

Oakeshott and Mises on Understanding Human Action

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Abstract

Although Michael Oakeshott and Ludwig von Mises were arguably two of the more profound theorists of human activity in the twentieth century, there has been remarkably little comparative study of their ideas. That is especially surprising when one considers how compatible those ideas were in a number of areas, such as the *a priori* nature of the postulates of human action, the nature of historical thought, the fundamental dichotomy between explaining not-intelligent goings-on and intelligent activity, the ambiguous character of the statistical social sciences, and the importance of meaning in theorizing human conduct. Comparing their formulations of common concepts permits new, illuminating perspectives into each thinker's work.

Despite such compatibility, their ideas also contain interesting and important differences: on the modality or lack thereof in human thought, the nature of rationality and its relationship to tradition, and the character of economics as a science. This paper will explore both the similarities and differences between the ideas of Mises and Oakeshott. Because a full consideration of all of the areas mentioned above would likely result in a book rather than a paper, I will restrict myself here to examining their views on the general principles of human action and how those principles relate to the character of the social sciences.

The Postulates of Human Action

The central focus of Mises' work was his contention that accepting the idea that humans engage in purposeful action carries with it, as necessary corollaries, a number of other important notions. In Mises' view, these corollaries are the foundations of the science of human action, or, as he called it, *praxeology*, of which economics is the most developed branch. (I am using "science" here in the broad sense of a coherent intellectual discipline, not in the more restricted sense of a quantitative discipline based upon measurement, as in the definition employed by Oakeshott [(1933) 1985, pp. 171-172]. As Collingwood [1946, p. 249] says: "There is a slang usage, like that for which 'hall' means a music hall or 'pictures' moving pictures, according to which 'science' means natural science." But "in the tradition of European speech ... continuing unbroken down to the present day, the word 'science' means any organized body of knowledge.")

I am aware of no evidence that Oakeshott was familiar with the work of Mises. In particular, there are no references to Mises' *Human Action* in Oakeshott's *On Human Conduct*. Yet the view of human action (or human conduct, as Oakeshott prefers) in the two works is strikingly similar. A comparison of a few quotes from our authors should demonstrate this point.

The ground of human action is the meaning the actor assigns to his circumstances. Oakeshott says: "The starting place of doing is... the agent's own understanding of his situation, what it means to him" (1975, p. 37). Mises expresses much the same idea: "We cannot approach our subject if we disregard the meaning which acting man attaches to the situation..." ([1949] 1998, p. 26).

A prerequisite for action is that something about the potential agent's situation, as he understands it, must appear to be unsatisfactory to him. Oakeshott puts it: "An agent's understanding of his situation is a diagnosis: that is, a verdict in which it is recognized to be in some respect unsatisfactory, wanting, amiss, or objectionable, and therefore to suggest alteration" (1975, p. 38). And Mises says: "Acting man is eager to substitute a more satisfactory state of affairs for a less satisfactory" ([1949] 1998, p. 13).

The goal of all action is to arrive at that more satisfactory state of affairs. Per Oakeshott, "In acting, an agent imagines, wishes for, and seeks to achieve a satisfaction..." (1975, p.39). And per Mises, "[An agent's] mind imagines conditions which suit him better, and his action aims at bringing about this desired state" ([1949] 1998, p. 13).

Furthermore, an agent will not act unless he sees himself as possibly being able to *alter* what is unsatisfactory in his situation. Oakeshott says: "But, since it is *his* situation, this unsatisfactoriness is recognized not merely as a defect but as a defect unacceptable to himself; and since he is an agent, he recognizes as inviting a response of which he is to be the author" (1975, p. 38). And Mises puts it: "But to make a man act, uneasiness and the image of a more satisfactory state alone are not sufficient. A third condition is required: the expectation that purposeful behavior has the power to remove or at least to alleviate the felt uneasiness. In the absence of this condition no action is feasible" ([1949] 1998, p. 14).

The great marginalist breakthrough in economic thought, which resolved the diamond-water paradox that had bedeviled British classical economics, was the realization that an agent acts in respect to his particular, concrete situation rather than an abstract generalization. Acting man does not choose between water and diamonds; he chooses between some particular quantity of water available at some particular cost and some particular quantity of diamonds available at some particular cost. And he takes into account his current provision of both water and diamonds in making such a choice.

