

Menger, Mises, Rand, and Beyond

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Introduction

This article suggests the potential feasibility of combining doctrines from Austrian economics and Objectivism in an effort to develop the strongest possible conceptual and moral case for a free market society. I argue that Austrian economics and Objectivism can benefit from each other's insights and that the two schools have more in common than heretofore has been appreciated.¹ My conclusion is that it may be desirable to extract, refine, extend, and fuse together the following components taken primarily from these two schools of thought: (1) an objective, realist, natural-law-oriented metaphysics as exemplified in the works of Aristotle, Carl Menger, Ayn Rand, and Murray Rothbard; (2) Rand's epistemology, which describes concepts or essences as epistemological rather than metaphysical; (3) a biocentric theory of value as appears in the writings of Menger and Rand; (4) Misesian praxeology as a tool for understanding how people cooperate and compete and for deducing universal principles of economics; and (5) an ethic of human flourishing based on reason, free will, and individuality as suggested in the contemporary works of Douglas B. Rasmussen, Douglas J. Den Uyl, Tibor R. Machan, and others.

The works of Carl Menger (1840–1921), Ludwig von Mises (1881–1973), and Ayn Rand (1905–1982) are key exemplars for an integrated Austrian-Objectivist paradigm for a free society. This paper represents an effort to reconcile and extend some of the ideas of these three great thinkers.

Menger's Aristotelianism

Carl Menger inaugurated the modern period of economic thought and provided the foundation for the Austrian school of economics. In his two books, *Principles of Economics* (1871) and *Investigations into the Method of the Social Sciences With Special Reference to Economics* (1883), Menger destroyed the existing structure of economic science and put it on totally new foundations. He was an Aristotelian immanent realist who argued that there is one reality knowable by rational means and that all things are subject to the laws of cause and effect.²

Aristotelian philosophy was the framework for Mengerian thought. Menger's Aristotelian inclinations can be observed in his desire to uncover the essence of economic phenomena. He views the constituent elements of economic phenomena as immanently ordered and emphasized the primacy of exactitude and universality as preferable epistemological characteristics of theory (Grassl and Smith 1986).

Menger ([1883] 1985, 22–35) reasons that we can actually detect essences in reality through observations of phenomena that reveal certain similarities according to which objects would be grouped into types or classes via a process of abstraction. Deductions are made from inductively known facts and premises, are based on reality, and are not the product of a priori mental categories. Introspection is an ingredient in Menger's epistemology. His epistemology makes use of the internal perspective on human action that people share because of their common humanity.

Both Aristotle and Menger view essences as metaphysical and had no compelling explanations of the method to be employed in order to abstract or intuit the essence from the particulars in which it is indivisibly embedded. Like Aristotle, Menger thinks that the laws governing phenomena of thought processes and the natural and social world were all related as parts of the natural order. In other words, the knowability of the world is a natural condition common to the various aspects of the external world and the human mind.

Menger emulates the accomplishments of natural scientists by maintaining, as far as is practicable, the same standards of methodol-

ogy and epistemology that existed in the natural physical sciences. He recognized economics as a science that could pattern itself after the natural sciences with respect to its analytical formality and the universal relevance of its abstract arguments. Menger's ([1871] 1981, 48) goal was to establish the legitimacy of economics as a theoretical science by developing a complete, consistent, and realistic theoretical foundation for comprehending economic activity.

Although Menger maintained the knowability of general laws, he says that our knowledge of the general aspect of experience is in no way infallible. There may be difficulties in gaining knowledge of essential structures and converting such knowledge into the form of a strict theory. Despite the existence of problems and obstacles, he says that it is possible for our knowledge of essential structures and laws to be exact and that our knowledge will in all probability exhibit a progressive improvement.

For Menger, these structures are a priori categories in reality that possess an intrinsic simplicity and intelligibility that makes them capable of being apprehended in a straightforward manner. The nature of objects in the world can be read off directly through both external observation and introspection. Menger acknowledges the existence of both intelligible (i.e., law-governed) structures and structures of accidental association that can be comprehended.

In his methodology, Menger ([1883] 1985, 22–44) stresses that economics is a science by demonstrating that the phenomena of economic life are ordered strictly in accordance with definite laws. Insisting on the exactness of economic theory, he uses the language of the pure logician when he analyzes relationships among variables. It is the knowledge of exact laws (i.e., those subject to no exceptions) that comprises scientific knowledge and scientific theory. Exact theory is developed by searching for the simplest strictly typical elements of everything real.³

Menger looks for the essence of economic relationships. He delves into those features that must be present by the nature of the relationship under study. He holds that there are simple economic categories that are universal and capable of being understood as such. Exact laws are propositions expressing the relationships among such

categories. There are certain elements, natures, or essences in the world as well as connections, structures, and laws regulating them, all of which are precisely universal. Menger's term, exact laws, refers to propositions expressing universal connections among essences. A scientific theory consists of exact laws. For Menger, the goal of research in theoretical economics is the discovery of the essences and connections of economic phenomena. The aim of the theoretical economist is to recognize recurring structures in reality. According to Menger, the universals of economic reality are not imposed or created, but rather are discovered through human effort. Economics, as an exact science, is the theoretical study of universals apprehended in an immanent realist manner. Theoretical economics understands economic universals as real objects that the mind has abstracted from particulars and isolated from other universals with which they co-exist. If a person has an idea of the essence of something, he can explain its behavior as a manifestation of its essence; in other words, the manner in which objects act depends upon what those objects are. Menger's theoretical framework deals with the intensive study of individual economic units and the observation of how they behave.

Menger distinguishes between the empirical-realistic orientation to theory and the exact orientation to theory (36–44). Whereas the empirical-realistic branch of economics studies the regularities in the succession and coexistence of real phenomena, the exact orientation studies the laws governing ideal economic phenomena. He explains that empirical-realistic theory is concerned with regularities in the coexistence and succession of phenomena discovered by observing actual types and typical relationships of phenomena. Empirical-realistic theory is subject to exceptions and to change over time. Theoretical economics in its realistic orientation derives empirical laws that are valid only for the spatial and temporal relationships from which they were observed. Empirical laws can only be alleged to be true within a particular spatiotemporal domain. The realistic orientation can only lead to real types and to the particular. The study of individual or concrete phenomena in time and space is the realm of the historical sciences.

In explaining the transition from particulars (i.e., real types) to

universals (i.e., exact types), Menger contends that it is acceptable to omit aspects of individuation such as time and space. In order to derive exact laws, it is first essential to identify the essential defining quality or essence in individual phenomena that underpins their recognition as representations of that type. Menger thus seeks the simplest elements of everything real (i.e., the typical phenomena) in solving the problem of universals or concepts. To find the simplest elements, a person must abstract from all particular spatiotemporal circumstances.

Mises's Neo-Kantianism

Menger had contended that the purpose of economic theory is to elucidate genetic-causal explanations of market phenomena. Mises was dissatisfied with Menger's Aristotelian methodology, which for Mises was too closely related to the concrete world. Mises ([1933] 2003, 19, 74–76) argued that concepts can never be found in reality. He wanted to study and develop pure theory and maintained that “theory alone” could provide firm guidance. Mises wanted to construct a purely deductive system and was searching for a foundation upon which to build it.⁴

Mises was searching for a theoretical foundation that could not be doubted (1–37). He wanted to find knowledge of logical necessity. He also wanted to escape from the concrete-based and propagandistic empiricism of historicism. His mission became to look inward in order to deduce a system that was logically unobjectionable; he wanted to find laws that could only be verified or refuted by means of discursive reasoning.

