

Mises on Epistemological Relativism in the Study of Historical Events

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In my effort to make sense of [Rothbard's critique of Mises value freedom](#) in his report "Ludwig von Mises, 'Epistemological Relativism in the Sciences of Human Action'" (1960), I felt it necessary to carefully study Mises's article (1961 – ER). This essay is a systematic description of the main ideas contained in the article. The description is useful because it helps one better assess the ideology of historicism and the errors made by all historians who are ignorant of the [special knowledge that comprises Mises's new economic science](#).

In his 1966 treatise, *Human Action* (HA), Mises maintained that the "science of human action," a phrase that is in the title of his essay, has two branches: praxeology and history (HA: 31).¹ He wrote further that within the praxeology branch is economics (economic theory). Economics, he said, is a branch of praxeology.

It is important to realize that he was fully aware that to do history requires both praxeology and economic theory. His purpose was to draw a line between (1) economists, who produce a value free, *a priori*, theoretical science the ultimate goal of which is to evaluate intervention arguments and (2) historians who aim to identify the distinctly human causes of historical events. He did not discuss this separation in the ER article. His focus was entirely on the proper way to interpret historical events. Maintaining this focus, his article criticizes the interpretations promoted by the German historians of the 19th century. Some of these interpretations diminished the importance of economic science intentionally; others did so naively. This essay describes his critiques of these historians.

Mises's sharp distinction between praxeology (and its branch, economics) and history:

1. Economists produce a value free, *a priori*, theoretical science the ultimate goal of which is to evaluate intervention arguments.
2. Historians aim to identify the distinctly human causes of historical events.

¹Another term he used for the science of human action before he came to the US is "sociology." He used this in his 1933 book *Epistemological Problems of Economics* (EP). See EP: 124.

1. THE POLITICAL MOTIVATION OF THE GERMAN HISTORIANS

Mises introduces his essay by writing that prior to the advent of classical economics, historians “paid little or no attention to the epistemological problems of their craft” (ER: 37). They described historical events by referring to laws of nature, divine intervention and the actions of strong, mighty and powerful individuals.

With the development of economics, the reporting of historical events was destined to change. The economists showed that in order to accurately interpret historical events, historians would have to take account of the [division of labor law](#). The economists popularized an interpretation of history that maintains that capitalism promotes national wealth and individual material well-being. However, if the “common man” were to adopt this idea, their ideologies would threaten special interests, pressure groups, proponents of the status quo, and leaders of governments. Aristocrats and landowners “wanted to preserve their old privileges” and small business owners and employees “were intent upon acquiring new privileges.” So they supported counter-interpretations of historical events that rejected the new knowledge. Leaders of government also rejected claims that their power to influence the wealth of a nation is limited due to the division of labor law (ER: 39) and to scarcity.² The result is that many of the historians found it worthwhile to write histories to help persuade other intellectuals, the molders of public opinion, and the common man to support protectionist, interventionist and status quo-preserving economic policies. Accordingly, “[t]he European ‘historical schools’ and American Institutionalism won political and popular support...” (*ibid.*).³

On the basis of what he writes later in the article, he is saying that the historians established themselves as a political counter force to the classical economists, who promoted an expansion of capitalism and free international trade. The historians promoted ignorance in order to benefit particular classes of individuals. Instead of impartially interpreting historical events, these German historians made interpretations that served special interests.

In these introductory remarks, Mises refers to absolutism, which he contrasts with epistemological relativism. He writes:

The economists claim absolute validity for what they call the laws of economics; they assert that in the course of human affairs something is at work that remains unchanged in the flux of historical events...[But] in the opinion of many authors this is an unwarranted thesis, the acceptance of which must hopelessly muddle the work of historians (ER: 38).