Oakeshott recognized this fact when he stated: "In this understanding, the situation is identified in substantive terms; it is never the recognition of it as, for example, merely pleasurable or painful, rightful or wrongful" (1975, p. 37). He elaborates: "And an action is a performance in which an agent aims at and intends an imagined outcome and whose

purposed outcome is its meaning. Consequently, what falls to be deliberated are alternative concrete performances, actions or utterances each of which is distinguished by a 'meaning,' a purposed outcome, exclusively its own" (1975, p. 43). And: "But 'human excellence' or 'the human good' is not a substantive purpose to be achieved as the outcome of some performances; it is not a purpose which an agent might choose to pursue in preference to the satisfaction of some other want..." (1975, p. 61).

In Mises we find the same idea: "Man never chooses between virtue and vice, but only between two modes of action which we call from an adopted point of view virtuous or vicious" ([1949] 1998, p. 45).

Applying this concept particularly to market exchange, Mises states: "The valuations and choices that result in the exchange ratios of the market do not decide between [general classes such as] *gold* and *iron*. Acting man is not in a position in which he must choose between *all* the gold and *all* the iron. He chooses at a definite time and place under definite conditions between a strictly limited quantity of gold and a strictly limited quantity of iron.... He does not express an academic or philosophical judgment concerning the 'absolute' value of gold and of iron; he does not determine whether gold or iron is more important for mankind; he does not perorate as an author of books on the philosophy of history or on ethical principles. He simply chooses between two satisfactions both of which he cannot have together" ([1949] 1998, p. 121).

For both Mises and Oakeshott, values are not a "given" framework within which the actor must attempt to "optimize" his satisfaction. The actor's values themselves emerge in choosing. As Oakeshott says, "The wished for satisfaction is what the agent 'intends', in the proper sense of 'means'. Not before he decides what he shall do, but in deciding it" (1975, p. 39). Or, per Mises, "[O]ne must not forget that the scale of values or wants manifests itself only in the reality of action. These scales have no independent existence apart from the actual behavior of individuals" ([1949] 1998, p. 95).

An important difference between Mises and Oakeshott is their philosophical grounding for praxeology. Mises, in a neo-Kantian fashion, says that the principles of praxeology are necessary for minds like ours, but that other creatures, or, indeed, earlier humans, might have acted according to different principles.

Long (2001) rejects this basis for praxeology. Following Wittgenstein, he contends that if we found intelligent entities who were exhibiting behavior that did not follow the laws of praxeology, we should not conclude that their economics was at variance with praxeological law, but rather that they were not engaged in economic activity at all. In other words, the laws of praxeology define the realm of phenomena that we will consider to be action. Some being not following praxeological law is not "acting in an odd manner," it is *not acting*.

We might consider an analogy with the game of basketball. Certain elements are *a priori* for any activity to be considered an instance of basketball. Without spending a great deal of time considering the apodictic elements of that sport, we might say that they include a

court, baskets, players, and a ball. If any of those elements are missing, we don't have a different kind of basketball game; we don't have a basketball game at all. Other elements could be considered to be the institutional setting of a particular game: there may or may not be a three-point shot; the court might be 80 or 90 feet in length; the "key" might be rectangular, as in American basketball, or its shape might widen from the foul line to the basket, as in international ball. But if someone brought us to a large, wooden-floored room, and showed us a number of athletic men running about with no ball or baskets present, we would not accept this as an odd sort of basketball, but would contend that whatever was going on—perhaps some type of aerobics—it certainly was *not* basketball.

Oakeshott's description of the foundation of the word of practical experience supports and enriches Long's argument. Oakeshott speaks of the "postulates" of the world of human conduct.

It was Mises contribution to realize just how much these postulates implied (e.g., the basic laws of economics), but it is Oakeshott who puts them on the broader philosophical basis: we do not need to worry about the ontological status of these praxeological principles beyond recognizing that they do, in fact, create the "platform of understanding" that *is* the practical world. Because of that, their rule over it is, as Mises would put it, apodictic. When we are not under their sway, we are not in the practical world.

