an objective property of the valued object; it is something that is *read off* reality by the valuing subject. Ehrenfels, in contrast, followed Menger in holding that value is in every case a function or product of individual valuing acts. Thus he defended a subjectivist theory, arguing that value must be something that is *read into* the world. For if Meinong were right, Ehrenfels argued, then only existing objects could be desired (since only existing objects can have the capacity to awaken positive feelings). Most desires seem, however, to be directed precisely towards objects which do not exist (or to states of affairs which do not obtain). Desires, therefore, are the more primitive phenomenon, and Ehrenfels accordingly defended a conception of both value and positive feeling as founded on appropriate desires as their presuppositions. It is not that we desire something because it has value. Rather is it as if, through education and experience, we have had inculcated within us a certain repertoire of desire-dispositions and it is in reflection of the latter that the things in our surrounding world appear to have value. As we saw, Ehrenfels seeks to provide an evolutionary theory of the ways in which historical forces may motivate changes in patterns of desire-dispositions over time, and therefore also motivate changes in patterns of value. As he points out, even such ethical phenomena as chastity, honesty, and conformist behaviour may be subject to such principles as the law of diminishing returns, and the relative values accorded to them may therefore change over time.

In a second sense of 'objectivist', however, Ehrenfels is no less objectivist than his teacher Meinong. For Ehrenfels certainly believed that it is *true* (objectively) that values and desire-dispositions may change over time and that the former are dependent on the latter. Almost all Austrian philosophers are objectivists in this sense, even those who place the experiences of the human subject at the centre of their philosophies. And the same applies also, I want to claim, to the practitioners of Austrian economics, not only as this was classically conceived, but also in its Misesian, Rothbardian and Kirznerian varieties. Austrian economists themselves have, it is true, rarely felt the need to draw attention to this fact. This is because the discoveries of the Austrian school have derived principally from the application to economic phenomena of insights which derive from subjectivism in the first of our two senses (that value

is dependent on human valuations), and thus Austrians have wanted to emphasize the central role in their theory of the *acting, valuing, human subject* (as opposed to abstract equilibrium models and the like). The very possibility of economics as a theoretical science rests in Menger's eyes on the thesis of subjectivism in this sense, for it is this which implies that one can *understand* the workings of an economy by coming to an understanding of how the value of goods at earlier stages in the process of production is derived from the value to actual consumers of the products of the later stages.

Clearly, however, Austrian economics is in the second sense of the term 'subjectivism' as objectivistic a discipline as any other. It holds that there are *facts* of economic reality – for example that there are acts of entrepreneurial perception, that value is a function of individual valuing acts that is subject to the law of marginal utility, that there are unintended consequences of human action, that time preference is positive, and so on. Austrian economists believe that economic reality is constituted out of highly complex structures of human acts and actions interacting together over time in complex ways – that it is objectively thus. They believe that there are difficulties of principle in gaining access to the detailed contents of such acts on the part of the economic theorist. And, because of the complexity of the relevant interactions (having to do, for example, with the interdependence of our separate beliefs and expectations), they believe that the given reality is – like all psychologically-based phenomena – subject to unforeseeable changes over time. Hence, also, they believe that there are limits to the economist's powers to grasp this reality in theoretical terms. Economic theories may indeed influence and shape economic reality, in the sense that economic agents may have beliefs about such theories which can to some degree influence their own expectations and behaviour. But the Austrian economist does not (and if it is to retain its status as a scientific discipline cannot) maintain that economic theory in any sense 'creates' the economic reality to which it is directed.²¹

21. Subjectivism in the second of our two senses has raised its head among the so-called hermeneuticists of the Austrian school. Thus the principal message of the hermeneutic philosophy that has been embraced of late by D. Lavoie and others is that the 'problem of interpretation' as between one culture and another or between one time and another calls for an overhaul of our familiar ('objectivistic') notions of truth and scientific objectivity in a way which seems to issue in a sort of cultural relativism. See, on this, the material collected in Lavoie (ed.) 1990 and the critical remarks in Steele 1987 and 1987a. Above all, one must reject Lavoie's quite astonishing claim to the effect that:

