

METAPHYSICS AND EPISTEMOLOGY FOR A FREE SOCIETY: THE VIEWS OF MENGER, MISES, AND RAND

Professor Edward W. Younkins



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Edward W. Younkins PhD is the author of *Capitalism and Commerce: Conceptual Foundations of Free Enterprise* (Lexington Books, 2002) and a professor of accountancy at Wheeling Jesuit University in West Virginia. This essay first appeared in the December 20, 2003 (No. 135) issue of *Le Québécois Libre*, www.quebecoislibre.org.

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**Libertarian
Alliance**

For Life, Liberty, and Property

Suite 35
2 Lansdowne Row
Mayfair
London
W1J 6HL

Telephone: 0870 242 1712
Email: admin@libertarian.co.uk
Website: www.libertarian.co.uk

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Introduction

Metaphysics is the branch of philosophy that studies the nature of the universe as a totality. Epistemology is concerned with the relationship between a man's mind (i.e., his consciousness) and reality (i.e., the nature of the universe) and with the operation of reason. In other words, epistemology investigates the fundamental nature of knowledge including its sources and validation. One's theory of knowledge necessarily includes a theory of concepts and one's theory of concepts determines one's theory or concept of value (and ethics). The key to understanding ethics is in the concept of value and thus ultimately is located in epistemology and metaphysics.

The purpose of this essay is to explain, evaluate, and reconcile the metaphysical and epistemological ideas of three great defenders of a free society—Carl Menger (1840-1921), Ludwig von Mises (1881-1973), and Ayn Rand (1905-1982). In addition, some brief observations will be made regarding the effects of their epistemologies on their respective theories of value. For a detailed analysis of their value theories, please see my essay, "Austrian Economics Can be Compatible with Objectivist Ethics," which appeared in the September 27, 2003 issue of *Le Québécois Libre*.

Menger's Aristotelianism

Menger sees the world, which includes both physical and mental aspects, as existing independently of our reasoning and thinking activities and as organized in an intelligible fashion. We can know what the world is like due to its conformity to laws that are accessible to reason. Menger is an immanent realist who says that we can know what the world is like both via common sense and through the scientific method. Menger's Austrian Aristotelianism is a doctrine of ontology that informs us what the world is like and what its objects, processes, and states are. His common-sense realism says that we have access to what is real through our everyday experiences. Menger argues that there is one reality knowable by rational means and that all things are subject to the laws of cause and effect. Laws of causality have an ontological or metaphysical reality—how a thing acts is determined by what a thing is. Entities in reality act according to

their natures. An object necessarily tends to behave in a particular way by virtue of its real essence.

According to Menger, there are intelligible a priori essences or natures existing autonomously in reality. Because these essences and essential structures are knowable, corresponding laws of and connections between these structures are able to be comprehended. These essences and the laws governing them are manifested in the world and are strictly universal. These tell us what kinds of relations can exist between various components of reality. Menger sees intelligible law-governed change in the particulars of the world. The essences or laws are precisely universal in that they do not change and in that they are capable of being instantiated in all cultures and at all times. The essences relevant to the various different aspects or levels of reality make up a graphic representation of structural parts. Reasoning using essences or universals as simple conceptual elements will proceed according to the nature of objects and will deduce conceptual systems of causality consonant with the causality of the real world.

Menger's essentialism holds that general essences do not exist in isolation from what is individual. Universals are said to exist only as aspects of specific objects and phenomena that are not directly observable in pure form. Every experience of the world involves both an individual and a universal or general aspect. According to Menger, we can know what the world is like in both its individual and general features.

A realist about universals, Menger observes that they exist in reality and that they are attributes shared by many particular objects. The particulars are individual whereas the universals are general. In order for the universals to be phenomena of conceptualization, they have to be abstracted from empirical reality. Essential or necessary characteristics of an object are those of its real essence. A depiction is concrete if it concerns particulars and is abstract if it is about universals. Only particulars have the capacity to act. Universals not only do not possess the power to act, they cannot exist without the particulars.

Menger believes in the knowability of general laws. However, 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 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.

