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## Human Action As An Ultimate Given: Ludwig Von Mises' Praxeology As Seen From A Business Ethics Angle

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### Abstract:

Ludwig von Mises (1881-1973) was one of the two parallel followers of the Espinas', a French scholar, human action theory; the other was Tadeusz Kotarbiński (1886-1981). The former was the founder of the Austrian *praxeology* considered as the aprioristic logic of action, and the latter originated the Polish *praxiology* considered as *general methodology*, i.e. epistemology of practice or grammar of action. This paper is intended to characterize the Mises' approach, closely related to his experience; therefore a number of important facts from the life of the Austrian praxeologist, economist and economics philosopher is summarized in the first part of the essay. According to Mises praxeological laws apply to the regularity of phenomena due to the correlations between means and ends which restricts people's freedom of choice and action. Other restrictions of action have their source in physical laws, to which humans must adjust their behavior if they want to live, and physiological laws, i.e. a set of constitutive qualities characteristic of each individual, defining that individual's disposition and susceptibility to environmental. Mises presented his theory in the book *Human Action: A Treatise on Economics*, over nine hundred pages long opus magnum that comprises forty chapters. The present essay is concentrated on praxeology and its relation to economics with special emphasis on the ethical dimension presented in contemporary literature. For praxeology is a part of practical philosophy, or ethics in the broad sense, it is therefore proper to discuss the issue in the ethical context, especially the business ethics angle is relevant for the Misesian praxeology, and 'its hitherto best-developed branch – economics'. Economic knowledge, based on praxeology – says Mises – being an essential element in the structure of human civilization; is 'the foundation upon which modern industrialism and all the moral, intellectual, technological, and therapeutical achievements of the last centuries have been built'.

## 1. Introduction

It is remarkable that the city of Lvov is related to the origin of two human action theories: *praxiology* and *praxeology*. The former was suggested by a young Polish philosopher of Lvov University, Tadeusz Kotarbiński, who delivered his very first paper *The Goal of an Act and the Task of the Agent* in 1910 at the Philosophical Society seminar in Lvov. The latter was suggested by an Austrian scholar, Ludwig von Mises, born in Lvov, after he had completed his education in Vienna. Both referred to a treatise by Alfred Victor Espinas, a French social scientist: *Les origines de la technologie* (1897). The former scholar named his theory *praxiology*, the latter – *praxeology*. The former considered *praxiology* to be *general methodology*, i.e. sui generis epistemology of practice or grammar of action [10], while the latter considered *praxeology* to be the aprioristic logic of action, therefore the foundation of economics [19].

Tadeusz Kotarbiński and Mario Bunge places *praxiology* within practical philosophy<sup>2</sup>, or ethics in the broad sense of the word within which the first philosopher identifies: *felicology* (the study of a happy life), *praxiology* (the study of the practical dimension of actions) and ethics in the narrow sense (moral deontology) [17], while the second philosopher identifies: *axiology* (theory of values), ethics (theory of morals) and *praxiology* (theory of action) [6]. It is therefore proper to

discuss praxiology in the ethical context<sup>3</sup>, especially the business ethics angle is relevant for the Mises' praxeology, with which economics is closely related according to the very scholar.

Mises' contribution to the development of praxeology cannot be overestimated; some even think he deserved the Nobel Prize for his lifetime achievement. This is mentioned by his biographer Eamonn Butler, director of the Adam Smith Institute in London, in his book carrying the characteristic title *Ludwig von Mises: Fountainhead of the Modern Microeconomics Revolution*<sup>4</sup>. The information provided by this book has enabled the present essay to include a number of important facts from the life of the Austrian praxiologist, economist and economics philosopher.

The works of Mises were known to very few Polish readers. As a critic of totalitarian systems, socialism in particular, Mises was the subject of criticism in the times of real socialism in Poland. Though available in the original at the library of the Polish Academy of Sciences' Praxiology Unit, his praxiological work *Human Action: A Treatise on Economics* was not considered in any extensive review throughout the unit's existence, neither was it the subject of any treatises written by Polish praxiologists. The obstacle was the politics of those times, censorship and – it also needs saying – self-censorship. It was not until the first harbingers of political change appeared on the Polish horizon that Polish praxiologists and continuators of the Austrian school, which had developed chiefly in the United States, could meet for the first time in the discipline's history at the conference *Praxiologies and the Philosophy of Economics*, held in Warsaw in 1988<sup>5</sup>. The conference could take place thanks to support from the U.S. Sabre Foundation and the Institute of Austrian Culture in Warsaw. The institute also provided financial support enabling excerpts from Mises' treatise to be translated and a special issue of the periodical *Prakseologia* to be published, the very first publication of passages from his *Treatise* that discussed his praxeology.