The roots of modern hermeneutics trace to precisely the elements of German philosophy in which the original Austrian school was immersed ... Hermeneutics is in my view the missing link in the modern American Austrian

6. *Austrian Aristotelianism*

As the Austrians differed from their German contemporaries in their understanding of the *a priori*, so they differed also in what they made of the doctrine of Aristotelianism. For like Brentano, Menger, too, was an Aristotelian in a very broad sense of the term, which it will be our task in what follows to specify more precisely. It is above all the intellectual background against which Menger's ideas were developed which makes inevitable an interpretation along Aristotelian lines,²² even though Menger's writings are not always explicit as concerns the philosophy which underlies them.²³ This, however, turns on the fact that the tacit intellectual background of educated Austrians in Menger's day was Aristotelian through and through – to the extent that Menger himself would have felt the need to draw attention to this background only when attempting to explain his ideas to those, such as Walras, who did not share it.

movement. It reconnects Austrians to their roots in the German language from which their English language training in economics had been artificially disconnected. (1986, p. 25)

A similarly muddled confounding of the distinct intellectual traditions of Austria and Germany is manifest also in McCloskey 1985, p. 39.

22. Thus Aristotelian elements played a crucial role not only in the textbook literature of economics in the nineteenth century (and not least in the work of Mischler, under whom Menger had studied – see Streissler 1990), but also in textbooks of history, legal theory and for example in the writings on political householding of the cameralists (discussed by Silverman in his 1990).

23. Menger's *Investigations* are, as Alter rightly stresses (1989), a critique of the methodological views of the German historicists. They are not the positive statement of Menger's own thinking in this respect announced in 1883, p. 43n (Eng. p. 62). Valuable source-material on these issues has been assembled in Milford 1988 and 1989, who however draws different conclusions from the texts he treats, above all because he is concentrating on the implications of Menger's work for economic *methodology*. Here, in contrast, I am concerned with more basic matters of general philosophy.

The Aristotelian reading of Menger has, it is true, been resisted by some (including his own son Karl²⁴). Such resistance, however, reflects in many cases a desire on the part of advocates of Menger's thinking to divorce his ideas from what is held to be an unfashionable residue of metaphysics.²⁵ Those who have defended the Aristotelian reading have in addition often left much to be desired in the way of precision and detail. Here, therefore, I shall do my best to set out the precise form of the Aristotelianism that is relevant to the thinking of Menger, by seeking to define that basic doctrine of Austrian Aristotelianism that was shared in common by Menger, Brentano and their immediate followers.

I shall confine myself hereby to general philosophy: the ways in which Aristotle's ethics and politics filtered through into the thinking of the Austrian economists will not be of concern.²⁶ As will become clear, it is a highly refined and purified version of Aristotle's general philosophy that is at issue when we are dealing with nineteenth- and early twentieth-century Austrian thought, both in philosophy and in the social sciences, amounting to a doctrine which (at the risk of a certain degree of painful obviousness) can be said to embrace the following theses:

(i) *The world exists, independently of our thinking and reasoning activities.* This world embraces both material and mental aspects, and while we might shape the world and contribute to it through our thoughts and actions, detached and objective theorizing about the world in all its aspects is nonetheless possible.

24. Personal communication. Silverman, too, points to certain flaws in standard Aristotelian readings of Menger's work (e.g. in Kauder 1957), arguing that 'one ought to take seriously Menger's own claim that his method accorded with the dictates of the modern natural sciences, disciplines that he surely understood arose out [of] a centuries-long development propelled in part by criticism of Aristotelian scholasticism' (Silverman 1990, p. 75). Against this, however, there has to be weighed Menger's own criticism of the use in economic science of precisely those mathematical sciences which are otherwise seen as being characteristic of modern natural science.

25. Such misplaced charity is illustrated for example in the decision of Menger's translators to translate the technical (and in Menger's usage Aristotelian) term '*Wesen*', normally and correctly translated as 'essence', with the more colloquial 'nature'. (The translations given here have been adjusted accordingly.)