Mises's axiom of action, the universal introspectively known fact that men act, was the foundation upon which he built his deductive system.⁵ Action, for Mises, is the real thing. Mises sees action as a category of the mind, in a Kantian sense, which was required in order to experience phenomenal reality (i.e., reality as it appears to us). The unity found in Mises's theorems of economics is rooted in the concept of human action ([1949] 1963). His economic science is based on laws of human action that he contends are as real as the laws

of nature. His praxeological laws have no spatial, temporal, or cultural constraints; they are universal and pertain to people everywhere, at every time, and in all cultures.

Mises disagrees with Kant regarding the freedom of the individual (Gordon 1994, 99). Kant had conceived of the noumenal self as possessing free will and of the phenomenal self as being determined by the rational desire for happiness. Mises views freedom as the use of reason to attain one's goals. Mises ([1949] 1963, 46–47, 279–87) says that we should assume people to be free and rational actors in the world as we perceive it since we have no certain knowledge of any determinants of human action. He was a metaphysical and cosmological agnostic regarding materialist or spiritual explanations of mental events.

Mises extends Kant by adding an important insight. Kantianism has been viewed as a type of idealism due to its failure to connect the mind's categories to the world. Mises further develops Kantian epistemology when he explains that the laws of logic affect both thought and action. He says that we must acknowledge that the human mind is a mind of acting persons and that our mental categories have to be accepted as fundamentally grounded in the category of action. Mises states that when this is realized, the notion of the existence of true synthetic a priori categories and propositions can be accepted as a realistic, rather than as an idealistic, philosophy of knowledge. The mind and physical reality make contact via action. Mises believes that this insight fills in the gap between the mental world and the outside physical world. He thus contends that epistemology depends on our reflective knowledge of action (Hoppe 1988, 6).

Mises ([1949] 1963, 32) considers the law of human action to be a law of thought and as a categorical truth prior to all experience. Thinking is a mental action. For Mises, "a priori" means independent of any particular time or place. Denying the possibility of arriving at laws via induction, he argues that evidence for the a priori is based on reflective universal inner experience.

Unlike Menger, the father of Austrian economics, Mises did not believe essences existed in individual phenomena that made possible

their recognition as representatives of that type. If he had held to the notion that there are certain ontological, a priori, and intelligible structures in the world, then he might have considered the law of human action to be a law of reality rather than a law of thought. An a priori in reality would not be the result of any shaping of reality on the part of the experiencing subject. Rather, essences would then be said to be discerned through a person's theoretical efforts (Smith 1990).

Mises states that his action axiom—the proposition that men act—meets the requirements for a true synthetic a priori proposition. This proposition cannot be denied because the denial itself would necessarily be categorized as an action. He defines action as purposeful behavior, explaining that it cannot be denied that humans act in a purposeful manner, because the denial itself would be a purposeful act. All conscious human action is directed toward goals because it is impossible to conceive of an individual consciously acting without having a goal. Reason and action are congeneric. For Mises, knowledge is a tool of action and action is reason applied to purpose: when people look within, they see that all conscious actions are purposeful and willful pursuits of selected ends. Reason enables people to choose ([1949] 1963, 24, 72–91, 177–78).

Human actions are engaged in to achieve goals that are part of the external world. However, a person's understanding of the logical consequences of human action does not stem from the specific details of these goals or the means employed. Nor does it depend on the person's specific knowledge of those features of the external world that are relevant to the person's goals or to the methods used in his pursuit of these goals. Praxeology's cognition is totally general and formal without reference to the material content and particular features of an actual case. Praxeological theorems are prior to empirical testing because they are logically deduced from the central axiom of action. By understanding the logic of the reasoning process, a person can comprehend the essentials of human actions. Mises states that the entirety of praxeology can be built on the basis of premises involving one single nonlogical concept—the concept of human action ([1933] 2003, 24–37; [1949] 1963, 1–142).

Mises contends that the axiom of action is known to be true by introspection. In the tradition of Kant, Mises argues that the category of action is part of the structure of the human mind. It follows that the laws of action can be studied introspectively because of the aprioristic intersubjectivity of human beings. Not derived from experience, the propositions of praxeology are not subject to falsification or verification on the basis of experience; they are temporally and logically prior to any understanding of historical facts.

For Mises ([1949] 1963), economic behavior is simply a special case of human action. He contends that it is through the analysis of the idea of action that the principles of economics can be deduced. Economic theorems are seen as connected to the foundation of real human purposes. Economics is based on true and evident axioms, arrived at by introspection, into the essence of human action. Economics is a formal science whose theorems have no formal content and whose theorems and propositions do not derive their validity from empirical observations. By their nature, economic acts are social acts. Economics is the branch of praxeology that studies market exchange and alternative systems of market exchange.

According to Mises, all of the categories, theorems, or laws of economics are implied in the action axiom. These include, but are not limited to: subjective value, causality, ends, means, preference, cost, profit and loss, opportunities, scarcity, choice, marginal utility, marginal costs, opportunity cost, time preference, originary interest, association, and so on.

Many believe that Mises's extreme apriorism is questionable on epistemological grounds (Blaug 1980; Caldwell 1984). However, his praxeology does not inevitably require a neo-Kantian epistemology; it is not inextricably tied to an aprioristic foundation. Other epistemological frameworks may provide a better underpinning for free will and rationality. For example, Misesian praxeology could operate within an Aristotelian, Thomistic, Mengerian or Randian philosophical structure. The concept of action could be formally and inductively derived from perceptual data. Actions would be seen as performed by entities who act in accordance with their nature. Man's distinctive mode of action involves rationality and free will. Men are thus

rational beings with free will who have the ability to form their own purposes and aims. Human action also assumes an uncoerced human will and limited knowledge. All of the above can be seen as consistent with Misesian praxeology.

Murray Rothbard (1957; 1971; 1976; 1979), Mises's student and follower, agrees that the action axiom is universally true and self-evident but has argued that a person becomes aware of that axiom and its subsidiary axioms through experience in the world. A person begins with concrete human experience and then moves toward reflection. Once a person forms the basic axioms and concepts from experience with the world, he does not need to resort to experience to validate an economic hypothesis. Instead, deductive reasoning from sound basics will validate it.

Rothbard justifies the action axiom as a law of reality that is empirical rather than *a priori*. Of course, this is not the empiricism embraced by positivists. This kind of empirical knowledge rests on universal inner or reflective experience in addition to external physical experience. It consists of a general knowledge of human action that is antecedent to the complex historical events that mainstream economists try to explain. The action axiom is empirical in the sense that it is self-evidently true once stated, consistent with human experience, and is not empirically falsifiable in the positivist sense. It is empirical but is not based on the "empiricism" practiced by today's economics profession. Praxeological statements cannot be subjected to any empirical assessment, whether it is falsificationist or verificationist.

In a 1957 article, Rothbard states that it is a waste of time to argue or try to determine how the truth of the action axiom is obtained. He explains that the all-important fact is that the axiom is self-evidently true for all people, at all places, at all times, and that it could not even conceivably be violated. Whether the axiom was a law of thought as Mises maintained or a law of reality as Rothbard himself contended, it would be no less certain. It need only be stated once to become immediately self-evident. In Rothbard's words:

Whether we consider the 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 (1957, 318).