Mises' *Human Action: A Treatise on Economics*, 907 pages long, comprises 40 chapters (including the introductory section). These chapters are grouped into the following parts: Introduction, (1) Human Action, (2) Action Within the Framework of Society, (3) Economic Calculation, (4) Catallactics or Economics of the Market Society, (5) Social Cooperation Without a Market, (6) The Hampered Market Economy, (7) The Place of Economics in Society.

## 2. Biography

Mises grew up mainly in Vienna, where he enrolled at university in 1900 and graduated with the title of doctor of law in 1906. He published two works on economic history during his student years.<sup>6</sup> In the latter part of his studies he attended the lectures of Carl Menger, founder of the Austrian school of economics. After graduation, in 1908 Mises started working at the Central Association for Housing Reform where he analyzed tax issues. A year later he transferred to the *Kammer für Handel, Gewerke, und Industrie* where he worked as a senior analyst until 1934.

In 1912 Mises published his first book, *Theorie des Geldes und der Umlaufsmittel*, which was not unrelated to the discussions he had with Eugen von Böhm-Bawerk. As of 1913, he taught economics at the University of Vienna as a *Privatdozent*. During World War I Mises served in the artillery as a captain and then worked at the general staff, and in 1918-20 was the director of *Abrechnungs Amt*, an office established to settle administrative matters connected with the Treaty of St. Germain. This was where young economist Friedrich A. von Hayek visited him, sent to him by Friedrich von Wieser, Menger's successor.

In 1920 Mises founded a private seminar that consolidated his reputation as a researcher and a leading theoretician of the Austrian school of economics and liberalism. The seminar was attended by F. A. Hayek, G. Haberler, F. Machlup, O. Morgenstern. That same year Mises published the paper *Die Wirtschaftsrechnung im sozialistischen Gemeinwesen*<sup>7</sup> which he later included in the volume *Die Gemeinwirtschaft: Untersuchungen über den Sozialismus*.<sup>8</sup> This work was the subject of numerous debates and polemics for several decades, including those carried on by Oskar Lange. Mises did not neglect his interest in monetary problems, publishing many papers on these topics. In 1927 he founded the Austrian Institute for Business Cycle Research, where

Hayek continued to collaborate with him. In the same year, Mises published his next book, *Liberalismus*,<sup>9</sup> in which he outlined the principles of a free society. A few years later he published a work on the epistemological problems of economics, *Grundprobleme der Nationalökonomie*.<sup>10</sup>

In the latter half of the 1930s Mises was offered the position of professor of international economic relations at the Institute for International Studies in Geneva. Working in Geneva enabled Mises to avoid the consequences of the Anschluss, although he was forced to go into exile, something that turned out to be difficult for the Swiss authorities as well. Therefore he left Switzerland in 1940 and, after a complicated journey, ended up in the United States, obtaining his citizenship in 1946. Before all this, he married Margit Sereny-Herzfeld in Geneva in 1938 and published the book *Nationalökonomie: Theorie des Handelns und Wirtschaftens*<sup>11</sup> which provided the foundation for his subsequent praxeological-economic treatise.

Mises' liberal views did not win him supporters in Europe, nor even in America. They were unfashionable and did nothing to facilitate his academic career. In 1940-1944 Mises was a guest employee of the National Bureau of Economic Research in New York, and between 1945 and 1969 taught as a visiting professor at the Graduate School of Business Administration at New York University. This was an unpaid position; Mises lived off a William Volker Fund allowance and his writer's royalties. The first decade of Mises' activity as a professor was very fruitful. His seminars attracted students and academics just like they had in Austria. His books garnered a lot of interest; he published several, including *Bureaucracy*<sup>12</sup>, *Omnipotent Government: The Rise of the Total State and Total War*<sup>13</sup>, *The Anti-Capitalist Mentality*<sup>14</sup>, *Theory and History: An Interpretation of Social and Economic Evolution*<sup>15</sup>. The first edition of Mises' opus magnum *Human Action: A Treatise on Economics*<sup>16</sup> was published in 1949. The treatise – a synthesis of the author's praxiological, methodological and economic studies – was reissued many times<sup>17</sup>. The book *The Ultimate Foundation of Economic Science: An Essay on Method*<sup>18</sup>, a systematic exposition of subjectivist economics, brought Mises his first award, followed by further prizes and titles some years later. He received honorary degrees from the universities of New York and Freiburg, and Hayek edited a special volume marking the great scholar's 90th birthday<sup>19</sup>. Ludwig von Mises lived to be 92, he died on October 10, 1973.