As Mises (1998, p. 11) points out, there are no gray areas between action and non-action. That is because the postulates of the practical world are either present or not, and, once present, they are fully operative. The categories of praxeology are *a priori* not because they float in some timeless void apart from human experience—perhaps they do, but that is beside the point—but because they are the basis of a world of practical experience, because they all arise simultaneously with that world, and because every concrete practical activity presupposes those categories.

So, we can acknowledge the argument made by Rizzo (1982) but go further: Yes, the postulates of praxeology can sensibly form the hard core of a research program, but, further, they also happen to be the very postulates that create the world, that of practical experience, that economics attempts to explore. In such an approach we do not require praxeologists to adopt any particular ontological view of the praxeological postulates: perhaps they are placed in our mind by God, perhaps they are required by "reality" or biological evolution, or perhaps we just stumbled upon them. (I do not intend to denigrate metaphysical theorizing about how the postulates arise, but merely to point out that for the praxeologist *qua* praxeologist the issue is not crucial.) In any case, without them we do not have a world of practical experience, or, indeed, any phenomenon for economics to explore.

Is there experience that is not ruled by the laws of praxeology? Clearly, there is. One example is the experience of dreams—obviously human experiences, but not ones that seek to replace what is with what ought to be, use scarce means to achieve ends, and so on. Another, perhaps more controversial, case would be that of the activity of a creative genius. Mises (1998, p. 134) notes: "...the work of the genius is outside the orbit of

ordinary human action and is like a free gift of destiny which comes to mankind overnight." Oakeshott (1991) echoes Mises by contending that poetry (by which he means the arts in general) is a separate "voice" from that of practical activity.

The Fundamental Divergence in Theorizing

Mises frequently advanced the notion of *methodological dualism*, by which he meant that theorizing intelligent action and not-intelligent goings-on are fundamentally different activities.¹ Although at the time of writing *Experience and Its Modes*, Oakeshott was what we might call a methodological pluralist, and he never completely abandoned such a view, by the time he was composing *On Human Conduct*, Oakeshott posited a fundamental bifurcation in theorizing similar to that of Mises.

The view that theorizing human action is a distinct activity from theorizing mechanical relationships among not-intelligent goings-on contradicts the popular notion that if any discipline is to be regarded as rigorous or scientific, it must deal solely with objectively measurable quantities and must attempt to establish constant relationships between them. Such relationships, according to this view, should yield predictions that can confirm or refute theories built around them. (See, for instance, Friedman [1953].) For those who espouse this approach, which we might term, following Hayek (19xx), "scientism," introducing non-quantifiable elements into the social sciences abandons scientific objectivity and wanders into the realm of mere opinion. As Friedman said of Mises:

...his fundamental idea was that we knew things about "human action"... because we are human beings. As a result, he argued, we have absolutely certain knowledge of the motivations of human actions [Friedman misrepresents Mises here: Mises contended that we have *a priori* knowledge of the postulates of human action, not of the "motivations" of particular actions] and he maintained that we can derive substantive conclusions from that basic knowledge. Facts, statistical or other evidence cannot, he argued, be used to test those conclusions.... Suppose two people who share von Mises's praxeological view come to contradictory conclusions about anything. How can they reconcile their difference? The only way they can do so is by a purely logical argument. One has to say to the other, "You made a mistake in reasoning." And the other has to say, "No, you made a mistake in reasoning." Suppose neither believes he has made a mistake in reasoning. There's only one thing left to do: fight. (1991: 18)

But, as Peter Klein (e-mail, 5/21/2003) insightfully remarks:

You have to admire Friedman's chutzpah. As is painfully obvious from reviewing the mainstream literature in almost any field of economics, there are assuredly more disagreements among Friedmanite positivists about the interpretation of empirical data than among praxeologists about the conclusions of deductive reasoning. One could even say the following:

¹ See Mises ([1933] 1960), Mises ([1949] 1998), and Mises (1962).

"Suppose two people who share Friedman's methodological views come to contradictory conclusions about anything. How can they reconcile their difference? The only way they can do so is by appealing to the econometric evidence. One has to say to the other, 'You made a mistake in your empirical analysis.' And the other has to say, 'No, you made a mistake in your empirical analysis.' Suppose neither believes he has made a mistake in his empirical analysis. There's only one thing left to do: fight."