²Mises wrote that the economists showed “that even the most efficient constabulary of a formidable government cannot bring about” effects that contradict the “specific laws of human action” (ER: 38). A government cannot ordinarily cause the amounts of material consumer goods to be higher than otherwise by adopting policies that weaken the conditions of capitalism. In its effort to achieve material aims, it is limited by the laws of economics – i.e., by the theorems of economics – just as it is limited by the laws of the natural sciences (See the section “[Limits on Government Power to Influence National Wealth](#)” in my essay “The New Science of Economics in Mises's Treatise.”).

³For more on how intellectuals can influence public policy, see my essay “[The Determinants of Public Policy: The Ideology of the Common Man.](#)”

2. FAILURE OF THE GERMAN HISTORIANS TO ACCOUNT FOR THE REGULARITIES OF MARKET INTERACTION

When Mises writes early in the article that many authors believe historians should reject the absolutist teachings, he is referring to this “brand of relativists” (ER: 38). Those who hold this philosophy, or ideology, have rejected the special knowledge of the economist. To show why they are wrong, he introduces “regularities.” Prior to classical economics, he writes, historians assumed the presence of various regularities. But they “did not raise the question whether these regularities were of an extraneous character or inherent in the very nature of human action” (ER: 37). Precisely what he means by regularities does not become evident in the essay. In fact, he has two regularities in mind. The logically prior regularity is the presence of [the prerequisites and necessary characteristics of action](#). The second is the division of labor law. Thus he writes:

There is no human action that can be dealt with without reference to the categorical concepts of ends and means, of success and failure, of costs, of profit or loss. What the Ricardian law of association, better known as the law of comparative cost, describes is *absolutely* valid for any kind of voluntary human cooperation under the division of labor (ER: 43, italics added).

In the first sentence he is citing vocabulary that the economist qua pure praxeologist produces when he identifies the prerequisites and necessary characteristics of action. In the second, he is referring to the division of labor law. The historians must pass their interpretations of historical events “through these filters,” so to speak. In other words, the two regularities must be part of the theory she uses when she seeks to identify the causes of the event. The historian who disregards praxeology and economics is one type of “epistemological relativist in the sciences of human action.”

3. HISTORICISM

By practicing epistemological relativism, the brand of relativist to which Mises refers in the previous part fit into a class that subscribe to what Mises calls “historicism.” Historicism refers to an ideology about how to study history. “Epistemological relativism, he writes, is the essential doctrine [ideology] of historicism” (ER: 50). Every brand of historicist denies regularities. The specific brand of the previous part asserted that history could be divided into epochs. The events of each epoch, they maintained, should be interpreted according to the particular mind set, or means of reasoning, that can be assigned to that epoch. To this brand, a characteristic of the epoch of capitalism is a particular, capitalist means of reasoning (HA: 692). If one were to interpret capitalism with the mind set, or reasoning, that exists during some other epoch, she may well conclude that instead of being supported, it should be rejected.⁴

Historicism: the ideology that the mind set, or reasoning, that the historian should use to interpret historical events varies from one epoch to the next.

⁴It may be important for some readers to distinguish Mises’s definition of historicism from that of Karl Popper. Popper defined historicism as “an approach to the social sciences which assumes that historical prediction is their principal aim...” (Popper 1957: 3) The approach maintains “that it is the task of the social sciences to lay bare the law of evolution of society in order to foretell its future” (HA: 105).

This brand of historicism asserts that “the logical structure of human thought and action is liable to change in the course of historical evolution” (HA: 5). The main motive of those who adopted it was to justify their disregard for the use of economics in evaluating public policies (HA: 6). It “aimed at replacing [economics] by economic history” (HA: 4). It was supported by power seekers and privilege seekers who felt threatened by the economic policies recommended by the teachings of the classical and individualist economists. The reason is that the policies recommended by the economists who recognized the universal regularities could not help but challenge “all those whose short-run interests were favored by [interventionist] measures...” Accordingly, this brand of historicists bitterly criticized the “dismal science” (ER: 39).

