

## The Methodology of Economics: Mises vs. Rothbard

### Outline

1. [The Logic of Rothbard's Ethics](#)
  - a. The Invasive Action
  - b. The “Enforcing Agency”
  - c. National Defense
2. On Praxeology and Economics
  - a. His Appendix on this Subject
3. Why Did Rothbard Misrepresent Mises on Method?

In his article “[Praxeology: the Methodology of Economics](#)” (1976), Murray Rothbard, as the title indicates, treats praxeology as a methodology of doing economics. Ludwig von Mises, on the contrary, says that the method of both praxeology and its branch, economics, is the method of imaginary constructions. In other essays, I have presented Mises’s methodology in great detail. The methodology is derived from his proposition, which he expressed in his 1966 treatise, *Human Action* (HA) that economics is a science (HA: 3) of the means.<sup>1</sup> It consists of the special knowledge of the division of labor law and the law of consumer sovereignty. Such knowledge is useful to human beings who aim to satisfy their material wants.<sup>2</sup> The economist uses this knowledge to evaluate intervention arguments. It is a *branch*, or subclass, of praxeology (HA: 885, 886).

In what sense is economics a branch of praxeology? I described this relationship in my essay “[The Relationship between Praxeology and Economics](#).<sup>3</sup>” It would be possible to study what is universal (the category of action) by considering the manifestation of action under all conceivable conditions, both realistic and unrealistic (HA: 64-5). Such a science would take forever to complete and would be mostly irrelevant to humankind’s interests. The praxeologist, qua economist, pursues the ultimate goal of evaluating intervention arguments. To achieve this goal, he must produce an image of market interaction under the *conditions of capitalism* – the division of labor, private property rights, free enterprise and the use of money. In reality these conditions are practically

<sup>1</sup>The full meaning of the idea of a science of the means is explained in my essay “[How the Mises Institute Promotes Progressivism](#).” It means among other things that one who has learned economics is prepared to evaluate arguments to the effect that some market intervention will raise or not significantly lower the amounts of material consumer goods that are produced and consumed. Such evaluations are value free insofar as the proponent of the intervention is concerned with the amounts of such goods.

<sup>2</sup>Mises writes:

Because man is a social animal that can thrive only within society, all ideologies are forced to acknowledge the preeminent importance of social cooperation. They must aim at the most satisfactory organization of society and must approve of man’s concern for an improvement of his material well-being. Thus they all place themselves upon a common ground. They are separated from one another not by world views and transcendent issues not subject to reasonable discussion, but by problems of means and ways. Such ideological antagonisms are open to a thorough scrutiny by the *scientific methods of praxeology and economics* (*ibid.*: 184, italics added).

## 2 The Methodology of Economics: Mises vs. Rothbard

always incomplete. To produce the vocabulary he needs to produce the theorems required to evaluate intervention arguments, he must begin with an image of pure capitalism or what Mises called the pure market economy (HA: 237). in which, among other things, private property rights are complete.

Interaction under the conditions of capitalism is the consequence of the separate actions of many different individuals. As a result, before he can build this image, he must produce a vocabulary to refer to action. To do this, he must study action in the abstract, or what I have called pure praxeology.<sup>3</sup>

In light of human nature as we know it, the conditions of capitalism could not exist without a government (HA: 149). Accordingly, a condition is the existence of a monopoly over coercion and compulsion. Correspondingly, taxes are one of the conditions of capitalism. If the economist is concerned with capitalism in the face of an eminent threat of confiscation, slavery or death; even conscription may be a condition of capitalism (HA: 282).

Mises writes that the method of economic science is the method of imaginary constructions (HA: 236-7). He says that this method is also the method of praxeology. Wearing the hat of the pure praxeologist, one uses the method of imaginary constructions to help conceive and articulate the prerequisites of action (HA: 13-14) and its necessary characteristics (HA: ch. 4, 5, and 6). Then, wearing the hat of the economist, he uses this method (1) to distinguish the specific subject matter of economics from related subject matter and (2) to build economic theorems. I show how he uses the imaginary constructions in my essay [The Imaginary Constructions of Economics](#).

An especially important imaginary construction in economics was the image of integrated functions, which I describe in my essay "[The Basic Functions and Roles of Economics](#)".