Rothbard refers to laws of reality that the mind apprehends by examining and adducing the facts of the real world. Conception is a way of comprehending real things. It follows that perception and experience are not the products of a synthetic a priori process but rather are apprehensions whose structured unity is due to the nature of reality itself. In opposition to Mises, Rothbard contends that the action axiom and its subsidiary axioms are derived from the experience of reality and are therefore radically empirical. These axioms are based on both external experience and universal inner experience. By 1976, Rothbard was stronger in voicing his opposition to Mises’s Kantian epistemology:

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. (1976, 24)

Rothbard nevertheless continued to endorse Mises's monumental, integrated, and systematic treatise, *Human Action*, as a complete and true paradigm based on the nature of man and individual choice. Although he disagreed with Mises's epistemology, he agreed that Mises's praxeological economics appropriately begins with, and verbally deduces logical implications from, the fact that individuals act. Rothbard maintains that it's time for Mises's paradigm to be embraced if we are to find our way out of the methodological and political problems of the modern world.

Menger's Pre-Randian Theory of Objective Value

Menger ([1871] 1981, 51–76) explains that all things are subject to the law of cause and effect and that if one passes from a state of need to a state in which the need is satisfied, then sufficient causes for this change must exist. Accordingly, useful things are those that can be placed in a causal connection with the satisfaction of human needs. The satisfaction of human needs is the final cause in Menger's exact theory, and the driving force of all economic activity. Human needs are the beginning and the end of human activity because nothing would take place without human needs and the requirements of satisfying them. By grasping the law of cause and effect conceptually, man recognizes his dependence on the external world and transforms it into the means to attain his ends. Man thereby becomes the ultimate cause as well as the ultimate end in the process of want satisfaction.

Menger's explanation of goods relates them back to human needs and human nature (51–52). Linking the idea of utility to biology, much like Rand does when she discusses "value," Menger believes

that human wants are to a great extent determined by physiological needs. He sees the biological foundations of human needs as the key to integrating economics with material reality. People can comprehend the goal of much activity in terms of its relation to an organism's biological needs. Through the study of biology and physiology, Menger formulates a theory of needs to complement his theory of value. A person's biological and intellectual needs have to be met if he is to survive and prosper. Menger thus emphasizes both the biological realm and the choices people make beyond the purely biological (51–76; see also Shearmur 1990, 189–212).

Menger constructed economic principles from the human need to satisfy material and other ends and observed that the attempt to provide for the satisfaction of a man's needs is synonymous with efforts to provide for his life and well being. This attempt is the most critical of human projects because it is the prerequisite and underpinning of all other human achievements.

Human beings have needs and wants embedded in their nature. These needs and wants are reflected in the actions of human agents to satisfy them. Menger's theory of needs and wants can thus be viewed as a combination of biology and teleology. The maintenance of human life and human well-being is the end of economic activity. A given person's needs and wants are determined for each economic agent by his human nature and his individuality. While some needs are biologically and genetically linked to sustaining human life in general, other needs of a given person are relevant to the individual facticity of the agent, including his potentialities and previous development.

Menger ([1871] 1981, 114–74) seems to want to find a basis for economic value in biology. Menger observes that Aristotle termed the means of life and well-being of men "goods" (286). He explains that economic goods have value because of their ability to fulfill human needs and wants. Like Aristotle, he views goods as the means to life, well-being, and need satisfaction. Self-interested behavior (i.e., attaining goods) is economic behavior and is good behavior (286). The value of a good is a necessary consequence of the knowledge that the maintenance of one's life and well-being depends upon the

control and use of that particular good. Value derives only to the extent that a product satisfies a human need or want. Menger recognizes that value arises out of a relationship between human beings and what they require for their survival and well-being. Human beings must value because they have needs as living, conditional entities. These needs are not arbitrary. They are real needs the satisfaction of which forms the basis of valuation.

Menger's rational egoism recognizes that value is grounded in human needs and their satisfaction. Finding a basis for economics in biology, Menger states that man's needs are not arbitrary and must be met if he is to survive and prosper.

He explains that goods have no intrinsic value and that value is a judgment made by economizing individuals regarding the importance of specific goods for maintaining their lives and well-being (114–15, 121–22, 128). Value in every case is a function of valuing acts of preference or evaluation of an individual in his own particular context.

The value of goods emerges from their relation to our needs and is not inherent in the goods themselves. Nor is value merely in a man's mind independent of reality. While most accounts reduce value to either some intrinsic property of things or to some purely arbitrary judgment of the mind, Menger demonstrates that value results from an interplay between a man's conceptual consciousness, human needs, and the physical ability of goods to meet those needs.

For value to exist, consciousness must recognize a connection between means and an end in reality. A value must be of value to a particular valuer in his unique and specific context for an end to which the value is a means. A person's life is seen by Menger as the ultimate end of valuation and action. Life requires action and is an end in itself—an end that is not a means to any further end.

What a man needs depends on the facts of his nature and on the facts of things in reality. Menger recognized that there are facts of economic reality (121–22). Values are not subjective, arbitrary, or intrinsic but are objective when a person's wants correspond to the objective state of affairs. Menger understood that the process of want satisfaction is not entirely cognitive and internal to the human mind, but dependent on the external world and upon the law of cause and

effect. For value to exist, there must be a connection in reality grasped by consciousness with respect to means and ends that support a particular man's life. Knowledge in the form of a means-ends relationship grasped by reason is a precondition for value. The evaluation of facts is necessary for the creation of value. In this sense, values can be said to be "products" of the mind. In addition, values can only be said to be "subjective" from the perspective that the evaluation of a causal connection with the satisfaction of an end is performed by an individual subject's consciousness. Subjective conditions of satisfaction are elements in the very causal series that includes objective states of reality.

Unfortunately, because the label, objective value theory, had already been attached to the classical liberals' labor theory of value, Menger's new value theory was eventually accorded the mistaken label of subjective value theory. Menger's theory explains the inextricable ontological connection between the realm of cognition and the sphere of objective causal processes that result from valuation and economizing. A person's judgment of value can be said to have been objectively made when it derives from knowledge based on the facts of reality and on reasoning in accordance with the laws of logic. The term "subjective" as used by Menger simply means "personal"—as in a personal evaluation by a specific individual living in a particular time and place, with specific wants and needs.

Menger ([1883] 1985, 54–62) equates self-interested behavior with economic behavior. He says that it is proper for an individual to attain economic advantages or gains for himself. The satisfaction of one's needs constitutes economic activity. It follows that to act uneconomically means acting against one's own self-interest.

He explains that a person values most highly what he needs most highly and that value is the importance a person assigns to objects of the external world with respect to his well-being. According to Menger, value is the importance that individual goods or quantities of goods have for us because we are conscious of our dependence on the command of them for the satisfaction of our needs. The value of all goods can be seen as the imputation to those goods of the importance of satisfying our needs. In the end, it is man's life that is the standard

of economic value ([1871] 1981, 139).