### 3. Praxiology and...

Mises wrote:

Traditional logic and epistemology have produced, by and large, merely disquisitions on mathematics and the methods of the natural sciences. The philosophers considered physics as the paragon of science and blithely assumed that all knowledge is to be fashioned on its model. ... This essay proposes to stress the fact that there is in the universe something for the description and analysis of which the natural sciences cannot contribute anything. There are events beyond the range of those events that the procedures of the natural sciences are fit to observe and to describe. There is human action [21, xv-xvi].

Contemporary Polish praxiology defines 'action' as human behavior undertaken intentionally and willingly with the aim of bringing about a state desired by a given person and called the 'goal' (of the action). The acting person is named the agent or actor, and in general terms – the subject of the action. Actions in a praxiological sense are actions performed individually, i.e. they are single-subject actions. For praxiology, multiple-subject behaviors and behaviors of collective subjects (e.g. bodies corporate) are systems of single-subject actions whose structure stems from praxiological laws<sup>20</sup>.

Let us compare this with Mises' approach outlined as follows in a glossary entry:

Human action: Purposeful behavior, an attempt to substitute a more satisfactory state of affairs for a less satisfactory one; a conscious endeavor to remove as far as possible a felt uneasiness. Man acts to exchange what he considers will be a less desirable

future condition for what he considers will be a more desirable future condition.

Thinking and remaining motionless are actions in this sense. Human action is always rational, presupposes causality and takes place over a period of time [13, p. 62].

Praxeological laws apply to the regularity of phenomena due to the correlations between means and ends. According to Mises, praxeological laws restrict people's freedom of choice and action. These are not the only limitations determining the extent of freedom of acting subjects. Other restrictions of action have their source in: (i) physical laws, to the insensitive ruthlessness of which – as Mises wrote – humans must adjust their behavior if they want to live, and (ii) physiological laws, i.e. a set of constitutive qualities characteristic of each individual, defining that individual's disposition and susceptibility to environmental factors<sup>21</sup>.

Action is the fundamental quality of an active person. To put it vividly, it is not a disguise worn by an acting subject, but the actual conduct of the subject regardless of the current behavior costume that the subject is wearing for one reason or another. When such a disguise is involved, making use of it constitutes action *par excellence*. This is the case when the subject's activity is noticed by an observer (e.g. a stockbroker's activity on the stock exchange) and also when the subject's activity is not externally manifested (e.g. the unemotional activity of an observer of the stock exchange), and even when the subject intentionally abstains from any kind of activity (e.g. lack of reaction to someone's calls for help). 'Human action,' claims Mises, 'is one of the agencies bringing about change. It is an element of cosmic activity and becoming. Therefore it is a legitimate object of scientific investigation. As at least under present conditions it cannot be traced back to its causes, it must be considered as an ultimate given and must be studied as such' [21].

Excellent confirmation of Mises' idea can be found in the discovery of James McGill Buchanan, one that brought its author the Nobel Prize in economics. This economist proved that when making public choices, politicians do not act out of a sense of duty toward society but are driven by their own interests<sup>22</sup>. By creating a 'regime of continuing budget deficits,' politicians create 'decision capital' that requires appropriate management. Who by? By them, of course, by those very politicians, this makes them become indispensable. That sounds familiar, one might say feeling scandalized. Meanwhile, irrespective of whether someone is a politician or an ordinary man in the street, that person acts due to the practical situations of which he or she is the subject, as I once pointed out in a work on humanist design<sup>23</sup>. Every practical situation is a niche (*oikos*) of its subject, and the set of these niches is a kind of ecology (*oikos* and *logos*) of practical situations. If we have a certain kind of action, i.e. actions consisting in exchange carried out by acting subjects, where the measuring tool is a monetary unit, then what we have is economics (*oikos* and *nomos*).