Menger follows Aristotle in saying that all knowledge about the world begins with induction. He reasons that we can actually detect essences in reality through repeated observations of phenomena which reveal certain similarities according to which objects would be grouped into types or classes via a process of abstraction. Induction involves inference from experience and going from the particular to the general. It follows that even deductions are ontological since they are based on metaphysical reality. Deductions are made from inductively known facts and premises. They are based on reality and are not purely a priori mental categories. Introspection is an ingredient in Menger's epistemology. He says that introspection gives people access to some limited useful and reliable knowledge about other human persons and their experiences such as the experience of making choices. Menger's epistemology makes use of the internal perspective on human action that people share because of their common humanity. He says that introspection should be included in a legitimate epistemology because we live in a world inhabited by other human minds as well as our own.

Menger's doctrine of ontological individualism states that there are no "social organisms" or "social wholes." Explanations of such social phenomena are traceable to the ideas and actions of individual persons. He explains that the individual precedes the state and other collective bodies both chronologically and metaphysically.

Menger's view is that man has no innate ideas but does have the ability to reason. Man begins uninformed and becomes ever more knowledgeable about the world. Although he espouses the notion that man has free will, he displays what might be regarded

as deterministic overtones in his belief in the existence in human nature of fundamental common influences of, or motives for, human behavior including: the economic, moral sentiments, altruism, and justice. Menger observed that the impulse for one's economic self-interest was man's primary and most common trait. He said that man is ingrained with a drive for self-interest in a healthy sense, rather than in an Hobbesian one. According to Menger, the individual, although desiring to satisfy his needs, is not directly driven or determined by them.

Menger's rational egoism recognized that value was grounded in human needs and their satisfaction. Man's physical and intellectual needs derive from genuine needs of the species. Equating self-interested behavior with economic behavior, Menger says that men do, and should, rationally seek to attain economic advantages or gains for themselves. He is finding a basis for economics in biology. Man's metaphysical and biological needs are not arbitrary and must be met if he is to survive and prosper. Rational self-interested behavior is thus viewed as good behavior.

Rationality does not imply omniscience. Menger explains that men are born into ignorance and that their primary enterprise is to learn the causal connections between objects and the satisfaction of their needs in order to make rational decisions regarding their well-being. Economic life is constructed around the acquiring of knowledge. Menger portrays rational economic man as an uncertain being who gradually gains the knowledge and resources necessary to attain his ends. He also explains that economic progress is caused by the growth in knowledge.

Menger sought to develop a categorical ontology of economic reality in an Aristotelian sense. His causal-genetic method is rooted in Aristotelian metaphysics and epistemology. Menger thereby destroyed the existing structures of economic thought and established economics' legitimacy as a theoretical science. Menger advanced an ontology of economic objects by providing a description of the exact laws of economic phenomena. In the absence of exact laws, there could not be a science of economics and without empirical realism, economics could not be termed a social science.

In his methodology, Menger stressed that economics is a science by demonstrating that there are economic regularities and that the phenomena of economic life are ordered strictly in accordance with definite laws. Insisting on the exactness of economic theory, he used the language of the pure logician when he ana-

lyzed relationships between variables. It is the knowledge of exact laws (i.e., those subject to no exceptions) which comprises scientific knowledge and scientific theory. Exact theory is developed by searching for the simplest strictly typical elements of everything real.

Menger looked for the essence of economic relationships. He delved for those features which must be present by the nature of the relationship under study. He held that there are simple economic categories which 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 general recurring structures in reality. According to Menger, the universals of economic reality are not imposed or created, but rather are discovered through theoretical efforts. 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 distinguished between the empirical-realistic orientation to theory and the exact orientation to theory. Whereas the realistic-empirical 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 realistic-empirical theory is concerned with regularities in the coexistence and succession of phenomena discovered by observing actual types and typical relationships of phenomena. Realistic-empirical 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 spatio-

temporal 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. According to Menger, it is the aim of the practical or historical sciences to discover the principles, policies, and procedures that are needed in order to shape the phenomena according to predetermined goals.

Menger's view implies that economic reality manifests certain simple and intelligible structures. Economic reality is constituted in intelligible ways out of structures depending upon human thought and action. The individual and his behavior are the most basic elements by means of which Menger explains economic phenomena and derives universal laws. Mengerian economics is built on the basis of the idea that there are, in the realm of economic phenomena, indispensable structures to every economic action that are manifested in every economy. Economic universals involve economizing action on the part of individuals. These universals of economic reality are discovered through theoretical efforts and are not arbitrary creations of the economist.