For an illuminating discussion of a parallel case of misplaced charity in interpretation, see Meikle 1985 (esp. pp. 8ff.), which rightly lays stress on the Aristotelianism at the core of Marx's thinking.

26. See the material collected in Grassl and Smith (eds.) 1986 for a treatment of this issue. For a survey of the views of the Brentanists on ethics and value theory see Kraus 1937.

(ii) *There are in the world certain simple 'essences' or 'natures' or 'elements', as well as laws, structures or connections governing these, all of which are strictly universal.* They are universal both in the sense that they do not change historically, and also in the sense that they are capable of being instantiated, in principle (which is to say: if the appropriate conditions are satisfied), at all times and in all cultures.

(iii) *Our experience of this world involves in every case both an individual and a general or universal aspect.* As in Aristotle himself, so also in Menger and in the work of other Aristotelians such as Brentano, Husserl and Reinach, radical empiricism goes hand in hand with essentialism, or with what comes down here to a belief in the knowability of general laws. The general aspect of experience is conceived by the Aristotelian as something entirely ordinary and matter-of-fact. Thus it is not the work of any separate or special faculty of 'intuition' but is rather involved of necessity in every act of perceiving and thinking – a fact which makes itself felt already in the ubiquitous employment of general terms in all natural languages. Thus the general aspect of experience is as direct and straightforward as is our capacity to distinguish reds from greens, circles from squares, or warnings from congratulations.

For Menger, as for Aristotle and Brentano, what is general does not exist in isolation from what is individual. Menger is, in other words, an immanent realist.²⁷ He is interested in the essences and laws manifested in *this* world, not in any separate realm of incorporeal Ideal Forms such as is embraced by philosophers of a Platonistic sort. The goal of research is 'the determination of the general essence and the general connection of economic *phenomena*.' (Menger 1883, p. 7, n. 4, Eng. p. 37) The job of the scientist is, after all, to get to know the crystals and plants and other phenomena which he finds here on Earth.

(iv) *The general aspect of experience need be in no sense infallible (it reflects no special source of special knowledge), and may be subject to just the same sorts of errors as is our knowledge of what is individual.* Great difficulties may be set in the way of our attaining knowledge of essential structures of certain sorts and of our transforming such knowledge into the organized form of a strict theory. Above all we may (as Hume showed) mistakenly suppose that we have grasped a law or structure for psychological reasons of habit. Our

27. See the discussion of universals *in re* in Johansson 1989, e.g. pp. 11, 147, and also Mäki 1990.

knowledge of structures or laws can nevertheless be exact. For the quality of exactness or strict universality is skew to that of infallibility.

(v) *We can know, albeit under the conditions set out in (iv), what the world is like, at least in its broad outlines, both via common sense and via scientific method.* Thus Aristotelianism in the sense that is relevant for us here embraces not only common-sense realism but also scientific realism, though Aristotle himself ran these two positions together in ways no longer possible today.²⁸ The common-sense realism of Menger (as of all Austrian economists) is seen in his treatment of *agents, actions, beliefs, desires*, etc. In regard to these sorts of entity (as also to ethical and other values) there is no opposition between reality as it appears to common sense and reality as revealed to scientific theory. Menger's (and the later Austrian economists') scientific realism, on the other hand, is revealed in the treatment of phenomena such as spontaneous orders and invisible hand processes, where common sense diverges to some degree from the fine structures disclosed by theory.²⁹

Taken together with (iii), this aspect of the Aristotelian doctrine implies that we can know what the world is like both in its individual and in its general aspect, and our knowledge will likely manifest a progressive improvement, both in depth of penetration and in adequacy to the structures penetrated. Menger points at the very beginning of the *Principles* to a correlation between 'the higher culture of a people' and the extent to which 'human beings penetrate more deeply into the true essence of things and of their own nature' (1871, p. 4, Eng. p. 53).