The practical situation of any subject is determined by the facts that this subject distinguishes among other facts due to the subject's professed *values*. Values give facts meaning and on this basis the subject considers some facts to be satisfactory and others not so. If the practical situation does not satisfy the subject, the subject strives to change the facts in such a way as to turn the situation into a satisfactory one from the point of view of the professed values. However, even when the subject considers the situation to be satisfactory, change is still necessary. In this case, it is not the kind of therapeutic change outlined above, but preventive change serving to avert a disturbance of the satisfactory situation by processes that are either natural or artificial (in the sense of being caused by humans). The former type of change concerns the inner aspect of a practical situation whereas the latter type concerns the situation's context, namely 'the reminder of the world.' Modern praxiology as practiced by myself considers the 'being of action,' i.e. the reality related to action, in terms of what we might call the ontology of practical situations. The acting subject's attitude to facts depends on the structure of values professed by that subject, and in a reistic approach – on the order defined by the results of the judgments the subject makes about those facts. Some values shape the action environment within which the action programs determined by other values are realized. If – subjectively speaking, i.e. from the point of view of a given subject – the action environment for that subject is defined by praxeological values, i.e. effectiveness and efficiency, then these values create the framework within which the subject acts.

Even when the subject implements ethical (moral) values, he or she does so under the governance of the praxiological values. Instances of doing others an ill turn are an extreme example of the actions of such acting subjects. They are the ones who invented the saying 'the end justifies the means.' This is exactly what is feared by the moral reformers of the market mentioned by Mises. If, on the other hand, we have a subject for whom ethical values define the action environment, that subject will say after Kotarbiński that 'the end filthifies the means.' In extreme cases the subject might even feel an irrational abhorrence of praxiological values, which could hinder or even prevent that person from successfully accomplishing whatever they truly set great store by, even including moral values. This is what Mises was afraid of when he criticized market reformers. Such an acting subject was also criticized by Professor Henryk Hiż, who believes that what counts in ethics is the result of human action and not intentions or the agents' personal qualities. He remarked that pragmatism requires not only compassion but also efficacious putting it into practice<sup>24</sup>.

To use a computer metaphor, one could say there is a certain order in action programs treated seriously. The primary program is the praxeological one, in accordance with Mises' laws of regularity concerning the relations between means and ends. Mises gives a succinct outline of this program when he writes that, contrary to ethical doctrines which are concerned with determining scales of values according to which people should act though they do not always do so, praxeology and economics are fully aware that

... the ultimate ends of human action are not open to examination from any absolute standard. Ultimate ends are ultimately given, they are purely subjective, they differ with various people and with the same people at various moments in their lives. Praxeology and economics deal with the means for the attainment of ends chosen by the acting individuals. ... Value is the importance that acting man attaches to ultimate ends. Only to ultimate ends is primary and original value assigned. Means are valued derivatively according to their serviceableness in contributing to the attainment of ultimate ends. Their valuation is derived from the valuation of the respective ends. They are important for man only as far as they make it possible for him to attain some ends. ... Action is an attempt to substitute a more satisfactory state of affairs for a less satisfactory one. We call such a willfully induced alteration an exchange. ... That which is abandoned is called the price paid for the attainment of the end sought. The value of the price paid is called costs. Costs are equal to the value attached to the satisfaction which one must forego in order to attain the end aimed at. The difference between the value of the price paid (the costs incurred) and that of the goal attained is called gain or profit or net yield. Profit in this primary sense is purely subjective, it is an increase in the acting man's happiness, it is a psychical phenomenon that can be neither measured nor weighed [21, pp. 95-97].