Despite the logical difficulties plaguing views such as Friedman's, they nevertheless are representative of one of the three main methodologies employed in the social sciences, which Nardin (2001a) terms *positivism*, *hermeneutics*, and *critical theory*.² Nardin places Oakeshott in the hermeneutical tradition.

Despite the effort of some of Mises' followers to distance themselves from hermeneutical social science (see, for example, Rothbard [1989]), I contend that Mises' work also falls within that tradition.³ The fact that the word "meaning" occurs approximately⁴ 114 times in *Human Action* is decent evidence of this all by itself. The selection of a few of the passages in which it is used should suffice to convince the reader that many of the uses are not merely incidental (all emphases are mine):

"Action is... the ego's *meaningful* response to stimuli and to the conditions of its environment..." ([1949] 1998, p. 11)

"The question we have to deal with is whether it is possible to grasp human action intellectually if one refuses to comprehend it as *meaningful* and purposeful behavior aiming at the attainment of definite ends. Behaviorism and positivism want to apply the methods of the empirical natural sciences to the reality of human action. They interpret it as a response to stimuli. But these stimuli themselves are not open to description by the methods of the natural sciences. Every attempt to describe them must refer to the *meaning* which acting men attach to them...." ([1949] 1998, p. 26)

"It is illusory to believe that it is possible to visualize collective wholes. They are never visible; their cognition is always the outcome of the understanding of the *meaning* which acting men attribute to their acts." ([1949] 1998, p. 43)

² "Empiricism" might be preferable to "positivism" here, since positivism is generally discredited as a philosophy of the physical sciences. In any case, I believe Nardin means by the term is the assertion that the methods of the social sciences ought not to differ substantially from those of the physical sciences.

³ Of course, there are strains of hermeneutic thought that would deny the possibility of finding anything resembling praxeological laws. See, for instance, Gordon (2001): "But [Gadamer's hermeneutics] contrasts meaning with scientific knowledge that endeavors to find universal rules. Hence his book's title; the truth of understanding opposes the method of the sciences. An 'Austrian' economics that relies on Gadamer cannot adequately show how we can discover economic laws. It thus falls in danger of transformation into its opposite, historicism."

⁴ The count of 114 is based on a web search of the online version of *Human Action*, available at <http://www.mises.org/humanaction.asp>.

"The task of the sciences of human action is the comprehension of the *meaning* and relevance of human action" ([1949] 1998, p. 51).

"External objects are as such only phenomena of the physical universe and the subject matter of the natural sciences. It is human *meaning* and action which transform them into means.... Economics is not about things and tangible material objects; it is about men, their *meanings* and actions. Goods, commodities, and wealth and all the other notions of conduct are not elements of nature; they are elements of human *meaning* and conduct. He who wants to deal with them must not look at the external world; he must search for them in the *meaning* of acting men." ([1949] 1998, p. 92)

Despite their place within the hermeneutic tradition, Mises and Oakeshott share a view that differentiates them from many other hermeneutic theorists: both of them hold that the social sciences are descriptive rather than normative. While inherently concerned with the values of the humans she studies, the values of the theorist herself should not play a role in her conclusions. Neither Oakeshott nor Mises deny that such an objective stance toward subjective phenomena may be difficult to achieve *in practice*, but that does not prevent it from being the ideal character of the social sciences.

Nardin (2001a) says of Oakeshott: "[He] denies the claim running through the entire hermeneutic tradition that the social sciences are inherently prescriptive. This is the claim of critical theory, and it is false. The social sciences, like the natural sciences, are explanatory, not prescriptive."