Mises Reconstructs Menger's Value Theory

Mises was critical of Menger's value theory. He thought that Menger used unclear language to describe value theory and that Menger carried over ideas from classical liberalism's theory of objective value. According to Mises ([1933] 2003, 181–85), Menger makes statements that are incompatible with the basic principles he advanced. Menger was inconsistent in elaborating his ideas and did not pursue subjectivism consistently enough, in Mises's view. Mises therefore sets out to rehabilitate Menger's theory of value (155–75).⁶

Mises was convinced that Menger actually meant Misesian subjectivism despite the fact that Menger described his "subjectivism" as more of an objective but relational approach. Menger understood that values can be subjective, but that men should rationally seek objective life-affirming values. He explained that real wants correspond with the objective state of affairs. Menger distinguished between real and imaginary wants depending upon whether or not a person correctly understands a good's objective ability to satisfy a want. Individuals can be wrong about their judgment of value. Menger's emphasis on objective values is consistent with philosophical realism and with a correspondence theory of truth.

Menger does trace market exchange back to a man's personal valuations of various economic goods and observes that scales of value are variable from person to person and subject to change over time. There are certainly "subjectivist" features in Menger's economic analysis that are founded on his methodological individualism. Methodological individualism implies that people differ and have a variety of goals, purposes, and tastes. Personal evaluation is therefore inherent in a principled and consistent understanding of methodological individualism.

Some of Menger's propositions and concepts are incompatible with Mises's brand of subjectivism. Mises did not believe that Menger really meant what he asserted about objective wants corresponding to an objective state of affairs. In other words, Mises thinks Menger

actually meant values that are purely subjective. Mises is an absolute subjectivist who contends that all values emanate from the consciousness of the valuer (181–85).

Mises uses the term “value” in a completely nonnormative, nonphilosophical manner. He insists that economic theory does not incorporate any idea of a correct preferential ordering among goods and services. His subjectivism emphasizes the private personal character of preferences, costs, and benefits. Mises’s praxeology does not pass judgment on action. It simply explains market phenomena on the basis of a given action and not on the basis of right action. For Mises, to state that an object has value is merely to state that it is the goal of a personally chosen course of action (155–75). The Misesian sense of value is purely formal and indicates nothing about whether or not an end (i.e., a value) is in fact valuable. Values are embedded deeply in personal, subjective acts of valuation and depend upon that individual’s personal assessment of the choices available.

For Mises, an economist deals with subjective factors in the form of the meanings that events and objects have for individuals. Economic events are thus the outcomes of valuations. Misesian economic science is therefore free from the value judgments of an economist who must take the value judgments found in the marketplace as his given data. An economist, in his role as economist, does not approve of or denounce individuals’ ends. He does nothing more than ask if the means chosen are appropriate for their purposes. Men act and choose according to their hierarchy of values. The foundation upon which the hierarchy is based is irrelevant to Misesian praxeological economics (37–42).

Mises’s reinterpretation of Menger’s value theory increased the confusion caused by its mislabeling as a theory of subjective value. Max Weber (1978) added to the misunderstanding when he began replacing the often-used phrase “Menger’s theory of subjective value” with his formulation of “Menger’s subjective theory of value” thus switching the subjectivity from an individual’s values to the province of the theoretical perspective of a given historian, sociologist, or scientist.

Misesian praxeology studies only purposeful, chosen human

actions without regard to their motives or causes, which are the objects of study for psychology. Mises's position is that we must treat human beings as free and rational actors because we do not know how or if action is determined. Mises says that although human thought and action are affected by a person's facticity (i.e., his physiological inheritances and past experiences), we do not know how or to what extent his thought and actions are influenced by these factors. He states that all human actions involve choice and that the principles of choice are valid for every human action without consideration of underlying goals, motives, or causes. Each human being has internal purposes, ends or goals that he attempts to attain and ideas about how to attain them. Valuation reflects the acting person's internal scale of preferences. Separate individuals value the same things in different ways and valuations change for the same individual with changing conditions and over time. Every human activity is engaged in under the motivating power of human values (Mises [1949] 1963, 1–142).

Mises explains that every person is a constant valuer who attempts to improve his position, uses means in his attempts to attain his ends, estimates his costs, and chooses his course of action, all of which ultimately results in either a success or a failure (94–96). Every human action can therefore be viewed as a purposeful attempt to substitute a more satisfactory state for a less satisfactory one. The existence of an unsatisfactory state presupposes scarcity and the choice between different alternatives. The goal of any action is relief from a felt uneasiness. Put another way, humans act purposefully to increase their happiness. The sought-after end of every action is the exchange of a better state of affairs for the current state.

Misesian economics recognizes ends as subjective. Therefore, human action is the ultimate given and cannot be reduced to further causes. All action must be viewed as rational from the point of view of economics because it cannot be analyzed further. For Mises, to be rational is to engage in purposeful behavior. Mises explains that value is the perceived usefulness of a good or service for the attainment of an end (14–15, 92–94). Economic values are subjective, existing within the minds of acting individuals. Values express a ranking or

ordering of alternatives. These values cannot be measured or calculated, but each man has a scale of values on which he ranks every possible alternative ordinally.

Ayn Rand's Objectivism

Rand bases her metaphysics on the Aristotelian idea that reality is objective and absolute. Epistemologically, the Randian view is that man's mind is competent to achieve objectively valid knowledge of that which exists. Rand's moral theory of self-interest is derived from man's nature as a rational being and an end in himself. It recognizes man's right to think and act according to his freely chosen principles, and reflects a man's potential to be the best person he can be in the context of his facticity.⁷

Epistemology refers to the nature and starting point of knowledge, along with the nature and correct exercise of reason, reason's connection to the senses and perception, the possibility of other sources of knowledge, and the nature and attainability of certainty. Rand (1957, 942–44) explains that reason is man's cognitive faculty for organizing perceptual data in conceptual terms using the principles of logic. Knowledge exists when a person approaches the facts of reality through either perceptual observation or conceptualization.

Both Aristotle and Menger viewed essences as metaphysical and had no compelling explanations of the method to be employed in order to abstract or intuit the essence from the particulars to which it is indivisibly wedded. As immanent realists, both viewed concepts as essences that are within the concretes of the external world. By contrast, for Rand ([1966–67] 1990, 52–74), the essential characteristics of a concept are epistemological. She explains that concepts are neither intrinsic abstract entities existing independently of a person's mind nor are they nominal products of a person's consciousness, unrelated to reality. Concepts are epistemologically objective in that they are produced by man's consciousness in accordance with the facts of reality. Concepts are mental integrations of factual data. They are the products of a cognitive method of classification whose processes must be performed by a human being, but whose content

is determined by reality.

Rand contends that, although concepts and definitions are in one's mind, they are not arbitrary because they reflect reality, which is objective. Both consciousness in metaphysics and concepts in epistemology are real and part of ordinary existence—the mind is part of reality. She views concepts as open-ended constructs that subsume all essential information about their referents, including information not yet discerned (17–18, 26–28, 65–69, 98–100, 147, 257–58). New facts and discoveries expand or extend a person's concepts, but they do not invalidate them. Concepts must conform to the facts of reality.

For Rand, the designation “objective” refers to both the functioning of the concept-formation process and to the output of that process when it is properly performed. A man's consciousness can acquire objective knowledge of reality by employing the proper means of reason in accordance with the rules of logic. When a correct cognitive process has been followed, it can be said that the output of that process is objective. In turn, when the mind conforms to mind-independent reality, the theory of conceptual functioning being followed can be termed objective (46–47, 52–54, 57–61, 72–74, 81–82, 101–6, 211–15, 260–61).