(vi) *We can know what this world is like, at least in principle, from the detached perspective of an ideal scientific observer.* Thus in the social sciences in particular there is no suggestion that only those who are in some sense part of a given culture or form of life can grasp this culture or form of life theoretically. The general structures of reality are not merely capable of being exemplified, in principle, in different times and cultures; like the basic laws of geometry or logic they also enjoy an intrinsic intelligibility which makes them capable of

28. On the opposition between common-sense and scientific realism from the point of view of contemporary philosophy and cognitive science see Devitt 1984, Smith 1993. Compare also the illuminating discussion of 'level ontologies' in Johansson 1989, pp. 26ff.

29. Cf. Mäki 1990, pp. 301ff.

being grasped, again in principle and with differing degrees of difficulty, by knowing subjects of widely differing sorts and from widely differing backgrounds.

(vii) *The simple essences or natures pertaining to the various different segments or levels of reality constitute an alphabet of structural parts.* These can be combined together in different ways, both statically and dynamically (according to co-existence and according to order of succession). Such ‘combination’ or ‘composition’ is not simply a matter of heaping or gluing together. It is a matter of ‘implicative universals’, of entities or features or properties of entities existing in reflection of the existence of special sorts of combinations of other sorts of entities.

Many of the above theses might seem trivially acceptable. Taken together, however, they do have a certain metaphysical cutting power. It is thesis (v), above all, which establishes the line between the Aristotelian doctrine and that of Kant (for whom there looms behind the world we know an inaccessible world of ‘things in themselves’). Theses (i) and (v) mark off Austrian Aristotelianism from all idealist doctrines of the sort which embrace the view that the world of experience or of scientific inquiry is somehow created or constituted by the individual subject or by the language or linguistic community or scientific theory. Theses (ii) and (vi) distinguish the doctrine from all sorts of historicism, as also from hermeneuticistic relativism and other modern fancies. And theses (ii) and (v) tell us that, for the Aristotelian, scientific or theoretical knowledge is possible even of the structures or essences of the social world, a view shared in common by both Menger and Brentano, and denied (in different ways) by historicists and relativists of differing hues. Further, when the Austrian apriorist doctrine is combined with a cancellation (for the social sciences) of thesis (vi) then there result theories like those of Dilthey, whose doctrine of *Verstehen* amounts to a denial of the possibility of detached scientific theory in relation to social and human phenomena. Dilthey insists on a radical opposition as between the sciences of what is ‘inner’ and what is ‘outer’. The method of explanation characteristic of the natural sciences he then sees as being appropriate only to the former. The latter is, as far as our scientific

explanations are concerned, unintelligible: it requires a special method which, as Brentano saw, has something mystical about it.³⁰

Most importantly, however, the doctrine is distinguished via theses (iii) and (v) from the positivistic methodology which has been dominant in philosophical circles for the bulk of the present century and which until recently enjoyed a position as the unquestioned background of almost all theorizing amongst scientists themselves. Positivism has its roots in atomism, the view that all that exists is atoms associated together in accidental and unintelligible ways and that all intelligible structures and necessities are merely the result of thought-constructions introduced by man. The origins of the struggle between atomists and Aristotelians in ancient Greek thought are well summarized by Meikle:

On the one hand there were Democritus and Epicurus, who thought of reality as atomistic small-bits that combine and repel in the void, and who had a hard job accounting for the persisting natures of things, species and genera on that basis. On the other hand there was Aristotle, who realized that no account of such things could be possible without admitting a category of form (or essence), because what a thing is, and what things of its kind are, cannot possibly be explained in terms of their constituent matter (atoms), since that changes while the entity retains its nature and identity over time. (1985, p. 9)

Where the atomist sees only one sort of structure *in re*, the structure of accidental association, the Aristotelian sees in addition intelligible or law-governed structures that he can understand. Where the atomist sees only one sort of change, accidental change (for example of the sort which occurs when a horse is run over by a truck), the Aristotelian sees in addition intelligible or law-governed changes, as, for example, when a foal grows up into a horse. Just as for the Aristotelian the intelligibility of structure can imply that there are certain sorts of structure which are intelligibly impossible, for example a society made

