

# Classical, neoclassical and Austrian philosophy of economic science

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# **Classical, Neo-Classical and Austrian Philosophy of Economic Science**

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## **Abstract**

In this paper apriorism has been examined, the main-stream philosophy of economic science. An essential element in apriorism is the idea that the economist should always start his analysis from a hard, solid core of assumptions, in which he can have great confidence. Since most aprioristic thinkers reflect to some extent the insights of Robbins, Menger and Mill, the latter have been considered rather extensively. Menger and Mill have virtually the same arguments for their almost identical hard core assumptions. It is partly a methodological argument: for a knowledge of the consequence of the various motives influencing human action, we must first know the consequences of each of these motives separately. Observation and/or introspection reveal to us what these motives are. In economics this amounts to the hard core assumption of an economic man striving efficiently towards his economic end. Robbins argues in a fundamentally different way, since his hard core contains almost universal facts of experience, present whenever human activity has an economic aspect. On the other hand Mill and Robbins have almost identical views concerning the confrontation of deduced results with reality and the value of economic predictions.

The aprioristic approach is said to disapprove of the usual practice of econometrics mainly because the latter does not base its theory on a set of assumptions that can be considered as a hard core within apriorism. The views of Robbins and Von Mises appear to confirm the idea that apriorism is incompatible with this usual practice.

## 1. Introduction

The mainstream philosophy of the economic science, at least until the fifties of the present century, is apriorism, especially empirical apriorism. A great number of economists, when writing about their philosophy of science, reveal ideas which are related to those of the Classical author John Stuart Mill (1874), the Neo-Classical and Austrian author Carl Menger (1883) and Neo-Classicist Lionel R. Robbins (1969). This applies, for example, to Senior (1938), Cairnes (1875), Dietzel (1895), J.N. Keynes (1891) and Von Mises (1962). In section 5 and 6 this point is further developed. Therefore, to understand apriorism it is useful to give a fairly extensive and precise sketch of the ideas of Mill, Menger and Robbins. The sections 2, 3, and 4 are an attempt to do this, by trying to focus attention on the arguments these writers give for their philosophies and to emphasize the restrictions they see in the applicability of their ideas. In section 7 it turns out that the usual practice of econometric practice does not fit within apriorism.

## 2. The Classical Philosophy of the Economic Science according to Mill

The title of Mill's essay, "On the Definition of Political Economy; and on the method of Investigation Proper to It," emphasizes the important relation that, according to Mill, exists between this definition and the appropriate method of analysis. The social sciences should concentrate on the *"principles of human nature which are peculiarly connected with the ideas and feelings generated in man by living in a state of society."*<sup>1</sup> Moreover he states: "When an effect depends on a concurrence of causes, those causes must be studied one at a time, and their laws separately investigated, if we wish through the causes to obtain the power of either predicting or controlling the effect."<sup>2</sup> And: *"In order to judge how he (i.e. man in society) will act under the variety of desires and aversions which are currently operating upon him, we must know how he would act under the exclusive influence of each one in particular."*<sup>3</sup>

Given these statements Mill's description of the task of economics hardly contains a surprise. Economics, as a branch of the social sciences, is concerned with man in society:

*"solely as a being who desires to possess wealth, and who is capable of judging of the comparative efficacy of means for obtaining that end. It predicts only such of the phenomena of the social state as take place in consequence of the pursuit of wealth. It makes entire abstraction of every other human passion or motive; except those which may be regarded as perpetually, antagonizing principles to the desire of wealth, namely aversion to labour, and desire of the present enjoyment"*

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<sup>1</sup>See Mill (1874), p. 134.

<sup>2</sup>*Ibid.*, p. 139.

<sup>3</sup>*Ibid.*, p.139, the text between brackets is mine.

*of costly indulgences.*"<sup>4</sup>

The first of the sentences in this quotation is, in Mill's view, an accurate description of the law of human nature whose consequences in various classes of circumstances economics has to study, and from which this science has its solid starting point. One may of course wonder on what grounds Mill bases this contention. In the first place he argues:

*"The desires of man, and the nature of conduct to which they prompt him, are within the reach of our observation. We can also observe what are the objects can principally collect within himself; with reasonable consideration of the differences, of which experience disclose to him the existence, between himself and others."*<sup>5</sup> Hence introspection reveals the distinguishable desires: the pursuit of wealth is the subject for economics. The rest of Mill's argument follows from his conception of what a social science should do.