Rothbard paid little attention to any of these issues. He has in mind something completely different. In this essay, I address Rothbard's claim. I suggest both that Rothbard failed to understand Mises and that the reason is likely to have been Rothbard's desire to replace Mises's scientific economics in the eyes of future Austrian economists with his ethics.

In spite of his shortcoming, Rothbard nevertheless succeeded in the eyes of a cult of followers, who now rail against practically all actions by "the state." Many of these also promote anarcho-capitalism. In my view, members of this cult threaten the long-term image of Austrian economics in the eyes of the best and brightest of the potential economics students.

Rothbard's principal error was his failure to comprehend the difference between praxeology as a foundation for a scientific economics and praxeology as a methodology for producing ethical theorems. It led to a massive failure to communicate the economics that Mises sought to present. Rothbard suggested in his 1951 essays and in his *Man, Economy and State* (1962 [2004] – MES) that he had mastered Mises's economics.

It is not the task of this essay to criticize all of these writings. My aim here is to show the logic of what I have called Rothbard's ethics and to evaluate an appendix he wrote on the relationship between praxeology and economics. Part One explains why I have concluded that Rothbard's MES is a book on ethics. Part Two evaluates his statements on the relationship between praxeology and

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<sup>3</sup>To verify that Mises delimited the subject matter of economics in this way, the reader of his treatise must refer to his chapters on ideology (*ibid.*: ch 8), on action in society (*ibid.*: ch. 7), and on the scope and method of economics (*ibid.*: ch. 14).

economics, particularly those in his appendix to his chapter 1. Part Three speculates on why Rothbard deviated from Mises on the critical issue of method.

## 1. THE LOGIC OF ROTHBARD'S ETHICS

Unlike Mises, Rothbard does not pause to define the imaginary construction of the pure and unhampered market economy. As I have pointed out in my article "[Rothbard's Distorted Image of the Free Market](#)," his image is different from that of Mises, mainly because it contains no government. Because of this difference, a reader might expect that he would distinguish the definitions. However, Rothbard does not even define his own image, which he calls "the unhampered market economy" (MES: 85), in a way that corresponds to any reasonable person's conception of real market interaction.<sup>4</sup> A term that he uses interchangeably with the unhampered market economy is "free market." The conditions of the unhampered market economy become evident only by following Rothbard's discussion of an invasive action and defense against such action.

### The Invasive Action

Rothbard's basic assumption about the type of interaction that is permitted in his "unhampered market economy" is that it cannot consist of an "invasive action." He defines an invasive action as "as any action – violence, theft, or fraud – taking away another's personal freedom or property without his consent" (*ibid.*: 176). He assumes that every existing private property right in his free market has evolved in such a way that no "invasive actions" were performed in the interaction that led to its emergence. Thus, the property that Rothbard assumes to exist in the unhampered market economy has not been acquired through violence, theft or fraud. It is convenient to express this assumption by saying that a person's property has been earned or acquired in *an ethical manner*.

**Invasive action:** "any action – violence, theft, or fraud – taking away another's personal freedom or property without his consent."

### The "Enforcing Agency"

The curious reader must surely ask how such a situation is related to reality. In trying to answer this question, she comes to recognize what can most accurately be called "subterfuge" in Rothbard's presentation. In the first reference to this question, Rothbard recognizes the difficulty of providing a rationale in reality for building an image of this "society based purely on voluntary action." "One of the problems" he writes, "is the role of the enforcing agency..." The role of this agency is to combat the "invasion of the physical person and property" (*ibid.*: 183).

Rothbard assumes that all property in his image of the free market has been acquired in an ethical manner.

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<sup>4</sup>He writes about conducting "an analysis of the workings of [a continuing pattern of interpersonal exchanges – society] based purely on voluntary action, entirely unhampered by violence or threats of violence" (*ibid.*: 83-4).