30. Dilthey's influence made itself felt especially in the movement of *Ganzheitspsychologie* or 'integral psychology' founded by Krüger, Jaensch, and others in Leipzig, which developed in parallel to the Gestaltist movement in Berlin. (For the relevant bibliographical information see Smith (ed.) 1988.) The *Ganzheitspsychologen* shared with the Gestaltists a rejection of psychological atomism, but the two schools diverged radically in their views as to what ought properly to take its place. The members of the Leipzig school embraced what we might call a mystical holism, a thesis to the effect that the wholes (*Ganzheiten*) of psychological experience are *sui generis*. The Berlin Gestaltists, in contrast, embraced what we might call an intelligibilist holism: the very same types of wholes as are to be found in mental experience are present also in the physical realm; the methods of physical and psychological science thereby form a single continuum, though in a way which importantly does not imply any reduction of the one to the other.

up of inanimate objects, so for the Aristotelian there are intelligibly impossible *changes*, for example of a horse into a truck, or of a stone into a colour. The presence of intelligible changes implies, moreover, that there is no ‘problem of induction’ for a thinker of the Aristotelian sort. When we understand a phenomenon as the instance of a given species, then this understanding relates also to the characteristic patterns of growth and evolution of the phenomenon and to its characteristic modes of interaction with other phenomena.

7. Aristotelianism in the Social Sciences

We are not yet done, however, in our effort to make precise the doctrine of Austrian Aristotelianism. For Aristotelianism played a crucial role also in the philosophy of German social thinkers such as Marx,³¹ and many other German political economists and legal theorists of the nineteenth and even of the twentieth centuries could have accepted at least the bulk of what has been presented above.³² This opposition between German and Austrian modes of thinking should not, in this respect, be exaggerated. Above all it is worth pointing out in the light of (vi) above that Marx embraces also the assumption that science is able to penetrate through the ideological obfuscations by which the commonsensical mind is (as he conceives things) of necessity affected, and Brentano’s Aristotelianism was itself decisively influenced by the thinking of the German metaphysician F. A. Trendelenburg, who was also the teacher of Dilthey, Kierkegaard, Feuerbach and Marx. Equally, however, it would be wrong to ignore the crucial differences, above all as between Marx’s methodology on the one hand and the basic doctrine of Austrian Aristotelianism on the other. Thus Menger’s doctrine of the strict universality of laws is denied by Marx, for whom laws are in every case specific to a given social organism. Moreover, while Marx and Menger share an Aristotelian antipathy to atomism, the holism and collectivism propounded by Marx is in this respect radically more extreme than anything that could have been countenanced by Menger.

31. Cf. Gould 1978, Wood 1981, Sowell 1985, and above all Meikle 1985.

32. The survival of Aristotelian ideas in contemporary German legal theory is illustrated for example by Karl Larenz’s textbook of legal methodology (1983), e.g. in his discussion of the ‘legal structural types’ which the legal theorist ‘discovers in reality’ (p. 338).

Hegel, too, is correctly described as an Aristotelian in many aspects of his thinking. His case is somewhat different from that of Marx, however, since it seems that he denied thesis (i). More precisely, Hegel failed to draw the clear line between act and object of cognition which (i) requires, and he refused to acknowledge any sort of independence of the latter from the former. As he himself writes (in dealing with Aristotle): ‘thought thinks itself by participation in that which is thought, but thought becomes thought by contact and apprehension, so that *thought and the object of thought are the same*.’³³ Or as Allen Wood expresses it: ‘Marx parts company with Hegel precisely because Hegel makes the dialectical nature of thought the basis for the dialectical structure of reality, where Marx holds that just the reverse is the case.’ (1981, p. 215)

To specify, therefore, the exact nature of the Austrian Aristotelian view, it will be useful to add to our basic doctrine a number of additional theses – specific to the domain of social science – which are formulated in such a way as to bring out as clearly as possible the opposition between the Austrian view and views shared by the principal German social theorists who had been influenced by Aristotelian ideas:

