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11 Reply to Hoppe — on apriorism in Austrian Economics

Gerard Radnitzky

Hoppe's critique is of general interest because he uses the standard arguments of the strict followers of Ludwig von Mises within Austrian Economics. Hence scrutinizing those parts of his critique is at the same time a critical examination of Misesian epistemology. What distinguishes Misesians from the rest of the Austrians is, above all, their position in epistemology. *Misesians have adopted the framework of justificationist philosophy (Begründungsphilosophie)*. The result is a peculiar mixture: An admirable political philosophy is combined with an untenable position in epistemology. I have elsewhere written an extensive criticism of justificationist philosophy (Radnitzky and Bartley, 1987, pp. 279-312). Although a suitably short response may not be possible, a few remarks may be worthwhile.

Murray Rothbard, the *maitre à penser* of the Misesians, correctly and convincingly rejects the intrusion of hermeneutics into economics (which together with K.-O. Apel's justificationist epistemology is the basis of the neo-Marxist Frankfurt School). But strangely enough, he classifies Karl Popper, the greatest critic of Logical Positivism, as a logical positivist. And he misinterprets Hayek's concept of "spontaneous order", which is descriptive, as an evaluative concept. (Here more of hermeneutics', as the technology of interpretation, would have been useful.) Hayek thought that the main difference between him and Mises was that Mises regarded the market theory as a priori (genetically a priori and a priori valid), while for Hayek only the *logic* of individual action (rational action) was a priori. The interaction of people and the resulting network, the free-market economy, were for Hayek empirical phenomena, and hence, the topic of empirical research. Although Hayek always said that he accepted nearly all of Mises's criticism of socialism, he thought that Mises's criticism could not be effective, because Mises's view that man is strictly rational and can know the consequences of his actions opens the door to constructivist rationalism, which is one of the corner stones of socialism. By contrast, Hayek emphasized

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that we can only ex post interpret (and provide an "explanation of the principle" for) the various social orders we have got, like the free-market economy. It evolved as a spontaneous order, and some (but not all) spontaneous orders are beneficial.

Non-justificationist philosophy takes its bearing from Hume's distinction between propositions stating matters of fact and propositions stating the relations of ideas, and its updating by Popper. Critical Rationalism implies methodological individualism, non-cognitivist meta-ethic and subjective value theory. These theories, which belong to the cachet of Austrian Economics, are incompatible with the justificationists' attempts to provide an "ultimate" justification or grounding for genuine, i.e., non-instrumental, value judgments and norms. This fact will by itself create tensions within the Misesian "paradigm", which has adopted *Begründungsphilosophie*.

Hoppe begins his criticism of Popperian fallibilism by attacking the Popperian thesis that there is no way of ultimately justifying truth claims with respect to concrete statements. He claims that the sentences formulating that thesis must be either 'categorically true' or empirical (falsifiable). He writes, 'If they are categorically true, we are faced with a blatant contradiction' (sect. 1, 5th paragraph). His sentence is unclear (at least to me). What he appears to mean is that the thesis, if self-applicable, leads to self-contradictions—at bottom, that the maxim that epitomizes fallibilism, in W. W. Bartley's words, "Do not dogmatize anything (propositions, viewpoints, etc.)!", cannot be self-applicable. In Hoppe's opinion, self-application would lead to semantic paradoxes. However, it can be shown that such paradoxes need not arise (Radnitzky, op. cit., pp. 300-08). And immunizing the thesis in question against criticism would be anathema to Popperians. Hoppe then continues: "If they (the sentences expressing the theory of fallibilism) are merely hypothetical, falsifiable propositions, it will be sufficient to present a single counter example in order to refute them—and there are many such examples". And he then produces some counter-examples, i.e., synthetic statements that are claimed to be a priori valid.

His first example is the sentence, 'A ball cannot be red and non-red at the same time'. The example was not happily chosen. The sentence is a tautology: negation of a self-contradiction (natural languages operate on the principle of the excluded middle). The example much discussed in Ordinary-Language Philosophy in the 1950's was, 'Nothing can be red and green at the same time and all over'. However, such sentences are notoriously difficult to interpret. Does the color predicate 'red' designate a phenomenal entity, a mental entity? If so, we have to consider ostentative referitions, the way we learn color predicates in the primary language, problems of intersubjectivity in the handling of such predicates, and so forth. This complicates the issue unnecessarily. If the predicates refer to physical entities (properties of physical objects), then we

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come to scientific theories, which to my knowledge most, if not all, justificationist philosophers regard as fallible.