According to Rand (1964, 13–26), man has no innate knowledge and, therefore, must determine through thought the goals, actions, and values upon which his life depends. He must discover what will further his own unique and precious individual human life and what will harm it. Refusal to recognize and act according to the facts of reality will result in his destruction. The Randian view is that the senses enable man to perceive reality, that knowledge can only be gained through the senses, and that the senses are able to provide objectively valid knowledge of reality.

Rand maintains that all concepts are derived from facts, including the concept “value.” All concepts, including the concept of value, are aspects of reality in relationship to individual men. Values are epistemologically objective when they are discovered through objective conceptual processes and are metaphysically objective when their achievement requires conformity to reality.

Rand asks what fact or facts of reality give rise to the concept of value. She reasons that there must be something in perceptual reality that results in the concept value. She argues that it is only from observing other living things (and oneself introspectively) in the pursuit of their own lives that a person can perceive the referents of the term value. For example, people act to attain various material and other goods and determine their choices by reference to various goals, ends, standards, or principles. For Rand, the concept of value depends upon and is derived from the antecedent concept of life. It is life that entails the possibility of something being good or bad for it. The normative aspect of reality arises with the appearance of life.

The fundamental fact of reality that gives rise to the concept of value is that living beings have to attain certain ends in order to sustain their lives. The facts regarding what enhances or hinders life are objective, founded on the facts of reality, and grounded in cognition. The act of valuation is a type of abstraction. It is a product of the process of concept-formation and use. Objective values are identified by a process of rational cognition. This should not be surprising because people do think, argue, and act as if normative issues can be decided by considering the facts of a situation.

Rand explains that the key to understanding ethics is found in the concept of value—it is thus located in epistemology (13). Her ethics is actually an epistemic ethics: it sees reason as the means to *human* knowledge, and the exercise of reason as the means to *human* life. Her revolutionary theory of concepts is what led her directly to innovations in the fields of value theory, ethics, and moral philosophy.

Rand's Biocentric Theory of Value

For man to survive, he must discern the principles of action necessary to direct him in his relationships with other men and with nature. Man's need for these principles is his need for a code of morality. Men are essentially independent beings with free wills; therefore, it is up to each individual to choose his code of values using the standard that is required for the life of a human being. If life as

a man is one's purpose, he has the right to live as a rational being. To live, man must think, act, and create the values his life requires (Rand 1957, 940; 1964, 24–25).

Rand (1964, 13–32; 1967, 21–22) explains that moral values are neither subjective constructs nor intrinsic features of morality. The good is neither an attribute of things in themselves nor of a person's emotional state; it is an objective evaluation made of the facts of reality by man's consciousness according to a rational standard of value. When one attributes moral value to something, one must address the questions "to whom" and "for what." If something is a value, it must have a positive relationship to the end of a particular individual's life. Value is a function of the interaction between what is deemed valuable and the person to whom it is valuable. Value is neither totally internal nor completely external but is a function of a specific connection between external objects and an individual's ends.

Rand (1957, 939) states that values reflect facts as evaluated by persons with respect to the goal of living. Whether or not a given object is a value depends upon its relationship to the end of a person's life. Life's conditionality is the basis of moral value. The thing in question must have certain attributes in order to further an individual's life, and the individual must seek his life, for that object to be valuable. The objectivity of value derives from the fact that particular kinds of action tend to promote human life. A specific object's value is a function of the factual relation between the object and a particular person's life, so the valid attribution of value reflects a factual relationship (Peikoff 1991, 241–48).

Of course, from another perspective, it is individuals who are objective (or are not objective) with respect to their judgments regarding value. A value's objectivity also reflects the reality that values are the conclusions of a person's volitional consciousness and that individuals can be mistaken in their judgments and choices. An authentic value must derive both from a life-affirming relationship to a human being and must exist in a correct connection to his consciousness. Happiness is the state of consciousness that results from the achievement of one's values (Rand 1957, 940).

Comparing and Reconciling Mengerian, Misesian, and Randian Value Theories

The preeminent theory within Austrian value theory is the Misesian subjectivist approach. Mises ([1933] 2003, 37–39) maintained that it is by means of its subjectivism that praxeological economics develops into objective science. The praxeologist takes individual values as given and assumes that individuals have different motivations and prefer different things. The same economic phenomena mean different things to different people. In fact, buying and selling takes place because people value things differently. The importance of goods is derived from the importance of the values they are intended to achieve. When a person values an object, this simply means that he imputes enough importance to it to be willing to start a chain of causation to change or maintain it, thus making it a thing of value. Misesian economics does not study what is in an object, as the natural scientist does, but rather, studies what is in the subject (155–93).

By contrast, Menger and Rand agree that the ultimate standard of value is the life of the valuer. Human beings have needs and wants embedded in their nature. Both Menger and Rand begin with the ultimate value of human life and determine the values that a man needs. Their respective objective approaches to value hold that value is only meaningful in relationship to some valuing consciousness. A value must be a value to an existing human being. The difference between the ideas of Menger and Rand on value is that Menger is exclusively concerned with economic value whereas Rand is interested in values of all types. For Rand, all human values are moral values that are assessed in relation to the ethical standard of human nature in general and the particular human life of the agent.

Although Menger speaks of economic value while Rand is concerned with moral value, their ideas are essentially the same. Both view human life as the ultimate value. In their shared biocentric concept of value, every value serves biological needs. Value thus has its roots in the conditional nature of life. Life can perish. Objective values support man's life and originate in a relationship between a

man and his survival requirements.

Menger was concerned with the many values the pursuit of which is mainly an economic matter. Because anything that satisfies a human need is a value, that which satisfies a man's material needs for food, shelter, healthcare, wealth, production, and so forth, is deemed to be an economic value. People require a certain degree of prosperity with respect to their needs, desires, and wants.

Rand explains that the idea of value enters the world with the phenomenon of life and that the nature of values depends on the type of life in question. Good and bad are objective relational features of living beings. It follows that the human good is connected to human nature, which involves life, the source of value, and free will, the element of responsibility. Of course, a human being can choose to pursue or reject life. Moral judgment is concerned with what is volitional. Moral principles are useful only to beings with conceptual faculties who can choose their actions.

From Rand's perspective, human values are moral values (including economic values) that are important to the ethical standard of man's life *qua* man. Rand viewed human choices as moral choices involving moral values.

Both Rand and Menger espouse a kind of contextually relational objectivism in their theories of value. Value is seen as a relational quality dependent on the subject, the object, and the context or situation involved. The subject, object, and the situation that combine them are the antecedents of value.

Values come into existence with the emergence of life. Only living things have values. Values are linked to life and *moral* values are linked to *human* life. The ultimate value is life itself. Whereas all living things pursue values, it is only human beings that hold this ultimate value by choice. The idea of human value presupposes a valuer with a conceptual consciousness. In addition to a valuer for whom a thing is a value, other prerequisites of human value are an end to which the value is a means and man's life as an end in itself (i.e., a final end that is not a means to a further end). Life's conditionality (i.e., the alternative of life or death) makes action necessary to achieve values.