And Mises, writing of the discipline of history, says:

It is obvious that the historian must not be biased by any prejudices and party tenets. Those writers who consider historical events as an arsenal of weapons for the conduct of their party feuds are not historians but propagandists and apologists. They are not eager to acquire knowledge but to justify the program of their parties. They are fighting for the dogmas of a metaphysical, religious, national, political or social doctrine. They usurp the name of history for their writings as a blind in order to deceive the credulous. A historian must first of all aim at cognition. He must free himself from any partiality. He must in this sense be neutral with regard to any value judgments. ([1949] 1998, p. 48)

The Holistic Approach to the Social Sciences

For many theorists, the social sciences should be studied from a "holistic" point of view. Individual humans, as we really find them in life, exist within a social context. Methodological individualism, so this line of thought goes, is based on a faulty view of people as atomic individuals, self-created and isolated from society. It ignores the plain fact that all humans are born into a social context and are deeply influenced (even controlled, in the most extreme versions of the view) by the customs, norms, institutions, and practices of that society. Oakeshott and Mises both reject social holism, based on similar considerations.

Neither of them attempts to refute the holistic approach by arguing *for* the idea of the atomic individual. Both acknowledge the pervasive influence of his culture on an individual. For example, Mises says:

If praxeology speaks of the solitary individual, acting on his own behalf only and independent of fellow men, it does so for the sake of a better comprehension of the problems of social cooperation. We do not assert that such isolated autarkic human beings have ever lived... Man appeared on the scene of earthly events as a social being. The isolated asocial man is a fictitious construction. ([1949] 1998, p. 164)

And, in the same vein:

Every individual is born into a definite social and natural milieu. An individual is not simply man in general, whom history can regard in the abstract. An individual is at any instant of his life the product of all the experiences to which his ancestors were exposed plus those to which he himself has so far been exposed. An actual man lives as a member of his family, his race, his people, and his age; as a citizen of his country; as a member of a definite social group; as a practitioner of a certain vocation. He is imbued with definite religious, philosophical, metaphysical, and political ideas, which he sometimes enlarges or modifies by his own thinking. ([1957] 1985, p. 159)

In Oakeshott we find a similar idea: "Human conduct... is agents disclosing and enacting themselves in responding to their understood contingent situations... in terms of a multiplicity of arts and practices presided over by a practice of moral conduct and perhaps a religious faith. Totally unconditional or 'artless' conduct is impossible, as impossible as an utterance in no language in particular" (1975, p. 86).

However, both note that while the influence of social norms, customs, traditions, institutions, and so on is pervasive, such factors can never offer a complete explanation for a concrete action of any particular individual. For one thing, the existence of these "social forces" consists in their presence as ideas in the minds of individuals. A custom vanishes when the last individual who guided her actions according to the dictates of that custom dies or ceases to follow it. Customs, social collectives (such as tribes, nations, or followers of a religion), morals, and practices have no life independent of the individuals who choose to take them into regard in guiding their actions. As Mises puts it:

For the collective has no existence and reality but in the actions of individuals. It comes into existence by ideas that move individuals to behave as members of a definite group and goes out of existence when the persuasive power of these ideas subsides. (1962)

Similarly, he says:

It is the meaning which the acting individuals and all those who are touched by

their action attribute to an action, that determines its character. It is the meaning that marks one action as the action of an individual and another action as the action of the state or of the municipality. The hangman, not the state, executes a criminal. It is the meaning of those concerned that discerns in the hangman's action an action of the state. A group of armed men occupies a place. It is the meaning of those concerned which imputes this occupation not to the officers and soldiers on the spot, but to their nation. ([1949] 1998, p. 42)

And in Oakeshott we find: "Social being must be recognized as one of the engagements of reflective consciousness, and not as itself 'the determinant of reflective consciousness'" (1975, pp. 96-97). The "social being" is derivative of agency, and not vice-versa: "The contention that the substantive performance of an agent is to be theorized in terms of his 'social being' makes sense only when 'social being' is understood as his self-recognition in being related to others in some particular respect..." (1975, p.98). And it is the actions of individuals that constitute social entities: "Practices... are footprints left behind left behind by agents responding to their emergent situations..." (1975, p. 100).

Both Mises and Oakeshott note that collective explanations for the actions of an individual, such as group membership or subscription to a custom or practice, while not without value, are inherently incomplete. For one thing, all individuals are members of more than one group and subscribe to more than one practice. Mises says:

Those who want to start the study of human action from the collective units encounter an insurmountable obstacle in the fact that an individual at the same time can belong and--with the exception of the most primitive tribesmen--really belongs to various collective entities. The problems raised by the multiplicity of coexisting social units and their mutual antagonisms can be solved only by methodological individualism. ([1949] 1998, p. 43)

Or, as Nardin (2001a) says in describing Oakeshott's view, "every action expresses an indefinite number of practices and can be described in an indefinite number of ways. There are many kinds of conventionality."