So, all economic analysis should start from an economic man knowing his economic goal and the relative efficiency of means to achieve it. This hard core is to be supplemented with assumptions specifying classes of circumstances. Next, analytically implied consequences are to be deduced from this conjunction of fundamental and specifying axioms. If the results of such specified theories are to be confronted with reality one has to investigate, firstly, with which class of cases the particular set of circumstances corresponds.<sup>6</sup>

Secondly, one has to investigate what other circumstances are apparent. These may or may not *"operate upon human conduct through the economic principle (i.e. law) of human nature"*<sup>7</sup> If they do, one may consider whether they are of a sufficient general importance to supplement the theory with additional specifying assumptions, or to replace some of the auxiliary assumptions, in order to arrive at a revised and specialized theory. If they work through the laws of nature of other social sciences, the case falls out the province of economics.<sup>8</sup> Economics is applicable only for those *"departments of human affairs, in which the acquisition of wealth is the main and acknowledged end."*<sup>9</sup>

This conclusion must be supplemented in two aspects, both mainly originating in the complexity of the circumstances. The first concerns prediction, and the second those cases in which the acquisition of wealth is not the only main and acknowledged end. According to Mill, the social sciences cannot be sciences of *"positive predictions, but only of tendencies,"*<sup>10</sup> because *"observation in circumstances of complexity is apt to be imperfect."*<sup>11</sup> The complexity arises from the *"extraordinary number and variety of the data or elements - of the agents which, ..., co-operate towards the effect."*<sup>12</sup>

Hence one can only infer tendencies, i.e. one can only conclude *"from the laws of human*

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<sup>4</sup>*Ibid.*, p. 137-138.

<sup>5</sup>*Ibid.*, p. 149.

<sup>6</sup>*Ibid.*, p. 150-151.

<sup>7</sup>*Ibid.*, p. 151, the text between brackets is mine.

<sup>8</sup>*Ibid.*, p. 151.

<sup>9</sup>*Ibid.*, p.139.

<sup>10</sup>See Mill (55), p. 477.

<sup>11</sup>See Mill (1874), p. 153.

<sup>12</sup>See Mill (55), p. 474.

*nature applied to the circumstances of a given state of society, that a particular cause will operate in a certain manner unless counteracted.*"<sup>13</sup> If an effect depends on different laws of human nature one should consider "all the causes which conjunctly influence the effect and compound their laws (i.e. of the different social sciences concerned) with one another."<sup>14</sup> In such a case the complexity problem of the circumstances may worsen in such a way that the confidence in the results of the deduction process as well as in the comparison of these results with those observed "*diminishes in value, ..., in so rapid a ratio as soon to become entirely worthless.*"<sup>15</sup> In such instances Mill recommends that one postulates laws "*conjecturally from specific experience, and afterwards connect then with the principles of human nature by a priori reasonings, which reasonings are thus a real verification.*"<sup>16</sup> Mill refers to this method as the inverse, deductive method.<sup>17</sup>

To summarize Mill's philosophy of science one can proceed as follows. Each of the branches of the social sciences should study the consequences of one law of human nature, considered in isolation. The formation of theories in a social science exists in the development of conclusions analytically correctly deduced from a set of axioms. This set has a hard core, existing of the law of human nature of the particular social science concerned. In economics this fundamental postulate states that the sole end of mankind is to acquire wealth and that he knows the relative efficiency of means to achieve that end. Mill's definition of the task of economics contains this postulate. Economics should analyse the consequences of the fundamental axiom in various classes of circumstances. Two arguments, basically, defend this definition. Firstly, Mill sees it as the best way to understand and explain social effects. For we should know the effect of each law separately before we are able to explain an effect from a conjunction of laws. Secondly, observation, but principally introspection, teaches what the different laws of human nature are; hence, also the economic law of nature. The fundamental axiom has to be supplemented with assumptions, describing classes of specific circumstances, which influence the outcome of the analysis. Economists should develop specialized theories concerning relevant (i.e. sufficiently general ) classes of circumstances. Predictions can only be made in a conditioned sence, *i.e.* if the auxiliary assumptions remain close enough to the circumstances of the particular case.