If a person chooses to live, this choice implies that he will attempt

to obtain the means or fulfill the requirements and needs of his life. A need is a condition whose presence improves a person's ability to survive or flourish or whose absence hinders that ability. Needs arise from man's nature and thus have a natural foundation. It is natural to satisfy one's needs. In fact, a person's needs can be viewed as the bridge between the natural sciences (especially biology) and the human sciences. Whatever satisfies a need can be deemed to be a value.

The act of valuing is one of discovering what maintains, advances, and enhances the life of the individual. Objective values support a man's life and objective disvalues jeopardize it. We can say that values are objective when particular objects and actions are good to a specific person and for the purpose of reaching a particular goal. Objective value emanates from a relationship between a man's conceptual consciousness and existence. Of course, it is possible for a person to value objects that are not actually valuable according to the standard of life. This is because a man is fallible or may choose not to use his capacity to be rational and self-interested. Menger has correctly stated that values correspond to an objective state of affairs when men value what they objectively require to sustain themselves. Value is an objective relationship between a man and an aspect of reality. This relationship is not arbitrary. Whether or not the relevant relationship exists is a matter of fact. A true objective value must exist in a life-affirming relationship to a man and it must obtain in a proper relationship to his consciousness.

A mature person properly starts with the specific needs of human life, examines his own capacities, and then determines what values are proper for him. Next, in order to achieve values, a person needs to gain and use conceptual knowledge. Action is required to reach one's values. However, before one acts to gain a value, one should use one's reason to identify pertinent causal factors and means-ends relationships. A human being freely chooses to initiate his own actions. He is the fundamental cause of his own behavior.

Some objective values are universal and stem from common human potentialities and characteristics. There are also values that are objective but not universal. Objective values depend on both an

individual's humanity and his individuality. A person's individuality is consistent with realism and with an all-embracing consistent explanation of existence. Because individuality is a fundamental feature of the human species, each person is able to employ his unique attributes, talents, and situations in his efforts to do well at living his own individual life. Each person needs to consider his needs, capacities, the nature of the world, and the opportunities it offers for human action.

Compatibility of Subjectivism and Objectivism

As we have seen, there is an important dissension within Austrian value theory between Menger and Mises. However, it is possible for Menger's more objective-value-oriented theory to coexist with and complement Mises's pure subjectivism, which is based on the inscrutability of individual values and preferences.⁸ Although Menger agreed with Mises that an individual's chosen values are personal and therefore subjective and unknowable to the economist, he also contended that a person ought to be rationally pursuing his objective life-affirming values. Menger thus can be viewed as a key link between Misesian praxeology and Objectivist ethics.

According to Mises, economics is a value-free science of means, rather than of ends, that describes but does not prescribe. However, although the world of praxeological economics, as a science, may be value-free, the human world is not value-free. Economics is the science of human action and human actions are inextricably connected with values and ethics. It follows that praxeological economics needs to be situated within the context of a normative framework. Praxeological economics does not conflict with a normative perspective on human life. Economics needs to be connected with a discipline that is concerned with ends such as the end of human flourishing. Praxeological economics can stay value-free if it is recognized that it is morally proper for people to take part in market and other voluntary transactions. Such a value-free science must be combined with an appropriate end.⁹

Economics, for Mises, is a value-free tool for objective and

critical appraisal. Economic science differentiates between the objective, interpersonally valid conclusions of economic praxeology and the personal value judgments of the economist. Critical appraisal can be objective, value-free, and untainted by bias. It is important for economic science to be value-free and undistorted by the value judgments or personal preferences of the economist. The credibility of economic science depends upon an impartial and dispassionate concern for truth. Value-freedom is a methodological device designed to separate and isolate an economist's scientific work from his personal preferences. His goal is to maintain neutrality and objectivity with respect to the subjective values of others.

Misesian economics focuses on the descriptive aspects of human action by offering reasoning about means and ends. The province of praxeological economics is the logical analysis of the success or failure of selected means to attain ends. Means only have value to the degree that their ends are valued. The reasons an individual values what he values and the determination of whether or not his choices and actions are morally good or bad are certainly significant concerns but they are not the realm of the praxeological economist. The content of moral or ultimate ends is not the domain of the economist *qua* economist. There is another level of values that defines value in terms of right preferences. This more objectivist sphere of value defines value in terms of what an individual ought to prefer (Machan 1998).

Simply because Mises expounds a value-free science of economics does not mean that he believes that a man's behavior lacks moral content. Because a human being is not compartmentalized, economic values and moral values coexist in a man's consciousness, frequently affect one another, and often overlap. Sooner or later, some moral values must be referred to before the propositions of praxeological economics can be used in men's concrete situations and in service of their ultimate ends. It follows that theories of the moral good are compatible with Austrian economics because they exist on a different plane.

Knowledge gained from praxeological economics is both value-free (i.e., value-neutral) and value-relevant. Value-free knowledge supplied by economic science is value-relevant when it supplies

information for rational discussions, deliberations, and determinations of the morally good. Economics is reconnected with philosophy, especially metaphysics and ethics, when the discussion is shifted to another sphere. It is fair to say that economic science exists because men have concluded that the objective knowledge provided by praxeological economics is valuable for the pursuit of both a person's subjective and ultimate ends.

Advocating or endorsing the idea of "man's survival *qua* man" or of a good or flourishing life involves value judgments. To make value judgments, one must accept the existence of a comprehensive natural order and the existence of fundamental absolute principles in the universe. This acceptance in no way conflicts with the Misesian concept of subjective economic value. Natural laws are discovered; they are not arbitrary relationships, but instead are relationships that are already true. A man's human nature, including his attributes of individuality, reason, and free will, is the ultimate source of moral reasoning. Moral value is meaningless outside the context of man.

Knowledge of the consequences of alternative social arrangements is necessary and useful in deciding from among different social structures. The choice of the best model of political economy is a value-laden endeavor that is underpinned by the value-free logic of praxeological economics. Given the nature of a human being, it is only he who can decide, and has the right to decide, upon the relative importance of different values and whether or not to act upon them. Since a person has free will, he can choose to cause physical changes to occur without any prior physical causes. Values are metaphysically freely chosen and acted upon when there is an absence of coercion. Man's distinctiveness from other living species is his ability to originate an act of his consciousness. This process of thought is originated volitionally. Freedom is the degree of independence of an individual's plans from the plans of others. Freedom can be assessed by examining the autonomy a man would have under various social arrangements. Praxeological analysis reveals that a free market society results in the optimal amount of freedom, social cooperation, and social coordination.

Praxeological economics and Objectivism, a philosophy of human

survival and flourishing, are compatible disciplines. Economics teaches us that social cooperation through the private property system and division of labor enables most individuals to prosper and to pursue their flourishing and happiness. In turn, the worldview of human flourishing informs men how to act. In making their life-affirming ethical and value-based judgments, men can refer to and employ the data of economic science.