On Mathematical Approaches to the Social Sciences

Both Mises and the Oakeshott held that mathematical approaches to the social sciences are inherently limited and are not a replacement for an approach that takes into account the intelligent nature of human conduct. Since action is grounded in the meaning an agent assigns to her situation, and since meanings are inherently not open to measurement, there is no stable basis for the quantitative comparison of different actions.

Oakeshott (1975, p. 53) says:

[A]n action is a chosen response to an understood contingent situation and is related to an imagined and wished-for outcome; that is, the spring of conduct is a situation in respect of its being recognized to contain a specific unacceptability.

From this... it follows... that there can be no independent scale which converts these specific misliked situations, or these specific sought-for satisfactions, into commensurable fractions of a single general condition (e.g. amounts of 'pain' or 'pleasure') and in terms of which all situations may be measured or at least compared, in respect of their unacceptability and all actions in respect of their sought-for or actual yield of satisfaction.

And he further contends:

Since 'human nature' here is a practice, its dispositional components are imperfectly specifiable and subscription to them is similarly indeterminate, allowing *incalculable* (but not necessarily unrecognizable) gradations of conformity and disconformity. In this respect they are to be distinguished from the propensities of the components of a process, which are expressed in the 'laws' (probable or determinate) of their functional relationships. (1975, p. 95, emphasis mine.)

As I understand Oakeshott, he is claiming that we cannot calculate the "utility" gained or the "disutility" suffered as a result of an action, because every action is a response to a unique situation, every action attempts to address a unique unacceptability found in that situation, and every action achieves (or fails to achieve) a unique satisfaction. Although we may be able to discern commonalities in the various situations to which agents respond, the commonalities themselves are relevant to an individual performance only to the extent that the agent himself perceives his situation as belonging to a common type. In other words, the commonalities are "imperfectly specifiable." There is no form of measurement or objective yardstick by which a social scientist could declare that, in acting in such and such a fashion, a particular agent was viewing his situation 57% as a middle-class male, 30% as a member of the Democratic Party, and 13% as a Lutheran. Without any means to make such quantitative distinctions, the social scientist cannot establish the sort of constant relationships that form the basis for the physical sciences.

As Mises puts it:

In the realm of physical and chemical events there exist (or, at least, it is generally assumed that there exist) constant relations between magnitudes, and man is capable of discovering these constants with a reasonable degree of precision by means of laboratory experiments. No such constant relations exist in the field of human action outside of physical and chemical technology and therapeutics. ([1949] 1998, p. 55)

So what is the nature of the statistical studies and mathematical exercises that fill many social science journals? Oakeshott (1975, p. 97) says:

[In the formulation of a mechanical] 'science of society'... a society is understood as a process, or structure, or an ecology; that is, it is an unintelligent 'going-on', like a genetic process, a chemical structure, or a mechanical system. The

components of this system are not agents performing actions; they are birth-rates, age groups, income brackets, intelligence quotients, life-styles, evolving 'states of societies', environmental pressures, average mental ages, distributions in space and time, 'numbers of graduates', patterns of child-bearing or of expenditure, systems of education, statistics concerning disease, poverty, unemployment, etc. And the enterprise is to make these identities more intelligible in terms of theorems displaying their functional interdependencies or causal relationships... It is not an impossible undertaking. But it has little to do with human [action] and nothing at all to do with the performances of assignable agents. Whatever an environmental pressure, a behaviour-style, or the distribution of gas-cookers may be said to be correlated with or to cause (a rise in the suicide rate? a fall in the use of detergents?) these are not terms in which the choice of an agent to do or say this rather than that in response to a contingent situation and in an adventure to procure an imagined and wished-for satisfaction may be understood. It is only in a categorial confusion that this enterprise could be made to appear to yield an understanding of the substantive actions and utterances of an agent.

Nardin (2001a) succinctly summarizes Oakeshott's analysis of statistical social science: "Generalizations about how people usually behave are not scientific generalizations about a truly time-independent class of phenomena; they are more or less well-disguised descriptions of customs specific to a particular historical situation."