A posteriori confrontation of a specialized theory with the facts may indicate replacement or supplementation of the auxiliary assumptions. It may also suggest that other laws of human nature are involved. Then, one may consider combining the expertise concerning the principles of human nature involved in an effort to analyse their compound effects. Such analysis rapidly becomes too difficult a task, because of the complicating influence of the auxiliary axioms specifying the circumstances. Then, Mill recommends the use of the "inverse deductive" instead of the "concrete deductive" method.

### **3. Neo-Classical and early Austrian Philosophy of Economic Science according to Menger**

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<sup>13</sup>*Ibid.*, p. 477.

<sup>14</sup>*Ibid.*, p. 474, the text between brackets is mine.

<sup>15</sup>*Ibid.*, p. 476.

<sup>16</sup>*Ibid.*, p. 476

<sup>17</sup>*Ibid.*, p. 477.

According to Menger theoretical science has and must have an exact and an empirically realistic branch.<sup>18</sup> These branches differ in two aspects, namely the amount of abstraction and the nature of the involved laws. In the empirically realistic branch one starts the analysis from "real types" These types describe the typical, characterizing features of the real phenomena. Within this there is some room for peculiarities.<sup>19</sup> The empirical laws related to these "real types" are to be arrived at by observation of the regularities in subsequence and coexistence of the real phenomena. Menger sees as the most important property of this kind of laws, that they cannot be guaranteed to hold without exception<sup>20</sup>. However, exact laws which hold without exception can be obtained by the exact method of theoretical science. The task of the exact social science is, as Menger states it, to analyze "the phenomena of mankind from the most original and most fundamental forces and motives, and to investigate to what effects each basic, separate motive of human nature leads in a completely free behaviour not restricted by any factors, particularly not by error, ignorance of the situation or external compulsion."<sup>21</sup> In this way we obtain a series of social theories: each taken apart gives only one aspect of human behaviour; taken together however they allow us to understand social behaviour.<sup>22</sup> Exact economics has to analyze the consequences of a very important motive, that of human self interest in its striving to satisfy its needs for goods in complete freedom and with full knowledge of all relevant facts.<sup>23</sup> The exact mode of inquiry is to be based on "strict types", describing the strictly typical elements of the realities. For economics Menger lists as "strict types": the human needs for goods, goods directly offered by nature, including means of production, and the pursuit of the highest satisfaction of these needs.<sup>24</sup> Exact laws are related to these "strict types".

Menger's philosophy concerning the exact social sciences is obviously related to Mill's concrete deductive method. They use virtually identical arguments for the assumptions from which each instance of economic analysis has its solid starting point. First, one should analyze each tendency of human nature, taken in isolation. Then one should put them together to arrive at a full understanding of social behaviour. Economics is concerned with a very important motive, described in the solid core assumptions. These axioms are also very much alike for both authors. Mill defines his economic man "as a being who desires to possess wealth and who is capable of judging the comparative efficacy of means for obtaining that end."<sup>25</sup> Menger's economic man strives to satisfy his needs for goods in complete freedom and with full knowledge. Mill is willingly to confront the deduced results of an economic theory, specified with auxiliary assumptions with reality in cases where the economic end is the main and acknowledged one. At the same time he suggests that this

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<sup>18</sup>See Menger (1883), esp.ch. 4.

<sup>19</sup>*Ibid.*, p. 36

<sup>20</sup>*Ibid.*, P. 36-38, p. 58.

<sup>21</sup>*Ibid.*, p. 77-78. All Menger's quotations have been translated by the author

<sup>22</sup>*Ibid.*, p. 77-78 and p. 42-43.

<sup>23</sup>*Ibid.*, esp. p. 73-75 and p. 78.

<sup>24</sup>*Ibid.*, p. 45.

<sup>25</sup>Mill (1874), p. 137-138.

is an important and large class of cases.<sup>26</sup> Menger is hardly prepared to confront the theoretical results with reality, being convinced that a theory with his hard core, economic man assumption accords with full reality only in very rare cases.<sup>27</sup> He classifies testing of exact theories against reality as a denial of the basic principles of the exact method.<sup>28</sup> *"Nothing is so certain"* as Menger puts it *"that the results of exact analysis seem ... unrealistic to the norms of reality."*<sup>29</sup>