(viii) *The theory of value is to be built up on ‘subjective’ foundations, which is to say exclusively on the basis of the corresponding mental acts and states of human subjects.* Thus value for Menger – in stark contrast to Marx – is to be accounted for exclusively in terms of the satisfaction of human needs and wants. Economic value, in particular, is seen as being derivative of the valuing acts of ultimate consumers, and Menger’s thinking might most adequately be encapsulated as the attempt to defend the possibility of an economics which would be at one and the same time both theoretical and subjectivist in the given sense. Among the different representatives of the philosophical school of value theory in Austria (Brentano, Meinong, Ehrenfels, etc.) subjectivism as here defined takes different forms. All of them share with Menger however the view that value exists only in the nexus of human valuing acts.

(ix) *There are no ‘social wholes’ or ‘social organisms’.* Austrian Aristotelians hereby (leaving aside the rather special case of Wieser) embrace a

33. *Lectures on the History of Philosophy*, trans. by E. Haldane and F. Simson, London, 1894, vol. 2, p. 147, emphasis mine.

doctrine of *ontological* individualism. This goes hand in hand with a concomitant *methodological* individualism, according to which the economist or social scientist is exhorted to build up his theories from the analysis of the individual acts of individual subjects whose processes of thought and action are seen as being similar to his own. Taken together the two doctrines imply that all talk of nations, classes, firms, etc., is to be treated by the social theorist as an in principle eliminable shorthand for talk of individuals. That it is not entirely inappropriate to conceive individualism in either sense as ‘Aristotelian’ is seen for example in Aristotle’s own treatment of knowledge and science in terms of the mental acts, states and powers or capacities of individual human subjects.³⁴

Economics is methodologically individualist when its laws are seen as being made true in their entirety by patterns of mental acts and actions of individual subjects, so that all economic phenomena are capable of being understood by the theorist as the results or outcomes of combinations and interactions of the thoughts and actions of individuals. Note that neither ontological nor methodological individualism need imply any sort of atomistic reductionism: the individual of which the social theorist treats is, as a result of different sorts of interaction with other individuals, a highly complex entity. He might more properly be conceived as something like a node in the various spontaneous orders in which he is involved, an idea which extends back at least as far as Aristotle.³⁵ As the Hungarian philosopher Aurel Kolnai puts it:

society is not only composed of various parts – it is composed of various parts in a multiplicity of ways; and consequently its component parts cannot but *overlap*. In other words, it consists ultimately of individuals, but only in the sense that it divides into a multiplicity of individuals across several social subdivisions, such that it comprehends the same individual over and over again in line with his various social affiliations (1981, p. 319).

34. See the first book of the *Posterior Analytics*. On methodological individualism in Aristotle see Kraus 1905.

35. See Menger’s discussion of the view attributed to Aristotle to the effect that the state is a phenomenon co-original with the existence of man, in his 1883, pp. 267–270, Eng. pp. 220–222 and compare Aristotle’s *Politics*, I, 1–2, which presents a socio-political version of the doctrine of mereological potentialism outlined in Chapter Three, Section 5, above.

Every individual therefore ‘embodies a multiplicity of social aspects or categories’, and these play a crucial role in determining which sorts of essential and intelligible structures he might exemplify.

(x) *There are no (graspable) laws of historical development.* Where Marx, in true Aristotelian spirit, sought to establish the ‘laws of the phenomena’, he awarded principal importance to the task of establishing *laws of development*, which is to say, laws governing the transition from one ‘form’ or ‘stage’ of society to another. He ‘treats the social movement as a process of natural history governed by laws’,³⁶ and he sees the social theorist as having the capacity to grasp such laws and therefore also in principle to sanction large-scale interferences in the social ‘organism’. Marx himself thereby accepted both methodological and ontological collectivism; he saw social science as issuing in macroscopic laws, for example to the effect that history must pass through certain well-defined ‘stages’. The Aristotelianism of the Austrians is in this respect (ontologically) more modest: it sees the exact method as being restricted to certain simple essences and essential connections only, in ways which set severe limits on the capacity of theoretical social science to make predictions. The methodological individualism of the Austrians has indeed been criticized by Marxists as a form of atomism, though such criticisms rest always on the incorrect assumption that methodological individualism trades in mere ‘sums’.