#### 4 The Methodology of Economics: Mises vs. Rothbard

A careful reader of Mises's treatise might now expect Rothbard to say that such an enforcement agency is what Mises called a government – the agency that controls the monopoly over coercion and compulsion. Such a reader would be wrong. Rothbard at this stage wants to convey the message that he aims to build his image of the free market *without specifying* the nature of such an agency. Thus he dismisses the issue by saying that

it makes no difference whether this condition [that property is acquired in an ethical manner] is established by every man's deciding to refrain from invasive action against others or whether some agency is established to enforce the abandonment of such action by every individual (*ibid.*).<sup>5</sup>

Here he mentions “some agency” but does not tell his reader that such an agency cannot be a government agency. Consistent with this, he writes later that he assumes that “there are no invasive actions in the society, either because no individuals commit them or because they are successfully combatted and prevented by *some sort* of enforcing agency” (*ibid.*: 184, italics added).

This would have been an ideal time for Rothbard to introduce the distinction between his image a free market and that of Mises. He could state Mises's definition and then his own. Then he could tell why he does not follow Mises's lead. Instead, he turns away from the topic. He ends his chapter on direct exchange by presenting a quotation from a British political philosopher who he claims has most clearly described “the basis of the free, noninvasive, or ‘voluntaryist’ society...in a brief space” (*ibid.*).

The reader who is more curious about what Rothbard means by “some sort of enforcing agency,” as quoted above, is left to wonder. She might expect to find an answer in Rothbard's last chapter on “The Economics of Violent Intervention in the Market.” However, she soon discovers in this chapter also that “the analysis of intervention applies to whatever agency wields the violence, whether private or governmental” (*ibid.*: 898). In fact, however, Rothbard had no intention of allowing the enforcement agency to be governmental, at least if it requires financing.

Another possible source of information for what Rothbard is really assuming about the enforcement agency is his treatment of taxes and national defense. This treatment implies that the agency cannot be a government, although Rothbard does not say this. In the case of taxes, he only writes is that taxes are an example of a “binary intervention.” A binary intervention is “a *hegemonic* relation...between two people: the intervener and the subject” (*ibid.*: 877, italics added). He had earlier ruled out hegemonic relationships as part of his unhampered market (*ibid.*: 84-5). Thus, when he writes of “some sort of enforcing agency,” he cannot have in mind an agency that imposes taxes.<sup>6</sup> To a reader who has the patience to sort through the various definitions for consistency, it becomes

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<sup>5</sup>If it makes no difference, then the property titles that exist in the noninvasive society must have emerged in a society in which there were no invasive actions.

<sup>6</sup>Also see his discussion of inalienable personal rights.

Because a man's self-ownership over his will is inalienable, he cannot, on the unhampered market, be compelled to continue an arrangement whereby he submits his will to the orders of another, even though he might have agreed to this arrangement previously (*ibid.*: 164).

Such inalienable rights are incompatible with a society that contains a government that enforces the conditions of market interaction (the conditions of capitalism) and requires resources through taxation.

clear that Rothbard's free market cannot contain a monopoly over coercion and compulsion with the authority to finance its operations by imposing taxes. Yet without taxes or some other means of financing, a government could not be sustained. But a critical reader must ask why Rothbard does not say this outright.

A reader who has less patience may come to realize what Rothbard is assuming when he discusses the government budget. There he classifies taxation as a government intervention. "Government intervention, he says, is not only...like price control; it may also be...taxation, and is therefore imbedded into the very nature of government and governmental activity" (*ibid.*: 908).

The tax-and-expenditure process, therefore, will inevitably distort the allocation of productive factors, the types of goods produced, and the pattern of incomes, from what they would be on the free market. The larger the level of taxing and spending, i.e., the bigger the government budget, the greater the distortion will tend to be (*ibid.*: 909).

It would be correct to say that a given set of government actions that is financed by taxation would yield a different allocation of factors of production than one that did not have to be financed at all. But that is not what Rothbard is saying in this quotation. He is comparing a set of government actions financed by taxation with his free market, in which by assumption no invasive actions occur.

## National Defense

If observation of the modern world provides any information about what to fear from government-less market interaction, it tells one that internal defense may be less important than defense against foreign aggressors. Bombs, poisons, and sabotage of communication, transportation, and energy networks are means of disabling and overwhelming a defense force that is not prepared for *total war* or that is not aligned with a nation that is prepared.<sup>7</sup>

Yet Rothbard does not allow national defense to be a rationale for a monopoly over coercion and compulsion. "The defense function," he writes "is particularly vital to the State's existence, for on its virtual monopoly of force depends its ability to extract taxes from its citizens" (MES: 955). But nowhere does he write that defense is vital to the existence of a free market or to the protection of wealth acquired by free market participants.