Menger's understanding of economic theory is essentialist and grounded in Aristotelian metaphysics. His causal-realistic economic method is a search for laws about actual, observable events. It follows that Menger's economics is actually a theory of reality. Menger is concerned with essences and laws manifested in this world. For Menger, as well as Aristotle, what is general does not exist in isolation from what is particular. Menger's theoretical economics studies the universal aspects of particular phenomena. These economic universals are said to exist only as instantiated in specific economic actions and institutions. For Menger, the goal of theoretical research is to discover the simplest elements of all things real which must be apprehended as strictly typical merely because they are the simplest. Of course, it is not an easy matter to discover those structures and to construct workable theories about them. There may be huge difficulties in gaining knowledge of essential structures and in converting such knowledge into the organized system of a strict theory.

Menger finds it necessary to justify inductively the basic causal categories that are arrived at by the analytic part of scientific method. The scientist needs to learn to recognize the general recurring structures in constantly changing reality. He says that theoretical knowledge is gained only by apprehending the phenomenon in question as a special case of a particular regularity in the succession or in the co-existence of phenomena. Economic reality manifests specific sim-

ple intelligible structures which the economic theorist is capable of grasping.

In explaining the transition from particulars (i.e., real types) to universals (i.e., exact types), Menger contends that it is acceptable to omit principles of individuation such as time and space. In order to derive exact laws it was first necessary to identify the essential defining quality or essence in individual phenomena that underpins their recognition as representations of that type. Menger thus sought 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.

Aristotelian philosophy was the root of Menger's framework. His biologicistic language goes well with his Aristotelian foundations in his philosophy of science and economics. Menger demonstrated how Aristotelian induction could be used in economics. In addition, he based his epistemology on Aristotelian induction. Menger's Aristotelian inclinations can be observed in his desire to uncover the essence of economic phenomena. He viewed the constituent elements of economic phenomena as immanently ordered and emphasized the primacy of exactitude and universality as preferable epistemological characteristics of theory.

Like Aristotle, Menger thought 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.

Mises' Neo-Kantianism

Menger had contended that the purpose of economic theory is the elucidate genetic-causal explanations of market phenomena. Mises was dissatisfied with Menger's Aristotelian methodology which for him was too closely related to reality. Menger had based his method on realism and had explained in detail two orientations or ways to know reality—the empirical-realistic orientation and the exact orientation. Mises 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.

Mises was searching for a theoretical foundation that could not be questioned or doubted. He wanted to

find knowledge of logical necessity. He also wanted to escape from the concrete-based 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' axiom of action, the universal introspectively-known fact that men act, was the foundation upon which Mises built his deductive system. Action, for Mises, is the real thing. Mises said that action was a category of the mind, in a Kantian sense, that was required in order to experience phenomenal reality (i.e., reality as it appears to us). The unity found in Mises' theorems of economics is rooted in the concept of human action. Mises' economic science is deductive and 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' epistemological ideas are influenced by Immanuel Kant and by neo-Kantians, Max Weber and Morris Cohen. Not a strict Kantian, Mises modifies and extends Kant's epistemology. However, he does make use of Kant's main terminological and conceptual distinctions and basic insights into the nature of human knowledge.

Kant's philosophy constitutes an all-out attack on the mind's ability to know reality. Man is denied access to the noumenal world. The mind is trapped in its own logical way of thinking. Kant's impositionist view is that the content of man's knowledge reflects certain structures or forms that have been subscribed or imposed on the world by the mind of the knowing subject. This knowledge is never directly of reality itself, but instead reflects the logical structures of the mind and reflects reality only as shaped, formed, or filtered by the human mind.

Like Kant, Mises believed that the human mind understood the world only through its own categories. However, Mises is not a pure Kantian. Unlike Kant, Mises does not attempt to make a transcendental argument to derive the categories. He merely says that there is a group of common categories lodged in men's minds through which they grasp that which exists. What Mises considered as critical in Kant was his conviction that reason could supply universal and necessary knowledge.

Mises also disagreed with Kant regarding freedom of the individual. Kant conceived of the noumenal or real self as possessing free will and of the phenome-

nal self as being determined by the rational desire for happiness. Mises views freedom as the use of reason to attain one's goals. Assuming as little as possible, Mises 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, Mises 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. Mises thus contends that epistemology depends on our reflective knowledge of action.

Mises 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, Mises 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 the essential defining qualities or 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 may 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 forming or shaping of reality on the part of the experiencing subject. Rather, essences or universals would then be said to be discerned through a person's theoretical efforts.