Comparing the Ideas of Rothbard and Rand

Rothbard was totally committed to the praxeological method. In fact, he thought that Mises was not sufficiently thoroughgoing or revolutionary enough with respect to his praxeological deductions. By consistently taking the praxeological path in economics, Rothbard arrives at the desirability of a pure anarchocapitalist society. He convincingly argues that a stateless society is the only society totally consonant with natural rights to person and property. For Rothbard, freedom means private property, consent, and contract. It follows that the institutions and projects of a legitimate society stem from consensual agreements between property owners. Rothbard endorses private property anarchism because he could not reconcile a coercive monopoly government with men's natural rights to liberty and to legitimately acquired property.¹⁰

For Rothbard, the state cannot be defended on praxeological or on moral grounds. He systematizes a fully consistent argument against government interventions in human pursuits in any form or circumstances. Rothbard demonstrates that there exists no proper role for the State by explaining how market enterprises or associations can supply any good or service desired by individuals. Private companies and voluntary associations can do whatever needs to be accomplished. The market can produce all goods and services including defense, security, and arbitration activities.

Rothbard produced a system of political and social philosophy based on economics and ethics as its foundations. First, he presents an exhaustive case for a pure market economy based on the observation that men act in *Man, Economy, and State* (1970). Then, in *The*

Ethics of Liberty (1982), he explains the relationship between economics and ethics, which is grounded in the concept of property. Rothbard teaches that economics can provide data and knowledge for a libertarian position but it cannot validate that political philosophy itself. Insisting that economics, as a science, is value-free, he contends that an ethical foundation must be established in order to make the case for individual freedom. According to Rothbard, economics and ethics are separate, complement one another, and are based on the nature of man and the world. He recognizes the need for an ethic to underpin, accompany, and enhance a value-free economics in order to bolster the argument for a free-market society. To make a case for laissez faire, Rothbard goes beyond economics by formulating an objective ethics that affirms the essential value of liberty.

Separating praxeological economics from the science of ethics, Rothbard bases his ethical system upon the principles of self-ownership and first use-first own. Beginning with axiomatic principles about the nature of man and the world, Rothbard devises a radical dualistic dissociation between political ethics and personal morality. In essence, he is distinguishing between what Rasmussen and Den Uyl (1991) call the “metanormative” sphere of politics and law and the “normative” domain, which concerns moral or ethical principles for one’s self-fulfillment and flourishing. Rothbard differentiates between natural rights and the morality or immorality of the exercise of those rights. There is a critical distinction between the right to take a particular action and its morality.

Rothbard’s book, *The Ethics of Liberty*, is not a prescription for personal morality. Instead, he concentrates on the political dimension of social relations by constructing a framework of political philosophy that only expresses what ought to be permitted and not what is desirable or proper. Rothbard’s goal was to develop the branch of natural law that involves natural rights and that pertains to the political realm. He was concerned with building a system of rules consistent with social cooperation, interpersonal conduct, and the maintenance and facilitation of human life.

Rothbard’s libertarian ethic considers nonaggression to be an absolute principle prior to any foundation for personal morality. In

other words, he separates the form of human liberty from any specific noncoercive context in which a person's liberty is used (Sciabarra 2000, 219). Rothbard is morally neutral with respect to the particular values and goals at which a person aims as long as the individual does not initiate the use of force or fraud against others. Although Rothbard realizes the importance of an individual's personal moral values, he views them as separate from, and dependent upon, the institution of a libertarian social order.

Both Rothbard and Rand were concerned with the nature of man and the world, natural law, natural rights, and a rational ethics based on human nature and discovered through reason. They also agreed that the purpose of political philosophy and ethics is the promotion of productive human life on earth. In addition, both adopted to a great extent, Lockean natural rights perspectives and arguments to legitimize private property. Additionally, they both disagreed with Mises's epistemological foundations and on very similar grounds.

Both Rothbard and Rand endeavored to determine the proper rules for a rational society by using reason to examine the nature of human life and the world and by employing logical deductions to ascertain what these natures suggest. They agreed on the volitional nature of rational human consciousness, a man's innate right of self-ownership, and the metanormative necessity of noncoercive mutual consent. Both thus subscribed to the nonaggression principle and to the right of self-defense. For Rand (1961, 57–58), this right *must* be delegated to the government in all but emergency situations.

Rothbard and Rand did not agree on the nature of (or need for) government. They disagreed over the practical applications of their similar philosophies. Rejecting Rand's idea of a constitutionally limited representative government, Rothbard believes that their shared doctrines entail a zero-government or anarchocapitalist framework based on voluntarism, free exchange, and peace.

Rothbard and Rand subscribe to different forms of meta-normative libertarian politics—Rothbard to anarchocapitalism and Rand to a minimal state. Unlike Rand, Rothbard starts and ends his ethics at the metanormative level. Rand, by contrast, advocates a minimal state form of libertarian politics based on the fuller founda-

tion of Objectivism through which she attempts to supply an objective basis for values and virtues in human existence. Of course, Rothbard did discuss the separate importance of a rational personal morality, and stated his essential agreement with most of Rand's philosophy (Branden 1986, 413). His writings, much like those of Carl Menger, the founder of Austrian economics, have done a great deal to bridge Austrian economics and Objectivism.

Post-Randian Philosophers of Human Flourishing

A post-Randian or neo-Aristotelian self-perfectionist approach to ethics can be shown to support the natural right to liberty, which itself provides a solid foundation for a minimal state. This approach gives liberty moral significance by illustrating how the natural right to liberty is a social and political condition necessary for the possibility of human flourishing—the ultimate moral standard in Aristotelian ethics interpreted as a natural-end ethics. A foundation is thus provided for a classical liberal political theory within the Aristotelian tradition. Modern proponents of this approach include Rasmussen, Den Uyl, and Machan, among others.¹¹

Although these philosophers of human flourishing are in the Randian tradition, they do not strictly subscribe to Objectivism. Although they recognize that Rand established the groundwork, they realize that there is no need to agree with her on every point. Their approach is to search for correct ideas and to promote what is true and right. Their goal is to provide a more solid foundation and a more unified viewpoint with respect to understanding the nature and workings of the world. They have endeavored to provide a broader perspective than Rand that includes a thicker theory of the human person and an inclusive-end teleology and theory of human flourishing.

Ideas can be accepted by individuals to varying degrees. Philosophy can be refined, amplified, expanded, and applied in new directions. We should view Objectivism, Aristotelian egoism, rational individualism, ethical egoism, moral individualism, ethical individualism, the philosophy of human flourishing, or whatever this biocentric

worldview may be called, as an open system of thought championing a broadly objective ethics through which a person can best flourish.

Toward an Integrated Framework

Praxeological economics and Objectivism (along with the closely related philosophy of human flourishing) are complementary and compatible disciplines. Economics teaches us that social cooperation through the private property system and division of labor enables most individuals to prosper and to pursue their flourishing and happiness. In turn, the worldview of Objectivism and human flourishing informs men how to act. In making their life-affirming ethical and value-based judgments, men can refer to and employ the data of economic science.

A conceptual and moral defense of a political and economic system must be grounded on the best reality-based ethical system that a reasoning individual can discover. A true paradigm or body of theoretical knowledge about reality must address a broad range of issues—in metaphysics, epistemology, value theory, ethics, and so on—in a systematic fashion. The concern of the system-builder is with truth as an integrated whole. Such a body of knowledge is circumscribed by the nature of facts in reality including their relationships and implications. When constructing a paradigm, it is legitimate to take a selective approach with respect to existing philosophical positions because a paradigm's consistency with reality is all that really matters. It is thus appropriate for us to extract what is true and good from the writings of Mises, Menger, Rand, and others and use those components as a basis for a better integration that allows for a deeper understanding of what would constitute a morally right socioeconomic system. By integrating and synthesizing essential elements of the ideas of the Austrian School of economics with those of Rand's Objectivism, we can come closer to a comprehensive, logically consistent view of the world and a foundation and justification for *laissez-faire* capitalism.¹²

Austrian-Objectivism would be a systematic philosophy that includes a particular view of reality, human nature, human action, the

nature of knowledge, and the nature of value, and would include a specific code of morality based on the requirements of life in this world. The integration of the tradition of Austrian economics and the philosophy of Objectivism would enhance both heritages and provide a more solid foundation and a more unified perspective with respect to understanding the nature and workings of the world.