The importance of Mises' work not just for economics but for the social sciences in general is best highlighted by the following remarks from Hayek in his discussion of the problem of subjectivism in social science data:

It has often been suggested that... economics and the other theoretical sciences of society should be described as 'teleological' sciences. This term is, however, misleading as it is apt to suggest that not only the actions of individual men but also the social structures which they produce are deliberately designed by somebody for a purpose. It leads thus either to an 'explanation' of social phenomena in terms of ends fixed by some superior power or to the opposite and no less fatal mistake of regarding all social phenomena as the product of conscious human design, to a 'pragmatic' interpretation which is a bar to all real understanding of these phenomena. Some authors, particularly O. Spann, have used the term *teleological* to justify the most abstruse metaphysical speculations. Others, like K. Englis, have used it in an unobjectionable manner and sharply distinguished between teleological and normative sciences. (See particularly the illuminating discussions of the problem in Karel Englis,

*Teleologische Theorie der Wirtschaft* [Brün, 1930].) But the term remains nevertheless misleading. If a name is needed, the term *praxeological sciences*, deriving from A. Espinas, adopted by T. Kotarbiński and E. Slutsky, and now clearly defined and extensively used by Ludwig von Mises (*Nationalökonomie* [Geneva, 1940]), would appear to be the most appropriate<sup>25</sup>.

It is time now to move to the other side of the suspension points in order to outline something that Mises founded on praxeology in his understanding of it as the aprioristic logic of action. That ‘something’ is economics or, as Mises wrote, the most developed branch of praxeology.

#### 4. ...and Economics

Mises stresses that:

He who seriously wants to grasp the purport of economic theory ought to familiarize himself first with what economics teaches and only then, having again and again reflected upon these theorems, turn to the study of the epistemological aspects concerned. Without a most careful examination of at least some of the great issues of praxiological thinking – as, e.g., the law of returns (mostly called the law of diminishing returns), the Ricardian law of association (better known as the law of comparative costs), the problem of economic calculation, and so on – nobody can expect to comprehend what praxiology means and what its specific epistemological problems involve [21, xvii-xviii].

Mises was critical of the possibility to transform the market economy in such a way that it would function better if business people not only strove for profit but also followed their conscience. Supporters of such a view, Mises said, believe this would make it unnecessary to have government pressure or any enforcement of economic life practiced to the satisfaction of all those interested. What would be needed – according to the proponents of this stance – is not a reform of government and law but the moral reform of people, a return to the ten commandments and to compliance with the moral code, rejection of the sin of desire and egotism. Then, it might be possible to reconcile private ownership of means of production with justice, righteousness and diligence. Capitalism would lose its inhuman face without detriment to individual freedom and initiative. Thus, supporters of this option, Mises wrote, want to create a social system based on a dual foundation: private property and moral principles restricting the use of that property. This is a noble idea but, as Mises pointed out, the market economy is based on freedom of operation within the framework of private ownership and the market. What the acting subject chooses is ultimate. For the subject’s partners, the subject’s actions are data that other actors of the economic stage should – or even must, due to the existence of risk – take into account when undertaking their own actions. Coordination of the autonomous actions of all individuals is performed by the market, which makes it unnecessary to tell people what they should and shouldn’t do, according to Mises. There is no need to force cooperation from people by issuing special directives or prohibitions.

Anything that is not part of the domain of private ownership and the market is an area of enforcement and directives, and this is where we find the dam that an organized society builds to protect private property and the market from violence, ill will and fraud. This is where rules are formulated to define what is legal and what is illegal, what is allowed and what is forbidden. This area contains an entire arsenal of means for dealing with those who do not obey the laws.

Meanwhile, the reformers whose position Mises outlined suggest that next to norms designed to protect private property, ethical norms should be introduced as well. They fail to see the role that the springs of action they criticize actually play in the market economy’s functioning. However, if the value of private ownership – which the reformers discredit as being egotistical – is eliminated, the market economy will become a chaotic jumble. Encouraging people to listen to their own conscience and replace private profit with public prosperity does not build a hard-working society and a satisfactory social order. It is not enough to tell someone not to buy on the cheapest

market and not to sell on the most expensive market. It is not enough to tell people not to strive for profit and not to avoid losses. What is needed are unequivocal rules of conduct for every specific situation, because if you want a river to take a different course than its natural one you have to build dams.

The reformer replies: entrepreneurs are ruthless and selfish when, exploiting their advantage, they show little regard for less effective rivals, forcing them to withdraw from a transaction. The reformer continues: entrepreneurs are ruthless and selfish also when they take advantage of the current market situation and demand prices so high that poor people cannot buy the goods on offer. How, then, should “altruistic” entrepreneurs behave? Should they sell goods for prices lower than their rivals’? Or, are there certain conditions for prices to be considered fair? What should “good” entrepreneurs do? Should they give away their goods for free? If they demand any very low price there will always be someone who will not be able to afford the goods, or not in the amount they could buy if the price were lower still. Thus, which group of prospective buyers may entrepreneurs ignore when setting the sales price for their goods?