It would be better to take as examples Wittgenstein's "ordinary certainties", like, e.g., "I am more than three months old" or "The world existed before I was born". It is indeed psychologically impossible for us to doubt that these sentences are true. However, that fact is **epistemologically irrelevant**. **We could all sincerely** believe a statement to be true, and we might all be mistaken. The skeptics in antiquity knew this. To think otherwise is simply to mistake a conviction (or the consensus of all "reasonable" people) for a guarantee of truth. That would be an impermissible naïveté. At this point it becomes necessary to consider the key problem of justificationism.

The search for an "ultimate" grounding of propositions leads to a well-known dilemma-engendering dilemma. Either you go on justifying (infinite regress or circle), or you stop. So you have to stop somewhere, and you are faced with two options: Either you declare your stopping point to be beyond criticism (open dogmatism), or you argue that the stopping point of your choice is not dogmatic because it constitutes, so to speak, epistemological rock bottom. In the history of philosophy, there have been many candidates for such "ultimate justifiers": sense perception cum induction, intellectual intuition cum deduction, and so forth. They have all failed. Within the justificationist framework, the afore-said dilemma is genuine. And all attempts to tackle it lead to *confusing truth with certainty* and to *confusing the concept of truth (absolute truth) with the methods for ascertaining the truth-value of particular statements*, which methods are fallible in principle.

Some justificationists have tried to avoid the dilemma-engendering dilemma by shifting to the meta-level, to the "nonpropositional" way of justifying proposition. They claim that a statement can be "ultimately" falsified, not by other statements, but by acts performed by individuals, by "performative contradictions", and therefore its negation "ultimately" justified, proven to be true (Hoppe, sect. 1, 6th paragraph). For instance, if A claims that he can no longer perform a certain act, while simultaneously performing it, A is said to have performatively contradicted his statement, proved it to be false by his action. Such attempts to justify an ultimate stopping point are epistemologically naive. That the people witnessing A's performance are convinced that he performed the act and can express their conviction verbally only leads to empirical statements. Apel's attempt, which underlies Hoppe's reasoning and is more sophisticated, fares no better. To put it as short as I possibly can: (1) If you wish to argue, you must accept the Criticist Frame (argumentative dialogue); (2) you have entered a dialogue—conclusion: you have implicitly (by your action) accepted the Criticist Frame.

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If (1) is construed as a definition of 'arguing' (or of 'dialogue'), it is empty. If it is construed as a synthetic sentence, it is fallible. (2) is a synthetic sentence, hence fallible. Apel's attempt to produce an "ultimate justifier" has failed. (Albert, 1975, or Radnitzky, 1987, pp. 296-301.)

Let us turn to Hoppe's last example, which is characteristic of Misesians: the concept of "exchange". (I rephrase Hoppe's formulation somewhat to make it shorter.):

"Two people engage in exchange only because they expect to be better off from making the exchange than from not making it". (S)

We could add, 'and they expect this only because they subjectively prefer the situation which they hope the exchange will bring about to the situation before the exchange'. The expression 'exchange' here occurs in an intensional context (i.e., a context concerned with meanings of sentences and not only with their truth-values; with connotations of predicate expressions and not only with their references (denotations), etc.). The occurrence of mentalistic terms like 'expect' confirms this. The expression 'exchange' has a sufficiently fixed meaning in everyday language. (It includes the notion of "voluntariness".) In order to clarify it we have to clarify the defining concept of "not being coerced"—thereby avoiding circularity. (Using Hardy Bouillon's proposal, a rough definition could be: A person *x* is 'being coerced' by an agent *y*, if and only if an action of *y* places *x* in a situation in which he has to decide whether or not to change his original plans and, if he decides in the negative, he believes that this will entail "costs" in terms of a reduction of his private "action space".) Hence, when we claim that a certain behavioral pattern constitutes an example of "Exchange" (S), we also claim that we understand what that conduct (movements, etc.) means in the context—the bodily movements are intelligible to us, we interpret them as an instance of "exchange". If S has empirical content, it is falsifiable, i.e., it is logically possible that S is contradicted by a set of statements that, at the moment, we consider to be better supported by evidence than S is. If S is universally quantified, a single counter example will falsify it; if it is taken as a tendency statement, we have to enter statistical arguments.