The Aristotelian, Mengerian, and Randian perspectives see reality as objective. There is a world of objective reality that exists independent of human beings and that has a determinate nature that is knowable. It follows that natural law is objective because it is inherent in the nature of the entity to which it relates. The content of natural law, which derives from the nature of man and the world, is accessible to human reason. Principles that supply a systematic level of understanding must be based on the facts of reality. In other words, the principles of a true conceptual framework must connect with reality. The only way to successfully defend principles and propositions is to show that they have a firm base or foundation.

Menger, like Aristotle, claimed that essences exist within entities themselves. For immanent realists such as Menger and Aristotle, essences are embedded in concretes and are assumed to be self-evident. In other words, the mind would tend to be epistemologically passive in arriving at essences, universals, or concepts. Menger speaks in an Aristotelian sense when he explains his exact theory. Although Menger's value theory was sound, the epistemology on which it rests is not as convincing as it could have been if he had recognized, as does Rand, that concepts or universals are epistemological rather than metaphysical. If an essence is metaphysical, a person would just look at an object and abstract or intuit its essence. Although most people would "get it," some would not and this would lead to skepticism. What Menger needed was to be able to validate his theory of concepts. To do this he would have had to view essences as epistemological and the mind as epistemologically active, but as metaphysically passive. Mental effort is required to form abstractions and to discover the nature of actualities that exist in the world. One's theory of value is underpinned by a theory of concepts and if the latter is flawed then one can question the former.

Mises treated the concept of action as a priori and self-evident and deduced all other concepts from it through logic alone. Epistemologically, the dependence on the a priori reveals the effort to avoid the induction of concepts from empirical observation. Mises's declaration of the a priori negates the functions of a person's cognition and evaluation of external reality. Mises failed to recognize that to defend concepts such as human nature, individual rights, and value requires the defense of abstractions, which are products of a relation between a subject and an object. Concepts enable a person to organize his understanding of the world.

Rand's theories of concepts, values, and ethics accurately reflect a man's epistemic nature. Objectivism endorses a theory of objective value and an ethics that reflects the primacy of existence. Because Rand identified and comprehended the nature of concepts and the nature of the concept of value itself, it is possible for us to understand them and to explain to others the logical steps that were included in their formulation.

Rand's conception of universals (or essences) as epistemological is arguably superior to the traditional interpretation given to the Aristotelian or Mengerian metaphysical idea of universals. Rand explains that knowledge is acquired by an active, conscious agent through the processes of induction and deduction. In order to deduce from axioms and general statements, we must first have inductive inferences. We can know via the senses, inferences from data supplied by the senses, and introspective understanding. Once it is acknowledged that Mises's action axiom could be derived through an inductive process, it will then be legitimate to follow and adopt his logical arguments that all the core principles and relationships of economics can be deduced from that axiom. After the free market has been accepted as morally and politically legitimate, it is then appropriate for economists to derive praxeological laws.

Objectivism's Aristotelian perspective on the nature of man and the world and on the need to exercise one's virtues can be viewed as complementary with the praxeology of Austrian economics. Placing the economic realm within the general process of human action, which itself is part of human nature, enables theoretical progress in

our search for the truth and in the construction of a systematic, logical, and consistent conceptual framework. The Objectivist worldview can provide a context to the economic insights of the Austrian economists. Of course, any paradigm should be open to further intellectual investigations that may enrich it. There is always more to be learned about reality.

Notes

1. The earliest explicit call for an integration of Austrian economics and Objectivism that I have encountered came from Larry J. Sechrest in two presentations made at the 1997 Summer Seminar for the Institute for Objectivist Studies (now, The Objectivist Center). The titles of these two presentations were “Austrian Economics and Objectivism: Values and Valuation” and “Austrian Economics and Objectivism: Methodology.” However, to my knowledge, the earliest work that drew from Rand’s epistemology in a defense of the Austrian method was John Egger’s 1978 essay “The Austrian Method.”

2. For invaluable discussions of Menger as an Aristotelian immanent realist, see Kauder 1957; Bostaph 1978; White 1984; Smith 1986; Mäki 1990; Smith 1990; Gordon 1993; and Zúñiga 1999.

3. For excellent examinations of Menger’s methodology, see Hutchinson 1973; Mäki 1990; Smith 1990; Milford 1990; Birner 1990; and Sciabarra 2000.

4. In addition to *Epistemological Problems* ([1933] 2003), Mises’s methodological writings can be found in *Human Action: A Treatise on Economics* ([1949] 1963), *Theory and History* ([1957] 1964), and *The Ultimate Foundation of Economic Science* ([1962] 1979). For outstanding analyses of Mises’s methodology, see Caldwell 1984; Hoppe 1988; Smith 1990; Herbener 1991; Eshelman 1993; and Gordon 1994.

5. It is widely recognized that there is a dimension of interiority for human beings. The human person, the acting person, can reflect, deliberate, choose, initiate action, and assume responsibility for his actions. In addition to Austrians and Objectivists, noted economic personalists, such as Pope John Paul II and Michael Novak, herald the acting person’s interior life of insight, reflection, and decision.

6. See also Gunning 1997.

7. See Rand 1957; 1964; [1966–67] 1990; 1967; 1982; and 1989. In addition, see Peikoff 1991, the first comprehensive statement of Rand’s philosophy of Objectivism. Also of interest is Den Uyl and Rasmussen’s (1984) book of readings on the thought of Ayn Rand and part 2 of Sciabarra’s *Ayn Rand: The Russian Radical* (1995).

8. For relevant and useful discussions and explanations of the implications of subjectivism, see Buchanan 1979; Shearmur 1992; and Zúñiga 1998.

9. For superb discussions of the idea of value-freedom see Rothbard 1973; 1976; High 1985; Gunning 1991; Machan 1998; and Crespo and Boettke 1998.

10. See Rothbard 1970; [1970] 1977; 1973; and 1982. In addition, see Sciabarra 2000, part 2 of which provides an excellent analysis of Rothbard’s body of work.

11. See Veatch 1962; Norton 1976; Machan 1989; 1990; Rasmussen and Den Uyl 1991; 1997.

12. It must be pointed out that not all Austrians view the state as a necessary evil with minimum functions as does Mises. Others, such as Rothbard, are anarcho-capitalists, who perceive the state as an entity that, by its nature, involves coercion and that can aggress against individuals through taxation, conscription, and the imposition of its own arbitration and defense services. Rothbardian anarcho-capital-

ists contend that security and conflict resolution services can be supplied more efficiently and in greater accord with human freedom in an open market. In essence, those in the Rothbardian camp believe that Mises did not follow his own praxeological methodology the entire way to its ultimate logical anarchistic conclusion.

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