Critics of economic freedom address their demands to business people, whereas the market economy is a system dominated by consumers, Mises points out, so they are the ones who should be appealed to. Consumers would need to be persuaded to stop choosing better and cheaper products over worse and more expensive ones, to follow their conscience and not harm less accomplished entrepreneurs. They should shop less so that poorer people can buy more, the Mises commented with irony.

Not denying that the intentions of the proponents of moral economic reform are noble, Mises noted that any freedom which people can enjoy within social cooperation depends on their consent to private profit and public prosperity. Within the actions that enable people striving for their own prosperity to contribute to the prosperity of others around them – or at least not to diminish that prosperity – people following their own beliefs pose no danger to society nor to other people. This results in freedom enabling people to choose and act in accordance with their beliefs and stimulates individual initiative.

Those who maintain there is a conflict between the drive for profit in different people or between an individual drive for profit on one hand and general prosperity on the other, cannot avoid restricting people’s right to make choices and to act. They would have to replace citizens’ freedom with the domination of a centrally managed economy. In their schemes for a good society, there is no room for individual initiative. The authorities issue orders and everyone has to comply, Mises points out [21, pp. 724-730].

Mises questioned the functional capacity of a centrally planned economy, which he identified with socialism in both the German (“national socialism”) and Soviet (“real socialism”) versions [20], due to its being a kind of *perpetuum mobile* in the light of the aforementioned principle. The author of the *Treatise* wrote the following on this issue:

The essential mark of socialism is that *one will* alone acts. It is immaterial whose will it is. The director may be an anointed king or a dictator, ruling by virtue of his *charisma*, he may be a Führer or a board of Führers appointed by the vote of the people. The main thing is that the employment of all factors of production is directed by one agency only. *One will* alone choose, decides, directs, acts, gives orders. All the rest simply obey orders and instructions. Organizations and a planned order are substituted for the ‘anarchy’ of production and for various people’s initiative. Social cooperation under the division of labor is safeguarded by a system of hegemonic bonds in which a director peremptorily calls upon the obedience of all his wards.

In terming the director *society* (as the Marxians do), *state* (with a capital S), *government*, or *authority*, people tend to forget that the director is always a human being, not an abstract notion or a mythical collective entity. We may admit that the director or the board of directors are people of superior ability, wise and full of good



intentions. But it would be nothing short of idiocy to assume that they are omniscient and infallible.

In a praxeological analysis of the problems of socialism, we are not concerned with the moral and ethical character of the *director*. Neither do we discuss his value judgments and his choice of ultimate ends. What we are dealing with is merely the question of whether any mortal man, equipped with the logical structure of the human mind, can be equal to the tasks incumbent upon a director of a socialist society.

We assume that the director has at his disposal all the technological knowledge of his age. ... But now he must act. He must choose among an infinite variety of projects in such a way that no want which he himself considers more urgent remains unsatisfied because the factors of production required for its satisfaction are employed for the satisfaction of wants which he considers less urgent. It is important to realize that this problem has nothing at all to do with the valuation of the ultimate ends. It refers only to the means by the employment of which the ultimate ends chosen are to be attained [20, pp. 695-697].

## 5. ...and Ethics

Three authors, namely Israel M. Kirzner [1989], Murray N. Rothbard [1998] and Hans H. Hoppe [1993] 'present the same criticism of Mises. They criticize him because, in spite of the brilliance of his contribution to the defense of the market economy and private property, his arguments are centered on the acceptance of capitalism because of its monetary consequences. However, he does not deal with the relation between ethics and the market, and the three authors, while considering Mises' arguments insufficient, offer some new praxeological developments which enable them to mount a more effective defense of the market economy than that offered by Mises.' [3, pp. 76-77] Readers interested in more details can turn to the original publications, here I will only present a brief outline, after Aranzadi, of these critics' views. Kirzner points to entrepreneurs' creativity involved in discovering that something can be a means to an end, which has praxeological and ethical value as well as authorizing ownership of that which has been discovered, which is the product of that creativity, according to the principle of *who discovers it, keeps it*. Rothbard criticizes Mises' utilitarianism, saying that we need to move beyond it in order to find arguments in favor of freedom as a value. Freedom is a non-economic value, therefore it is wrong to posit it for economic reasons, since freedom is the ultimate property of a human being. Finally, Hoppe points to the importance of argumentation as a special form of entrepreneurship. 'Hoppe manages very concisely to integrate the contributions of Rothbard and to clarify the complementarity of his axiom of argumentation with the right to obtain profits in Kirzner's entrepreneurship.' [3, p. 85]