Mises' comments on econometric studies echo the view of Oakeshott:

If a statistician determines that a rise of 10 per cent in the supply of potatoes in Atlantis at a definite time was followed by a fall of 8 per cent in the price, he does not establish anything about what happened or may happen with a change in the supply of potatoes in another country or at another time. He has not "measured" the "elasticity of demand" of potatoes. He has established a unique and individual historical fact. No intelligent man can doubt that the behavior of men with regard to potatoes, and every other commodity is variable. Different individuals value the same things in a different way, and valuations change with the same individuals with changing conditions. ([1949] 1998, pp. 55-56)

The Nature of Economics

Under the rubric "economics" there today exists a number of disparate enterprises, some more coherent disciplines than others. There is, for instance, *econometrics*, which properly understood is the study of economic history using statistical methods. As long as it is viewed as a historical discipline and not a search for constant, quantitative laws of human conduct, it is a coherent activity.

There is also the mathematical study of algorithmic optimization, which today constitutes the mainstream of neoclassical economics. As Nardin (2001b, p. 119) notes, "Scientific

economics is a branch of mathematics... a system of mathematical theorems...⁵ When seen as such it is a fully coherent discipline.

However, this mathematical enterprise is typically mingled with categorically distinct lines of inquiry. For one thing, it is often jumbled up with the postulates of human conduct.⁶ If Oakeshott and Mises are correct in asserting that the nature of theorizing human action precludes precise quantitative descriptions, then mixing a model based upon algorithmic optimization with explanations of the model based upon praxeological principles is an incoherent enterprise.⁷

The standard textbook model of supply and demand is a perfectly sound mathematical model. But let's examine an example of the exposition of the model. Landsburg (1999, p. xx) declares:

It is important to distinguish causes from effects. For an individual demander or supplier, the price is taken as a given and determines the quantity demanded or supplied. For the market as a whole, the demand and supply curves determine both price and quantity simultaneously.

Landsburg is advising readers that they must not think of prices as being determined by the actions of individuals—individuals simply take prices as a given. Instead, it is the abstract mathematical notions of supply and demand curves that simultaneously determine what occurs in the market.

Yet, when he describes how gluts and shortages are eliminated in the market, Landsburg offers a praxeological explanation. For instance, he says, "Suppliers do care about the cost of feed corn, and are *willing* to produce fewer pork chops at a given price when that cost goes up" (1999, p. xx, emphasis mine). This praxeological explanation is at odds with the model, where "producers," which in the model is really just a name for a mathematical function, automatically produce a different quantity when their costs change. In the model, prices and quantities are determined by mathematical formula and not anyone's "willingness" to produce or consume.

Although I believe that this distinction between praxeological and mathematical economics is implied in Oakeshott's analysis of human conduct, it is not clear whether he would have agreed with me, as he commented little on the nature of economics after *Experience and Its Modes*. There he considers economics to be a quantitative science operating in the same mode as physics or chemistry ([1933] 1985, pp. 220-233). His later work hints at a view perhaps modified along the lines suggested here, where mathematical and praxeological economics would be regarded as two disciplines (see, for instance, the quotes above from Oakeshott 1975, p. 53 and p. 95). Unfortunately for our sake, I know of no instances where he explicitly revisits this issue later.

⁵ Rosenberg ([1983] 1998) reaches the same conclusion.

⁶ Nardin (2001b, p. 119) notes that mathematical economics is also confused with attempts to guide public policy, and with efforts to predict future economic events.

⁷ See Cowen (2003) for a second view of praxeology and mathematical economics as separate subjects.

Conclusion

The work of Mises and Oakeshott contains remarkable similarities as well as important divergences. This paper, while touching on some of these areas, has left other important points of contact between their ideas unexamined -- for instance, their similar but not identical views on the nature of the discipline of history, and what I see as the most important difference in their thought, namely, whether or not human experience consists of logically distinct modes.

Scholars working in the tradition of either of these thinkers would benefit from a familiarity with the work of the other of them. But to date there has been little comparative study of Mises and Oakeshott. I hope that this paper takes a small step toward rectifying that situation.

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