Menger thinks that this distinction of an exact and an empirically realistic branch applies to all sciences. To illustrate this point he states, as an example, that chemistry postulates the unempirical laws that elements and their compounds exist in their full purity and that they are identical in their real phenomena for all times and places.<sup>30</sup> Furthermore it is to be emphasized, in the most explicit way possible, that Menger warns against a one-sided use of only the exact method.<sup>31</sup> In his view the finding of empirically realistic laws is of great importance for the prediction and the control of phenomena in the real economy.<sup>32</sup> In this context he adds that the more complex the situation is, the more difficult the application of the exact method is.<sup>33</sup> So, again we find a parallel idea with Mill. He also sees application of the concrete deductive method as a more difficult task in more complex situations. Moreover, Menger's empirically realistic method obtains empirical laws in the same way as Mill's inverse deductive method. But since, in Menger's view, empirical laws can never be guaranteed to hold without exception, he cannot see Mill's connective reasoning to the principles of human nature as a verifying procedure.

Menger strongly criticizes the view of the Historical School.<sup>34</sup> According to the adapts of this School the economic phenomena should be studied in an inseparable relation with the social and political (staatlichen) development of the peoples.<sup>35</sup> Economics should not start its analysis from an unrealistic economic man assumption, because in reality many, sometimes conflicting, motives lead human action. Menger acknowledge this principle as guideline for a historic understanding. History should teach all aspects of all phenomena.<sup>36</sup> As already pointed out above, they should study the consequences of each basic human motive in isolation, whereas a universal, full understanding of the social phenomena can only be obtained by a conjunction of social sciences. Moreover, the real types and the empirical laws of the realistic method also abstract from full reality. Without abstraction, one cannot obtain any law, as Menger puts it.<sup>37</sup> But empirical laws related to specified real types are, of course, influenced by the context of law morality, etc., within the real types concerned have been observed. Hence, Menger considers an attempt to imply non-economic factors

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<sup>26</sup>Mill (1874), p. 139

<sup>27</sup>Menger (1883), esp. p. 54-57.

<sup>28</sup>Menger (1883), p. 54.

<sup>29</sup>*Ibid.*, p. 54.

<sup>30</sup>*Ibid.*, P. 76.

<sup>31</sup>*Ibid.*, p. 46 and p. 52.

<sup>32</sup>*Ibid.*, p. 54.

<sup>33</sup>*Ibid.*, p. 52.

<sup>34</sup>*Ibid.*, esp. ch. 6 and 7.

<sup>35</sup>See e.g. C. Dietzel (22), p. 52 and C. Knies (41), p. 29 and 109 ff.

<sup>36</sup>*Ibid.*, p. 67.

<sup>37</sup>*Ibid.*, p. 68

in the empirically realistic branch as superfluous.<sup>38</sup>

In this connection a final note may be made. The critique of the Historical School did not and does not find considerable momentum among economists. Hereto one can add that the work related to this School. *"has, abstracted from a few exceptions, been stuck into the collection of empirical data, of which the theoretical processing was postponed to a distant future. When they tried a theoretical reasoning, they usually used the just heavily criticized principles of the common abstract theories."*<sup>39</sup>

#### 4. Neo-Classical Philosophy of Economic Science according to Robbins

Robbins also emphatically deals with the definition of the task of economics.<sup>40</sup> As in the cases of Mill and Menger the resulting concept is closely related to his philosophy of science.<sup>41</sup> Economics has, as Robbins posits it, to analyze human behaviour purposively directed to given ends with given scarce means, which have alternative uses.<sup>42</sup> Scarcity *"means limitation in relation to demand."*<sup>43</sup> He stresses the *"economics is entirely neutral between ends"* and *"to speak of end as being itself 'economic' is entirely misleading."*<sup>44</sup> As is rather obvious this definition of the task of economics differs from the ones given by Mill and Menger.<sup>45</sup>

In Mill's concept there is clearly an economic end: the desire to possess wealth. This also applies to Menger, for whom the fullest attainment of satisfaction with goods is the economic motive. Hence, Robbins does not consider economics that part of the social sciences that concentrates on the economic motive, and abstracts from the other human desires, as Mill and Menger do. Furthermore, his definition does not imply the assumption of fully efficient or completely rational use of the given means to achieve the given end, whereas Mill and Menger assume something that is very much akin to this economic principle. It only implies purposive action.<sup>46</sup> So it is to be noted that Robbins' description of the task of economics does not contain his hard core assumptions, the consequences of which the economist has to analyze in various cases.