What, now, of the German historical economists Roscher, Knies and Schmoller, against whom Menger is standardly held to have rebelled?³⁷ From our present perspective this standard conception must be somewhat modified. For as already noted, and as Streissler has shown in detail in his 1990, Aristotelian doctrines played a role also in German economic science, not least as a result of the influence of Hegel. Thus for example Roscher not only accepted many of the tenets of the basic Aristotelian doctrine listed above, he also developed a subjective theory of value along lines very similar to those later taken up by Menger.³⁸ Such subjectivism was accepted also by Knies.

36. From a passage cited by Marx himself in the Afterword to the Second German Edition of vol. 1 of *Capital* and adopted as a motto to Meikle 1985.

37. See e.g. Bostaph 1978.

38. See esp. Streissler 1990.

Moreover, Knies and Schmoller agreed with the Austrians in denying the existence of laws of historical development. In all of these respects, therefore, the gulf between Menger and the German historicists is less significant than has normally been suggested. Most of the German historicists are still crucially distinguished from the Austrians, however, in remaining wedded to a purely inductivistic methodology, regarding history as providing a basis of fact from out of which laws of economic science could be extracted. For an Aristotelian such as Menger, in contrast (cf. thesis (iii) above), as also for Brentano and his disciples, enumerative induction can never yield that sort of knowledge of exact law which constitutes a scientific theory.

8. *Fallibilistic Apriorism*

Neo-classical economists accept the positivistic thesis to the effect that no non-trivial part of economic theory could be *a priori* in any of the senses distinguished above. The propositions of economics are mere inductive hypotheses, and the method of economics consists in their eyes in the building of testable models, selection among which is effected, at least in principle, on the basis of relative predictive strength. Realism hereby falls out of account as a criterion of selection, so that the models in question are threatened with becoming shorn of their relation to those basic everyday categories in which the science of economics has its roots. Austrian economics, in contrast, is marked by a willingness to sacrifice both the goal of predictive power and the mathematical tools associated therewith precisely in order to come to an understanding of these basic categories themselves and in such a way as to avoid the fallacy of misplaced quantitative exactitude.

From our present perspective, it might begin to appear as if the principles underlying both sorts of economic methodology might possess some grain of truth. For Austrian economics might be conceived not as an alternative to the economics of model-building and prediction but as a preliminary activity of establishing this missing connection to ground-level economic realities. Austrian economics might, in other words, be conceived as a safe harbour for a practice which at present takes place among neo-classicists only surreptitiously and unsystematically – a practice sometimes referred to under the rubric of

‘taking subjectivism seriously’.³⁹ This practice might also be conceived as part of an attempt to exert control – in the direction of greater commonsensical realism – over the model-building activities of mathematical economists. But then, as noted already by Wieser, it may also be the case that empirical economics will in certain circumstances lead to results which constrain a revision of Austrian economics itself.⁴⁰

The analogy I have in mind here is one according to which Austrian economics would be seen as providing a part of the foundations for empirical-mathematical economics in something like the way in which geometry provides a foundation for the discipline of physics. This idea can help us to resolve the question as to how the apriorism of Austrian philosophy is to be understood in such a way that it will be seen to be consistent with a willingness to be influenced by empirical research. The answer to this question lies, I want to suggest, in the special character of the doctrine of the *a priori* that is here at issue. For this doctrine implies that, in relation to each of a range of empirical sciences, there exist certain underlying structures with which we are pre-theoretically familiar, and that it is our (sometimes merely tacit) knowledge of such structures which yields the preliminary framework for that activity of measuring and calculating and establishing of functional correlations which (as we normally suppose) forms the heart of empirical research.