To the above, we need to add one more argument for the necessity to take into account the ethical dimension when considering any activity, and economic activity in particular. In her book on the methodology of economics, Sheila Dow [8, pp. 132-133] describes the conduct of those who use the theoretical achievements of economics in their practical activity. Political decision-makers choose a convenient theory and treat it like a convention to be used for justifying their decisions. One aspect of conventions is that they include concealed assumptions in fact uncovered by methodology. One such assumption is thinking in terms of an ideal type, leading to a mistaken belief in exact conclusions, whereas it needs remembering that an ideal agent makes choices based on a complete set of information or known limitations. Meanwhile, writes the cited author, we need to look at things the other way round, since we actually act in situations of incomplete information and inaccurate knowledge of the limitations. This raises the important question of the kind of knowledge that enables decisions to be reached when there is a shortage of information. This is also true for actors of economic life, and for economists as actors of economics, the author concludes. [8, pp. 132-133]

Jonathan Aldred, another British author, highlights three issues causing him to be skeptical: economic imperialism, economists' inclination to bend the world to their theories, and also the ethics of economists concealed in their language and practices. [1] Economic imperialism manifests itself in a tendency toward conquest that sees fundamentalist economists imposing their notions, values and analysis tools on other types of thinking – this is a kind of pan-economism. Economic constructivism creates entities in which idealizing assumptions are fulfilled. The effort to adapt reality to theory is made in two ways: (a) imposing a legal framework for actions desirable to economists, supported by developing incentives for people to act according to the theories; (b) accepting *a priori* that people act according to a given assumption of economic theory, such as the assumption that people are guided solely by their own narrow interests. Performative economics imposes certain conduct: if you make an assumption and build a theory upon it, and then introduce incentives to apply that theory, those incentives being derived from the assumption, this creates a mechanism for shaping people's behavior according to that assumption. The result is a self-fulfilling spiral of explanations and behaviors. We end up interfering with the object of research and subordinating that object to the research results. This way of practicing economics is incompatible with the concept of science in its usual sense.

As for the third problem, the ethics of economists, Aldred asks 'Do economists *want* the world to look more like their theory?' [1, p. 224] His answer is that 'We have seen much evidence suggesting that they do.' [1, p. 224] This evidence is found in the way economists use terminology that gives a negative label to those who think differently or behave differently than what is assumed in economic 'theories' – i.e. theories in name but designs in actuality. Orthodox economists describe the criticized behaviors as 'irrational' only because that is what their doctrine says, whereas in fact this is a judgment that is axiologically laden. Moreover, some economists speak of the autonomy of consumers, who allegedly know best what they need, while on the other hand they criticize consumer choices when they are incompatible with behavior that economic projects/theories consider 'rational.' This is manipulation, pure and simple.

Often it is far from clear what principle of rationality is at stake, and even when the principle is made explicit, the appeal to it seems arbitrary. ... In practice, economists must almost always make some judgments about the content of people's preferences, not just their structure, in order to derive policy recommendations. The problem is that orthodox economic theory lacks the intellectual resources to do so [1, p. 225].

Attempts are made to sidestep the problem, with economists even insinuating that economic theory describes a superior form of rationality, but 'without bothering to develop an ethical argument to justify this claim' [1, p. 225]. Another argument says that economists deal with facts, not values (apart from monetary value), ergo there is no room for ethics in their ruminations. However, economists in fact do make judgments in an axiological sense when they give preference to certain solutions over others, which – being goals of action – require ethical judgment. However, they ignore their own value judgments as being 'inappropriate' for science because they would cause them embarrassment. Aldred adds that

Much of the tension between economics as 'democracy' and economics as 'science' is more apparent than real. ... Economics cannot be a science, at least as traditionally understood, because it has an inevitable ethical dimension. And ethical debate, especially about whether some people's preferences should be partially or wholly ignored, must be recognized as central to democracy – democracy is not just about adding up predetermined preferences in elections [1, pp. 227-228].