This task, however, is precisely the nature of economic analysis as he sees it. That nature consists *"of deductions from a series of postulates, the chief of which are almost universal facts of experience present whenever human activity has an economic aspect, the rest being assumptions of a more limited nature based upon the general features of particular situations which the theory*

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<sup>38</sup>*Ibid.*, p. 70.

<sup>39</sup>See P. Hennipman (32), 1945, p. 19. The translation is mine.

<sup>40</sup>See Robbins (1969), chapter 1.

<sup>41</sup>See section 2.1 and 2.2. above.

<sup>42</sup>*Ibid.*, p. 16, 24, 93.

<sup>43</sup>*Ibid.*, p. 46.

<sup>44</sup>*Ibid.*, p. 24.

<sup>45</sup>Although this is not recognized by Robbins, see the footnote on p. 16.

<sup>46</sup>*Ibid.*, esp. p. 93-94



is to be used to explain".<sup>47</sup> Obviously this proposition is by and large in agreement with the philosophies of Menger and Mill. The subsidiary postulates regard *"the condition of markets, the number of parties to the exchange, the state of the law, the minimum sensible of buyers and sellers, and so on."*<sup>48</sup> So these auxiliary assumptions *"may be drawn from "historico-relative material"."*<sup>49</sup>

This does not apply for the main, hard core assumptions.<sup>50</sup> Robbins lists as examples of these universal axioms:

- *"the different things that the individual wants to do have a different importance to him, and can be arranged therefore in a certain order."*<sup>51</sup>
- the law of diminishing returns, i.e. the increase of the amount of one factor of production without increasing the amounts of the others leads to a less than proportional increase of the product.<sup>52</sup>
- the uncertainty with regard to the future availability of scarce good and scarce factors.<sup>53</sup>
- the existence of indirect change.<sup>54</sup>

As a third kind of premises Robbins adds *"approximative"* assumptions such as perfect rationality and perfect foresight *"which are introduced into economic analysis at various stages of approximation of reality."*<sup>55</sup> The purpose of this kind of assumption is *"to enable us to study, in isolation, tendencies which, in the world of reality, operate in conjunction with many others, and then, by contrast as much as by comparison, to turn back to apply the knowledge thus gained to the explanation of more complicated situations."*<sup>56</sup> So, although Robbins rejects the economic principle (since he list as universal axiom the uncertainty with regard to the future availability of scarce good and scarce factors), he allows assumptions of this (third) kind as intermediate steps towards full reality. This point of view clearly differs with the insights of Menger and Mill. However it must be stated that Robbins does not elaborate on this, e.g. how these approximations must be improved and how the obtained results relate to other sciences.

With regard to the confrontation of the conclusions of the deducted results with reality Robbins identifies three functions:<sup>57</sup>

- a check on the applicability of different types of theoretical constructions to given situations.
- the suggestion of the auxiliary postulates.
- the exposure of area where pure theory needs to be reformulated and extended.

From given data the predictions of the economic law follow logically and inevitably. So, is the

<sup>47</sup>*Ibid.*, p. 99-100.

<sup>48</sup>*Ibid.*, p. 79. Robbins explains this on p. 99: A change in price must attain the minimum sensible to have an effect.

<sup>49</sup>*Ibid.*, p. 80.

<sup>50</sup>*Ibid.*, p. 80.

<sup>51</sup>*ibid.*, p. 75

<sup>52</sup>*Ibid.*, p. 76-77.

<sup>53</sup>*Ibid.*, p. 77-78.

<sup>54</sup>*Ibid.*, p. 78.

<sup>55</sup>*Ibid.*, p. 94.

<sup>56</sup>*Ibid.*, p. 94.

<sup>57</sup>*Ibid.*, p. 118

circumstances and the auxiliary assumptions correspond, then the deduced conclusions are inevitable predictions. But, of course *"if the data change, the consequences predicted do not necessarily follow."*<sup>58</sup> Moreover, as Robbins adds: *"the very fact that events in the large are uncontrolled, that the fringe of given data is so extensive and so exposed to influence from unexpected quarters, must take the task of prediction, however carefully safeguarded, extremely hazardous."*<sup>59</sup> These insights, regarding prediction and the confrontation of theory with reality, coincide largely with Mill's ideas.