Euclidean geometry constitutes one such *a priori* proto-discipline⁴¹ of the science of physics. As the case of geometry makes clear, however, empirical research, measuring and calculating, may in certain circumstances come to exert an *ex post* control on the relevant proto-discipline, so that we may come to

39. Compare Hayek’s remark to the effect that ‘it is probably no exaggeration to say that every important advance in economic theory during the last hundred years was a further step in the consistent application of subjectivity. That the objects of economic activity cannot be defined in objective terms but only with reference to a human purpose goes without saying’ (1952a, p. 31).

40. A view of this sort is less at home in Menger’s own thinking, since for Menger the idea of testing the exact theory of economics empirically ‘is simply a methodological absurdity, a failure to recognize the basis of presuppositions of exact research’ (1883, p. 54, Eng. p. 69). Examining Menger’s account of the ways in which exact types are painstakingly extracted from the realm of economic phenomena by the economic theorist suggests however that he, too, might have assented to something like the retroactive control that is here described. See, on this whole issue, Menger’s promissory note on p. 43 (Eng. p. 62) of the *Investigations*.

41. The term is derived from Stumpf 1907a.

regard the propositions of the latter in a new light; the results of empirical research may even lead us to reject as false propositions hitherto accepted as *a priori* true. For while, on the view here at issue, a proposition's being *a priori* signifies that it (or the structure which makes it true) enjoys some degree of intelligibility, it does not follow from this that our knowledge of such a proposition must be in any sense incorrigible or infallible.

This does not mean that the opposition between what is empirical and what is *a priori* is itself undermined. No single *a priori* proposition of a proto-discipline may be falsified by empirical means: even the possibility of direct logical contradiction is here ruled out, in virtue of the fact that it is on the basis of an acceptance of our pre-theoretical ('commonsensical') view of reality that empirical research itself is carried out. That such control is possible even in isolated instances, however, shows that we have only partially trustworthy access to the *a priori* structures in the world, so that apriorism, surprisingly, becomes to this extent divorced from epistemological concerns of a Cartesian-Kantian sort. For if *a priori* structures exist independently of the mind (or independently of what the mind reads into reality), then we have no good cause to expect that our knowledge of such structures will in every case have that sort of absolute evidence with which the Kantian *a priori* is normally associated. It thereby becomes possible to conceive a doctrine of what we might call fallibilistic apriorism, parallel in some respects to doctrines of fallibilistic intuitionism in ethics.⁴²

When the above considerations are taken into account, then many of the unfortunate connotations of the term '*a priori*' will be seen to fall away. Thus one common objection to the notion of an *a priori* proto-discipline turns on the fact that different individuals (or different cultures) may have different intuitions as to what counts as *a priori*. The possibility of indirect empirical control does much to render this objection harmless. The thesis that the *a priori* is a matter of what can be read off from intelligible structures in reality may indeed serve to make understandable the fact that such different intuitions exist. Certainly it tells us that the acquisition of *a priori* knowledge may be no easy matter, where *a priori* knowledge on the Kantian conception ought in some way to be both incorrigible and immediately accessible to all.

42. See Shearmur 1988, and compare Schlick 1925, trans. pp. 167f.

Austrian Aristotelianism is first and foremost a doctrine of ontology: it tells us what the world is like and what its objects, states and processes are like, including those capacities, states and processes we call knowledge and science. More generally, it tells us what sorts of relations obtain between the various different segments of reality. Austrian apriorism, on the other hand, concerns the matter of how knowledge is acquired. The two doctrines are brought together in a thesis to the effect that the world is organized, to no small part, in intelligible fashion, so that philosophical investigations (in formal and material ontology, in the ontology of nature, mind and society and in other areas ‘midway between logic and physics’) can serve as a natural complement to work in the empirical sciences. The thesis implies further that we are all of us already in possession of substantial portions of knowledge of the way the world is, and of the way its parts and moments hang together. Intentionality is a form of relational contact with reality. It is this thesis which lies at the heart of Austrian philosophy as this was developed by Brentano’s disciples.