It is hard to see how Mises could contend that a priori knowledge is gained exclusively through non-inductive means. Perhaps it would have been better if he had said that economic theory is based in part on introspection. He could have argued that sense

data alone could not reveal to a person the essential purposefulness of human action. The action axiom could then be depicted as derived from a combination of both external observation and introspection.

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. Mises defines action as purposeful behavior. He explains 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 or objectives. Reason enables people to choose.

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. Comprehension of these laws does not depend on a 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 non-logical concept—the concept of human action. From this concept all of praxeology's propositions can be derived.

Mises contends that the axiom of action is known by introspection to be true. 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 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. Rather, these propositions are temporally and logically prior to any understanding of historical facts.

For Mises, 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. From these axioms, Mises derives logical implications or the truths of economics. Mises' methodology thus does not require controlled experiments because he treats economics as a science of human action. By their nature, economics acts are social acts. Economics is a formal science whose theorems have no formal content and whose propositions do not derive their validity from empirical observations. 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 is on questionable grounds with his extreme aprioristic position with respect to epistemology. 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 Mises' praxeology. Once we arrive at the concept of human action, Mises' deductive logical derivations can come with play.

Murray Rothbard, student and follower of Mises, 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. The later Aristotelian, neo-Thomistic and natural-law-oriented 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.

Ayn Rand's Objectivism

Metaphysics is the first philosophical branch of knowledge. At the metaphysical level, Rand's Objectivism begins with axioms—fundamental truths or irreducible primaries that are self-evident by means of direct perception, the basis for all further knowledge, and undeniable without self-contradiction. Axioms cannot be reduced to other facts or broken down into component parts. They require no proofs or explanations. Objectivism's three basic philosophical axioms are existence, consciousness, and identity—presuppositions of every concept and every statement.

Existence exists and encompasses everything including all states of consciousness. The world exists independently of the mind and is there to be discovered by the mind. In order to be conscious, we must be conscious of something. There can be no consciousness if nothing exists. Consciousness, the faculty of perceiving that which exists, is the ability to discover, rather than to create, objects. Consciousness, a relational concept, presupposes the existence of something external to consciousness, something to be aware of. Initially, we become aware of something outside of our consciousness and then we become aware of our consciousness by contemplating on the process through which we became aware.

The axiom of identity says that to be is to be "something" in particular. Identity means that a thing is "this" rather than "that." What exists are entities and entities have identity. The identity of an entity is the sum of its characteristics or attributes, including its potentialities for change. To have identity, is to have specific characteristics and to act in specific ways. What an entity can do depends on what it is. A thing must be something and only what

it is. In order for knowledge to exist, there must be something to know (existence), someone to know it (consciousness), and something to know about it (identity). That existence exists implies that entities of a certain types exist and that a person is capable of perceiving that entities of various types exist. Existence is identity and consciousness is identification.

All actions are caused by entities. Rand connects causality to the law of identity and finds necessity in the nature of the entity involved in the causal process. She explains that the law of causality is the law of identity applied to action and that the nature of an action is caused and circumscribed by the natures of the entities that act—a thing cannot act in contradiction to its nature.

The concept of entity is presupposed by all subsequent human thinking since entities comprise the content of the world men perceive. Rand contends that the universe is not caused, but simply is, and that cause and effect is a universal law of reality. Knowledge of causality involves apprehending the relationship between the nature of an entity and its method of action.

Rand explains that the metaphysically given (i.e., any fact inherent in existence apart from the human action) is absolute and simply is. The metaphysically given includes scientific laws and events taking place outside of the control of men. The metaphysically given must be accepted and cannot be changed.

She explains, however, that man has the ability to adapt nature to meet his requirements. Man can creatively rearrange the combination of nature's elements by enacting the required cause, the one necessitated by the immutable laws of existence. The man-made includes any object, institution, procedure, or rule of conduct created by man. Man-made facts are products of choice and can be evaluated, and judged and then accepted or rejected and changed when necessary. Rand explains that the existence of consciousness is axiomatic, that consciousness is an attribute of certain living organisms, that consciousness has causal efficacy, and that there is a fundamental harmony between mind and body. To deny consciousness is self-refuting. That consciousness can direct action is evident through extrospection (i.e., observation) and introspection. Consciousness is connected to the body of a living organism, is non-deterministic, and is under direct volitional control. Rand contends that there is only one reality (not two opposing ones), that consciousness is awareness (rather than creation), and that the products of consciousness are the caused results of interactions between conscious organisms

and reality.