In MES, Rothbard does not provide any justification for believing that private defense agencies could block invasive action. In some of his later works, he tries to do so but, in my opinion, he fails, as I show in my essay on "[Competing Defense Agencies in Anarchy](#)." In any case, the subject of this study is his treatise. So there is no reason to discuss such agencies further. What is evident is that if individuals voluntarily choose to not act invasively, his image of the free market would be realistic. However, since making such choices amounts to ethical behavior, the alert reader must recognize that what Rothbard calls the "*Wertfrei* laws" are based on an image in which actors are assumed to not carry out invasive actions. This is why I call the subject matter that Rothbard describes in MES as "ethics." If this label is applied, the final sentence in the above quotation – which is the final sentence in the body of Rothbard's treatise – is a non-sequitur. The praxeologist, in Rothbard's terms, builds every theorem on the assumptions embodied in his ethics of the noninvasive society. Only one political course is available to one who favors a "mechanism of harmony," etc. It is to abolish the government.

<sup>7</sup>For a definition of "total war," see HA: ch. 34.

## 6 The Methodology of Economics: Mises vs. Rothbard

### 2. ON PRAXEOLOGY AND ECONOMICS

The reader who has learned Mises's statements about [the relationship between praxeology and economics](#) would be disappointed by Rothbard's discussion. In the body of his treatise, he writes about it briefly.

What is the relationship between praxeology and economic analysis? Economics is a subdivision of praxeology – so far the only fully elaborated subdivision. With praxeology as the general, formal theory of human action, economics includes the analysis of the action of an isolated individual (Crusoe economics) and, especially elaborate, the analysis of interpersonal exchange (catallectics). The rest of praxeology is an unexplored area (*ibid*: 74).

He could have said that praxeology is the study of human action in general or as a category. But he clouds the issue with the term “formal.” How does this term help one distinguish praxeology from non-praxeology. And how does it help one delineate the subdivision of economics? The term “general” in this quotation would be acceptable if he went on to distinguish it from the particular theory of the economics subdivision. However, he does not. Moreover, his statement about “Crusoe economics” reveals nothing about the problem of separating decisions to engage in interpersonal exchange and decisions to act outside the nexus of exchange. What is the purpose, one wonders of Rothbard's “Crusoe economics?” He does not say.<sup>8</sup> It is certainly not the same as Mises's image of autistic exchange.

Nor does Rothbard mention “economic problems” (the problems of intervention). Yet it is only by focusing on the evaluation of proposals for market intervention that one can set the parameters for building the imaginary construction of the pure market economy. These omissions suggest that Rothbard failed to recognize the significance of the method of imaginary constructions because he was unwilling to accept the aim of building a science to evaluate intervention arguments. Rothbard certainly used imaginary constructions in his ethics. But his goal was to present an ethic not the science of economics. It served his purpose better to claim that praxeology yielded ethical principles that could be used as a foundation for his ethics.<sup>9</sup>

### The Appendix

Rothbard's treatment of the relationship between praxeology and economics in his appendix is short and sweet. Its essentials take up less than one page. I duplicate the essential part here:

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<sup>8</sup>One obvious purpose is to help the economists remember that choices made on the basis of monetary calculation are embedded in a more general theory of choice. A second purpose is to reason *by analogy* about choice and scarcity in market interaction. In fact, however, Rothbard uses his image not only for this latter purpose but also to provide some preliminary descriptions of action in specific environments – i.e., under particular conditions.

<sup>9</sup>In effect, he ended up equating the theorems derived from his concept of an invasive action with the theorems derived from the combination of the prerequisites and necessary characteristics of action and the presence of the conditions of capitalism. Thus, he made the theorems of his ethics the analogs of the economic theorems in Mises's scientific economics.