Are there candidates for counter examples? Let us consider two cases. Case #1: Charity disguised as rational exchange. A exchanges with B as a way of making a gift to B without offending B's pride. A does not improve his material well-being by the exchange (Antony Flew's example). Case #2: In the particular exchange, B gets a "white elephant", an embarrassing gift that he cannot refuse. If we accept any of these cases as genuine counter example to S, S is falsified. There is obviously another option. For instance, we claim that in case #1, A has made himself better off by this exchange through achieving an aim not otherwise achievable. If so, we have claimed that achieving whatever purpose or

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intention you had in making an exchange *necessarily makes you better off, at least you anticipate to be better off. If you take this course, you have conventionalized S, i.e., made S into a sentence analytic in the language L in question.* S is true in L in force of certain definitorial conventions of L. 'Exchange' has become a subset of the category 'Rational (means-ends-rationality) Action'.

Now S can guide the construction of an explanation sketch or a prediction explaining why A and B acted in the way they did: They made, at least implicitly and perhaps in part subconsciously, a cost-benefit-analysis; they came to the conclusion that they would be better off if they exchanged; and, in the present case, they acted rationally, i.e., they made the exchange. We can thus explain (explanation of the principle) why they did exchange, or we can predict that they will engage in an exchange (predictions of the principle).

What if our prediction fails? Then we look for a spot in our argument where to put the blame. Probably, first we will question the hypotheses about the preferences of A and B and will look for a possible evidence for a difference or a change in the preferences, evidence that is independent from the concrete case predicted or explained (to avoid circularity). Eventually we will even question the assumption that A and/or B behaved rationally in the case at hand. All this is ordinary empirical investigation. (The logical structure of an explanatory argument (postdiction) and a predictive argument is identical.) It turns out that S is either empirical or analytic. If S is empirical, its truth is impossible to prove; at most we can show that it has so far withstood severe testing better than its rival hypotheses have. If S is analytic, it has no empirical content. But S is certainly not an example of a synthetic sentence that is a priori valid, of a sentence whose truth is known (in the ordinary-language sense of 'knowing'), where 'to know that **p**' implies that **p** is true a priori.

It is not likely that Misesians will abandon the justificationist framework; they may have invested too much in it. Apparently you can do valuable work in economics and political philosophy in spite of having (at least officially) adopted an untenable position in epistemology. However, it should be remembered that the justificationist philosophers to whom the Misesians refer to support their epistemology, search for ultimate grounding *only in ethics*, while accepting Popperian fallibilism with respect to science. (Rejecting fallibilism with respect to the method of ascertaining the truth-value of descriptive statements would be a ridiculous position. Scientific progress exists and we cannot now know (a logical impossibility) whether a particular theory may not have to be modified or replaced by a better one later.) At any rate, those among the admirers of the political philosophy of the Misesian wing of Austrian Economics who at the same time are interested in epistemology would feel more comfortable with the Misesian wing, if it got rid of the untenable *Begründungsphilosophie*.¹

Note

1. Mises's philosophy of science has great merits: The primacy of theory (against positivism); the insight that the human mind has a definite structure (contains many genetic aprioris, as Evolutionary Epistemology claims); that "Action" is, by definition, intentional (against behaviorism); methodological individualism; that economics is the most advanced of the social sciences ("Economic Approach"). His mistake is that—in the philosophical tradition of German Idealism—he conceives his Theory of action ("praxeology") as a theory that is a priori *valid*. His belief that praxeological knowledge can be deduced from the "logical structure of the human mind" is a typical Kantian idea. (Mises acknowledges this in *Ultimate Foundations* [1962, p. 42].) He appears to construe his principles of Action as synthetic apriori propositions, whereby repeating Kant's untenable theory of the Synthetic Apriori (apriori valid). He confounds the concept of "sentence analytic in language *L*" (a semantic concept) with the concept of "sentence tautological in *L*" (a syntactical concept, e.g., a valid conditional). The truth of analytic sentences hinges upon definitions. Both types of sentence are empty of empirical information. Thus, if it were true—as Mises believes—that the theorems of money theory can be deduced from the concept of Money, money theory would be empty. It would be true in force of certain definitions in the language *L*. Therefore it could not contain any empirical information, and hence it could not explain anything.

References

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