4. KNIES’S CRITIQUE OF THE HISTORICISTS

The early German historians became apologists for special interests and pressure groups. But they did not criticize the classical economists or attempt to denigrate their special knowledge. They simply ignored it or ridiculed those who promoted it. However, some German historians made reasoned arguments against including the knowledge. Mises refers specifically to Karl Knies and Max Weber.

Knies asserted that the economists made the fatal assumption that actors are motivated entirely by crass money-making interests. They did not account for the fact that different individuals have different motives and that the same individual may have a variety of interests besides material consumer goods that they can acquire with money. He asserted that “man as he really is and acts strives not only after material amenities, but also after some other – higher or loftier or ideal – aims” (ER: 42-3). The economists, Knies maintained, were not helpful to one who wants to interpret historical events because they “neglected to pay due attention to the nonmaterialistic concerns of man” (ER: 43).

Mises acknowledges this objection to be valid as it applies to the classical economists, who Knies targeted in the first edition (1853) of his book. The classical economists did not realize that action under the conditions of capitalism is a subclass of action in general. However, after the publications in the early 1870s by Menger, Jevons, and Walras; the study of market phenomena became a subdivision of the study of action in general. In light of this so-called subjectivist revolution in utility theory, says Mises, Knies should have corrected his objection in his 1883 edition. Thus Mises writes that in the context of modern economics, “the distinction between economics and allegedly noneconomic ends becomes meaningless” (ER: 42).

Mises agrees that to properly do economic history, the historian must account for non-materialistic concerns. But this fact does not make economics irrelevant. The historian must also account for the materialistic concerns, the division of labor law, and the law of consumer sovereignty. Although the economist carves out for study interaction under the conditions of capitalism, the historian cannot afford to ignore the special knowledge that the economists have discovered.

5. WEBER’S DISTINCTION BETWEEN RATIONAL AND IRRATIONAL ACTION

Weber proposed an interpretation of historical events in which the task of the historian is to first identify all actors who may have had a causal influence and to second propose hypotheses about the

extent of each one's influence. He did not make Knies's error of distinguishing materialistic motives from non-materialistic motives. He made a different fatal mistake. He singled out "rational" action for study. He proposed that historians should employ a sociology that he defined as the science of rational action. They should not include *irrational action*. An actor performs an irrational action when she makes it on the basis of "unconditional intrinsic value of a certain way of conduct as such, without regard to its success from the point of view of ethics, aesthetics, religion, or other principles" (ER: 44). Weber wanted to interpret historical events by treating irrational actions differently from rational actions. By doing so, he aimed to "free German sociological thought from its naive commitment to judgments of value..." (*ibid.*).

Regarding such "irrational action," Mises agreed with Weber that actions taken on the basis of false beliefs about the means of achieving an end may lead to error from the viewpoint of the actor. But since actors make errors in reality, "irrational action" must be included with that of action taken on the basis of correct beliefs. In identifying the causes of historical events they cannot be disregarded. Nor does taking such action into account constitute a judgment of value. On the contrary, it is more likely to be a judgment of value for the historian to disregard it.⁵

In fact, insofar as one's goal is to do economic history, Weber made two mistakes – one in pure praxeology and the other in economics. The mistake that Mises stresses here is that he failed to acknowledge the "absolutism" implied by pure praxeology because he failed to include erroneous action. The second mistake, which Mises points out elsewhere (EP: 93-6), is his lack of appreciation for the laws of economics. Weber did not appreciate the regularities inherent in the division of labor law and, as a result, was unprepared to recognize the law of consumer sovereignty invented by the individualist economists.⁶

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⁵The ideas about Weber and other German historians that Mises expresses in this article are more fully developed in his 1933 book (EP: 78-92). There, at one point, Mises called praxeology "rationalist sociology" apparently in order to avoid confusing his writings with those of Weber (EP: 3).

⁶In EP, Mises did not refer to consumer sovereignty. He uses the broader phrase "laws of catallactics" (EP 95-6).

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<http://mises.org/rothbard/mantle.asp>

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*In chronological order according to the date of publication of the first edition.