This analysis takes as its fundamental premise the existence of human action. Once it is demonstrated that human action is a necessary attribute of the existence of human beings, the rest of praxeology (and its subdivision, economic theory) consists of the elaboration of the logical implications of the concept of action. Economic analysis is of the form:

- (1) Assert A – action axiom.
- (2) If A, then B; if B, then C; if C, then D, etc. – by rules of logic.
- (3) Therefore, we assert (the truth of) B, C, D, etc.

It is important to realize that economics does not propound any laws about the content of man's ends (*ibid.*: 72).

On its face, this statement of the relationship seems like nonsense. It implies that simple logical reasoning based on the action axiom enables one to derive all of economic theory. However economic theory is a set of theorems. To deduce a theorem, it is necessary to add subsidiary assumptions such as those required to build the image of pure capitalism and those made by the proponents of intervention arguments. One cannot begin with what he calls the action axiom and deduce ("elaborate") all of economic theory. To do so, one would have to know and build theorems for all of the possible proposals for market intervention that proponents might make. To achieve that feat, one would also have to include all of the variations in the conditions of the pure market economy that might be assumed in such a proposal or that might have to be taken into account for other reasons.

It is true enough that once the assumed market economy conditions and the assumptions made by the proponent of an intervention are specified, the economist's task is to employ the method of imaginary constructions to build economic theorems. These theorems represent the consequence of the distinctly human action of separate individuals under the assumed conditions. To build such theorems one must begin with the assumption that the individuals are actors (what Rothbard calls the "action axiom"). It is also true that to avoid error, the economist must be able to logically trace all economic theorems back to the prerequisites and necessary characteristics of action. From this point of view, an economic theorem can be represented in approximately the form that Rothbard describes. But the process of deciding which theorems to build must begin by specifying the aim that the economist wishes his theorem to help him achieve, since this specification dictates the subsidiary assumptions. It cannot begin only with the "action axiom."

It cannot be denied that Rothbard's presentation bears some resemblance to that of Mises. For example, Mises writes that all "the concepts and theorems of praxeology are implied in the category of human action" (HA: 64). However, if one reads further, he recognizes the importance of identifying the reality that is of interest to the praxeologist qua economist. The following quotation abbreviates what Mises has in mind:

It would be possible to [delineate] all thinkable conditions and [deduce] from them all inferences logically permissible...But the end of science is to know reality. It is not mental gymnastics or a logical pastime. Therefore praxeology restricts its inquiries to the study of acting under those conditions and presuppositions which are given in reality...However, this reference to experience does not impair the aprioristic character of praxeology and economics. Experience merely directs our curiosity toward certain problems and diverts it from other problems. It tells us what we should explore, but it does not tell us how we could proceed in our search for knowledge (*ibid.*: 65).

He gives the example of the disutility of labor.

## 8 The Methodology of Economics: Mises vs. Rothbard

The disutility of labor is not of a categorial and aprioristic character. We can without contradiction think of a world in which labor does not cause uneasiness, and we can depict the state of affairs prevailing in such a world.[23] But the real world is conditioned by the disutility of labor. Only theorems based on the assumption that labor is a source of uneasiness are applicable for the comprehension of what is going on in this world (*ibid.*).

Economists are not interested in a world in which labor does not yield disutility, although such a world is imaginable.

It should be evident to a close reader that this approach to apriorism is quite different from that of Rothbard.

### 3. WHY DID ROTHBARD MISREPRESENT MISES ON METHOD?

It is problematic to argue that Rothbard intentionally misrepresented Mises's ideas. However, it is not problematic to argue that Mises sought to present subject matter that is very different not only from Mises's economics but from the economics that most people had, until Rothbard, called Austrian. If the misrepresentation is not intentional, then one must attribute it to Rothbard's fervor. He must have been so intensely motivated to gain acceptance for his ethics that he not only twisted many of Mises's words, he appropriated some of them for his own purpose.

Nothing is to be gained from further speculation. Perhaps someone who was closer to Rothbard or who has access to his private papers could shed additional light. It is sufficient here to reach a single conclusion which was stated in the introduction. If the cult that Rothbard initiated is not countered, it will threaten the long-term image of Austrian economics in the eyes of the best and brightest of the potential economics students. Failure to deal directly with that cult will enable the cult's ethics to eclipse the study of Mises' scientific economics.

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