Although Robbins acknowledges the value of applied economics related to index data for certain practical purposes, he emphasizes that the conclusions, thus obtained, do not follow from the laws of pure theory.<sup>60</sup> Moreover, he states very explicitly that attempts to obtain quantitative laws will not lead to results of a permanent value: not one quantitative law of permanent value has emerged, not in the studies of the Historical School, not by the Institutionalists and not from the applications of modern statistical techniques by adepts of the "orthodox" theoretical analysis.<sup>61</sup> They may, however, provide some guideline for short term predictions.<sup>62</sup>

## 5. Comparison of Mill, Menger and Robbins

It may be useful to list a few key-words to characterize the essential features of the philosophies of science which have been discussed so far. These concepts are: economic end, efficient action, empirical, exact and apriorism. "Economic end" means here that the author concerned believes that it is possible to define an economic end. "Efficient action" refers to postulates assuming that human action, directed to given ends, is capable of striving after these ends in an efficient way. The predicate "empirical" refers to the idea that the results of economic analysis should be applied and confronted with reality in a way described for Mill and Robbins in the sections 2 and 4.<sup>63</sup> The adjective "exact" indicates Menger's view that the results of exact economic analysis should not be tested against reality. Finally "apriorism" stands for the idea that all economic analysis should start from a basic set of axioms, a hard core in which the economist can have great confidence, supplemented with auxiliary assumptions specifying classes of circumstances.

With these concepts Mill's concrete deductive method can be characterized as "empirical apriorism", in which the hard core of an economic end and efficient action exists. The exact method of Menger can be referred to as "exact apriorism" with the same hard core. Robbins' philosophy can be called "empirical apriorism", in which the universal axioms do not include an economic end and efficient action. He only assumes "purposive action" and lists four other basic axioms.<sup>64</sup>

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<sup>58</sup> *Ibid.*, p.123

<sup>59</sup> *Ibid.*, p. 125.

<sup>60</sup> *Ibid.*, esp. p. 63-70.

<sup>61</sup> *Ibid.*, p. 114-116.

<sup>62</sup> *Ibid.*, p. 108.

<sup>63</sup> So "empirical apriorism" in our context differs in meaning from Klant's, see esp. his p. 88.

<sup>64</sup> See page 12 and 13 above.

## 6. Related views

A great number of authors have ideas which can be conceived of as a kind of mixture of those of Robbins and Mill. This applies, for example, to Senior, Cairnes, Dietzel, J.N. Keynes and Von Mises. Senior lists four "elementary", hard core, assumptions. The first of these implies "efficient action".<sup>65</sup> Cairnes reports two "paramount mental principles", implying an economic end and efficient action. Moreover he also points out two kinds of subsidiary axiom. Of these two kinds an economist should always use one in some specified form. They relate to propensities, determining the laws of population, and to the physical qualities of the soil and other natural agents.<sup>66</sup> Dietzel distinguishes between psychological "hard core" premisses and social "subsidiary" postulates. The first two of his three psychological assumptions state an economic end and efficient action respectively. As general "hard core" assumptions of J.N. Keynes one may list *"the principle that men desire to increase their sum of satisfactions with the smallest possible sacrifice to themselves, the law of decreasing final utility as amount of commodity increases, the law of diminishing return from the land, and the like,"* ...<sup>67</sup> As less general subsidiary assumptions he denotes the alternative hypotheses of free competition and pure monopoly. For the combination of all the assumptions he requires that all the phenomena at the period and place to which the investigator has primary reference<sup>68</sup> be included. So, apart from the hard core the theory must contain adequate auxiliary assumptions.

The next section focuses attention upon the Neo-Austrian insights of Von Mises.

## 7. Neo-Austrian Philosophy of Economic Science according to Von Mises

Finally, there is Von Mises. In order to demonstrate that he also belongs to the empirical apriorists, he will be discussed slightly more extensively.<sup>69</sup> Von Mises sees economics as a part of praxeology. This theoretical science is concerned with human action. To act means *"to strive after ends, that is to choose a goal and to resort to means in order to attain the goal sought"* or: *"Action is purposive conduct. It is not simply behaviour but begot by judgements of value, aiming at a definite end and guided by ideas concerning the suitability of definite means."*<sup>70</sup> This purposive action should be done so that *"no less urgently desired end should be satisfied if its satisfaction prevents the attainment of a more urgently desired end."*<sup>71</sup> economics is, according to Von Mises, the only elaborated branch of praxeology and deals *"with all market phenomena, in all their aspects."*<sup>72</sup>

It is remarkable that the task Von Mises sees for praxeology coincides very much with the task Robbins defines for economics. So, economics in Von Mises' sense may have a narrower scope.