If Mises could respond to the criticism of economics coming from ethicists, he would most likely respond in the way I outlined in an earlier paper [12]:

As far as the ethical aspect of entrepreneurship is concerned, Mises points out that it is not the entrepreneurs' fault that consumers, i.e. ordinary people, prefer alcohol to the Bible, detective novels to classics, and guns to butter. Entrepreneurs gain higher profits not because they sell 'bad' things instead of 'good' things. The higher their

profit, the better they are able to deliver products consumers want to buy with greater intensiveness. People do not drink poison to make 'alcohol capital' happier, they do not fight wars to increase the 'death merchants' profits. Military industry is a consequence of people's war spirit, not its cause. It is not the entrepreneur's duty to encourage people to act better, to substitute wrong ideologies with their opposites. This is the duty of philosophers; they should change the ideas and ideals of human beings. An entrepreneur serves consumers such as they are, despite the fact that they are sinners and ignoramuses. We may highly evaluate those who give up making a profit out of producing weapons or alcohol, but their praiseworthy behavior would be no more than an empty gesture if consumers were of the same mind; meanwhile, even if all entrepreneurs followed those who give up such profits, wars and habitual drunkenness would not disappear. As it was done in pre-capitalist times, governments would produce guns in their arsenals, and drinkers would distill alcohol by themselves, says Mises [12, p. 24].

It would be as simple as Mises writes if entrepreneurs were busy only with meeting consumer needs. This is not the case today. Nowadays entrepreneurs are busy with innovations, which even Mises noticed. Making innovations is closely related not only to producing products but also to creating consumers' appetite for new needs [5]. And that is what contemporary marketing is all about. Creating needs is not axiologically neutral with respect to fulfilling already existing needs. It is a way of making consumers addicted to new products, which calls for an assessment broader than thinking in just economic and praxiological terms. Ethical categories are indispensable. Why? It is because entrepreneurs are becoming responsible for goods, for they know better than the consumer, either 'sinner' or 'ignoramus,' what kind of commodity they are offering. [ibid] Certain books [25] and [7] already provide evidence for the great importance of the ethical dimension of economics as an axiological partner of praxiological dimensions of human action.

## 6. Conclusion

Let me conclude this essay with the message expressed by Mises in the last page of his treatise on human action:

There is ... the regularity of phenomena with regards to the interconnectedness of means and ends, viz., the praxeological law as distinct from the physical and from the physiological law.

The elucidation and the categorical and formal examination of this third class of the laws of the universe is the subject matter of praxeology and its hitherto best-developed branch, economics. The body of economic knowledge is an essential element in the structure of human civilization; it is the foundation upon which modern industrialism and all the moral, intellectual, technological, and therapeutical achievements of the last centuries have been built. It rests with men whether they will make the proper use of the reach treasure with which this knowledge provides them or whether they will leave it unused. But if they fail to take the best advantage of it and disregard its teachings and warnings, they will not annul economics; they will stamp out society and human race [12, p. 885].

Sapienti sat!

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## Notes

1. The Centre is a joint unit of Koźmiński University and the Institute of Philosophy and Sociology, Polish Academy of Sciences.
2. *Practical philosophy* (i.e. ethics *sensu largo*) should not be confused with *philosophy of practicality*, i.e. Tadeusz Kotarbiński's philosophical system.
3. The material in this essay is partly a consideration and recasting of parts of my lecture delivered at the 6th Polish Philosophical Convention and of other papers listed in the references.
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5. Cf. *Prakseologia* No. 4(105), 1989, pp. 19-152 and pp. 273-276; J. L. Auspitz, W. W. Gasparski, M. K. Mlicki, K. Szaniawski, eds., *Praxiologies and the Philosophy of Economics*, Transaction Publishers, New Brunswick (USA) - London (UK), 1992; *Prakseologia* No. 1-2 (122-123), 1994, pp. 159-169.
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20. Cf. W. Gasparski, 1994, Anatomia działania [Anatomy of Action], *Prakseologia*, No. 3-4(124-125), pp. 133-144.
21. L. von Mises, *op. cit.*, p. 885.
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