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

Sense perception is man's primary and direct form of what exists (i.e., of entities, including their characteristics, relations, and actions). Senses provide man with the start of the cognitive process. The senses neither err nor deceive a man. The senses do not judge, identify, or interpret, but simply respond to stimuli and report or present a "something" to one's consciousness. The evidence provided by the senses is an absolute, but a man must learn to use his mind to properly understand it. The task of identification belongs to reason operating with concepts. Man's senses only inform him that something is, but what it is must be learned by the mind which must discover the nature, the causes, the full context of his sensory material, and so on. It is only at the conceptual level, with respect to the "what," that the possibility or error arises. On the conceptual level, awareness can lead to mistaken judgments about what we perceive. Conceptualization entails an interpretation that may differ from reality. However, man's reason can be used to correct wrong judgments and expand one's knowledge of the world.

A man's senses react to the full context of the facts. Sense perceptions are valid in that they are perceptions of entities which exist. Sensations are caused by objects in reality and by a person's organs of perception. It is the purpose of the mind to analyze the perceptual evidence and to identify the nature of what is and the causes in effect.

A difference in sensory form among various perceivers is merely a difference in the form of perceiving the same object in reality. As long as a person perceives the underlying objects and relationships in reality in some form, the rest is the mind's work, not the work of the senses.

Any perceptual mechanism is limited. It follows that the object as perceived is the result of an interaction between external entities and a person's limited perceptual apparatus. Forms of perceptions are circum-

scribed by a person's physical abilities to receive information interacting with external objects in connection with the laws of causality. In other words, perceptual awareness is the product of a causal interaction between physical entities and physical sense organs.

Perceptual awareness marks the beginning of human knowledge. In order to understand the world in conceptual form, man must integrate his percepts into concepts. A concept integrates and condenses a number of percepts into a single mental whole. Although based on sensory percepts, human knowledge, being conceptual in nature, can depart from reality. The mind is not infallible nor automatic and can distort and be mistaken. A man can only obtain knowledge if he adheres to certain methods of cognition. The validity of man's knowledge depends upon the validity of his concepts.

Whereas concepts are abstractions (i.e., universals), everything that man apprehends is specific and concrete. Concept-formation is based on the recognition of similarity among the existents being conceptualized. Rand explains that an individual perceptually discriminates and distinguishes specific entities from their background and from one another. A person then groups objects according to their similarities regarding each of them as a unit. He then integrates a grouping of units into a single mental entity called a concept. The ability to perceive entities or units is man's distinctive method of cognition and the gateway to the conceptual level of man's consciousness. According to Rand, a concept is a mental integration of two or more units which are isolated according to one or more characteristics and united by a specific definition. A definition is the condensation of a large body of observations.

Whereas a concept is assigned precise identity through the use of a definition, the integration (i.e., the concept) itself is kept in mind by referring to it by a perceptual concrete (i.e., a word). Words are concrete audiovisual representations of abstractions called concepts. Words transfer concepts into mental entities whenever definitions give them identity. Language makes this type of integration possible.

Concept formation is largely a mathematical process. There is a connection between measurement and conceptualization. Similarity, an implicit form of measurement, is the relationship between two or more existents which possess the same attributes but in different measures or degrees. The mental process of concept formation consists in retaining the characteristics but omitting their measurements. The rele-

vant measurement of a particular attribute must exist in some quantity, but may exist in any quantity. The measurements exist, but they are not specified. A concept is a mental integration of units possessing the same differentiating characteristics with their particular measurements omitted.

Rand states that a conceptual common denominator is made up of the characteristic(s) reducible to a unit of measurement by which a person distinguishes two or more existents from other existents possessing the characteristic(s). In other words, the comprehension of similarity is necessary for conceptualization.

Perceptual data lead to first level concepts. In turn, higher level concepts are formed as abstractions from abstractions (i.e., from abstractions and subclassifications of previously formed concepts). Concepts differ from each other not only with respect to their referents but also in their distances from the perceptual level. Knowledge is hierarchical with respect to the order of concept formation. It consists of a set of concepts and conclusions ranked in order of logical dependence upon one another.