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<sup>65</sup>See Senior (1938), esp. p. 26 ff.

<sup>66</sup>See Cairnes (1875), esp. p. 41.

<sup>67</sup>See Keynes (1891), p. 227.

<sup>68</sup>See Keynes (1891), p. 227.

<sup>69</sup>Klant places Von Mises outside the Mill-Robbins philosophy.

<sup>70</sup>See von Mises (1962), p. 4-5 and 34.

<sup>71</sup>*Ibid.*, p. 69.

<sup>72</sup>*Ibid.*, p. 77.

Whatever the case may be, economics in Robbins' sense can clearly be conceived of as a part of, or as identical to, Von Mises' praxeology. And their philosophies of science have more in common. It is obvious that Von Mises' description of purposive action implies Robbins ordered preferences assumption. Von Mises also emphasizes the uncertainty of the future,<sup>73</sup> which is Robbins third basic postulate. Moreover Von Mises acknowledges the auxiliary assumptions, as he states: *"Into the chain of praxeology reasoning, the praxeologist introduces certain assumptions concerning the condition of the environment in which an action takes place. Then he tries to find out how these question whether or not the real conditions of the external world correspond to these assumptions is to be answered by experience."*<sup>74</sup> Notable related views also concern prediction. Von Mises states *"the predictions of praxeology are, within the range of their applicability, absolutely certain."*<sup>75</sup> But the value judgements concerning the ends of human action may change in the future, so it cannot be known in advance whether the anticipation of these future value judgements base on specific historical understanding will be correct.<sup>76</sup> So, it turns out that one need not hesitate placing Von Mises within the framework of empirical apriorism.

The opinions of Robbins and Von Mises, who are aware of modern macro-econometric practice, confirm this view. We refer to the end of section 4 with regard to Robbins and quote him here: *"In the last ten years there has been a great multiplication of this sort of thing under the name of Institutionalism, "Quantitative Economics," "Dynamic Economics," and what not, yet most of the investigation has been doomed to infertility from the outset and might just as well never have been undertaken ... Averages are taken of phenomena occurring under the most heterogeneous circumstances of time and space, and the result is expected to have significance."*<sup>77</sup>

In various places Von Mises is rather explicit on this matter: *"As a method of economic analysis econometrics is a childish play with figures that does not contribute anything to the elucidation of the problems of economic reality."*<sup>78</sup> And about macroeconomics: *"The authors who think that they have substituted in the analysis of the market economy a macroeconomic approach for what they disdain as the spurious individualistic approach delude themselves and their public."*<sup>79</sup>

## 8. Summary

In this paper apriorism has been examined, the main-stream philosophy of economic science. An essential element in apriorism is the idea that the economist should always start his analysis from a hard, solid core of assumptions, in which he can have great confidence. Since most aprioristic thinkers reflect to some extent the insights of Robbins, Menger and Mill, the latter have been considered rather extensively. Menger and Mill have virtually the same arguments for their almost

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<sup>73</sup>*Ibid.*, p. 65-66.

<sup>74</sup>*Ibid.*, p. 44.

<sup>75</sup>*Ibid.*, p. 65.

<sup>76</sup>*Ibid.*, p. 65.

<sup>77</sup>See Robbins (1969), p. 112.

<sup>78</sup>See Von Mises (56),p. 63.

<sup>79</sup>*Ibid.*, p. 83.

identical hard core assumptions. It is partly a methodological argument: for a knowledge of the consequence of the various motives influencing human action, we must first know the consequences of each of these motives separately. Observation and/or introspection reveal to us what these motives are. In economics this amounts to the hard core assumption of an economic man striving efficiently towards his economic end. Robbins argues in a fundamentally different way, since his hard core contains almost universal facts of experience, present whenever human activity has an economic aspect. On the other hand Mill and Robbins have almost identical views concerning the confrontation of deduced results with reality and the value of economic predictions.

The aprioristic approach is said to disapprove of the usual practice of econometrics mainly because the latter does not base its theory on a set of assumptions that can be considered as a hard core within apriorism. The views of Robbins and Von Mises appear to confirm the idea that apriorism is incompatible with this usual practice.

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