The last step in concept formation is definition. A definition identifies a concept's units by particularizing their fundamental attributes. A definition identifies the nature of the units subsumed under a concept. A definition differentiates a given concept from all others and keeps its units distinguished in a person's mind from all other existents. The differentiation must be limited to the essential characteristics. Rand employs Aristotle's "rule of fundamentality" when she states that the essential characteristic is the one that is responsible for, and therefore can explain, the greatest number of the unit's other distinguishing characteristics.

She explains that concepts are instruments to save space and time and to attain unit-economy through the condensation of data. Concepts have a metaphysical basis since consciousness is the ability of comprehending that which exists. Concepts result from a particular type of relationship between consciousness and existence.

Definitions are statements of factual data as compressed by a human consciousness. Definitions, as factual statements, involve the condensation of a multitude of observations of similarity and difference relationships. They are also contextual since they depend, in part, on the definer's context of knowledge. A new or revised definition does not invalidate the objective context of the old definition. It simply encompasses the requirements of an expanding cogni-

tive context—the sum of cognitive elements conditioning an item to knowledge. Full context is the sum of available knowledge.

The essential characteristics of a concept are epistemological rather than metaphysical. Rand 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. For Rand, essences are epistemological rather than metaphysical.

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 which subsume all information about their referents, including the information not yet discerned. New facts and discoveries expand or extend a person's concepts, but they do not overthrow or invalidate them. Concepts must conform to the facts of reality.

In order to be objective in one's conceptual endeavors, a human being must fully adhere to reality by applying certain methodological rules based on facts and proper for man's form of cognition. For man, a being with rational consciousness, the appropriate method for conforming to objective reality is reason and logic. In order to survive man needs knowledge and reason is his tool of knowledge.

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.

According to Rand, 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 thus located in epistemology. Her revolutionary theory of concepts is what directly led her to innovations in the fields of value theory and ethics and moral philosophy.

A Synthesis of Philosophical Traditions

The Aristotelian, Mengerian, and Randian perspective is that reality is 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 naïve 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 the 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. Remember, one's theory of value is underpinned by his 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 evidences the effort to avoid the induction of concepts from empirical observation. Mises' 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 epistemological 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.

Ayn Rand's conception of universals (or essences) as epistemological, is arguably superior to the traditional interpretation given to the Aristotelian or Mengerian idea of universals as being metaphysical. Rand ex-

plains 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' 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 moral and politically legitimate, it is then appropriate for economists to derive praxeological laws.

Mises explains that a man's introspective knowledge that he is conscious and acts is a fact of reality and is independent of external experience. Mises deduced the principles of economics and the complete structure of economic theory entirely through the analysis of the introspectively-derived a priori idea of human action. While it is certainly important to understand and acknowledge the useful role of introspection in one's life, it is also necessary to realize that its role is limited, secondary, and adjunct to the empirical observation and logical analysis of empirical reality. It would have been better if Mises had said that external observation and introspection combine to reveal that people act and employ means to achieve ends. Introspection aids or supplements external observation and induction in disclosing to a man the fundamental purposefulness of human action.

Austrian Economics and Objectivism can benefit from each other's insights. These two schools have more in common than heretofore has been appreciated. Austrian Economics and Objectivism have more in common than they have in conflict. It is acceptable to mix and match components from different paradigms in our efforts to achieve a deeper understanding of the nature of man and the world. By extracting information from existing paradigms it is possible to create a paradigm that is more reflective of reality. Specifically, it may be desirable to refine and fuse together the following components: (1) an objective, realistic, natural-law-oriented metaphysics as amplified in the work of Aristotle, Carl Menger, Ayn Rand, and in the more recent works of Murray Rothbard; (2) Ayn Rand's epistemology which describes essences or concepts as epistemological rather than as 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 indi-

viduality as suggested in the contemporary works of Tibor R. Machan, Douglas B. Rasmussen, Douglas J. Den Uyl, and others, who have built on the teachings of Aristotle and Rand.

Mises' theoretical system deals with uncertainty that is due to the passage of time and the implications of human ignorance. These are natural dimensions of human existence. There are natural phenomena that act in certain ways under certain conditions. It follows that we can properly relocate Austrian Economics in general and Mises' praxeological axioms in particular into the great coherent natural law traditions of realist analysis and rational epistemology. In fact, the natural law tradition is not only capable of assimilating and synthesizing the Misesian logic of human action, it is also able to serve as a metatheoretical underpinning for the merger of Austrian thought with Objectivism.

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 synergic with the economic coordination and 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 interaction which may enrich it. There is always more to be learned about reality.

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