

Hayek and Praxeology



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One of the most important factors that inhibited the study of praxeology for the last sixty years was Hayek's argument that praxeology is inapplicable to the study of market phenomena. Hayek referred to praxeology as the *Pure Logic of Choice*, and his argument against it is relatively simple. The Pure Logic of Choice entails an analytical relationship between 1) the object of an actor's action, and 2) the actor's action. Here is the key passage from Hayek's essay "The Facts of the Social Sciences."

From the fact that whenever we interpret human action as in any sense purposive or meaningful, whether we do so in ordinary life or for the purposes of the social sciences, we have to define both the objects of human activity and the different kinds of actions themselves, not in physical terms but in terms of the opinions or intentions of the acting persons, there follow some very important consequences; namely, nothing less than that we can, from the concepts of the objects, analytically conclude something about what the actions will be. If we define an object in terms of a person's attitude toward it, it follows, of course, that the definition of the object implies a statement about the attitude of the person toward the thing. When we say that a person possesses food or money, or that he utters a word, we imply that he knows that the first can be eaten, that the second

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can be used to buy something with, and that the third can be understood—and perhaps many other things.

Hayek conceives the Pure Logic of Choice as a kind of conceptual analysis. If we say the **object** confronting the actor is food, we can analytically conclude that the **action** associated with that object will be eating. If the **object** confronting the actor is money, we can analytically conclude that the **action** associated with that object will be buying or selling, etc. Thus, Hayek conceives an analytic or logically necessary relationship between 1) the object that we, as social scientists, assume confronts an actor, and 2) the action the actor will perform based on the assumption of the object that confronts that actor. ***The analytic relationship Hayek conceives is between an object appearing to an observed or studied actor, and the action that must, by conceptual analysis, “accompany” that object.***

Hayek then makes the following point. The market is comprised of the interactions of a number of people. When we study the market, we study ***the relationship between of a number of people, not an individual actor and the relationship between his action and the object of his action.***

Here are the relevant passages from Hayek’s essay “Economics and Knowledge.”

I have long felt that the concept of equilibrium itself and the methods which we employ in pure analysis have a clear meaning only when confined to the analysis of the action of a single person and that we are really passing into a different sphere and silently introducing a new element of altogether different character when we apply it to the explanation of the interactions of a number of different individuals.

...the sense in which we use the concept of equilibrium to describe the interdependence of the different actions of one

person does not immediately admit of application to the relations between actions of different people.

To get a clear idea of Hayek's point, let us consider ourselves social scientists looking at a local marketplace from the top of a nearby building. We see many people in the marketplace interacting and doing various things: buying, selling, talking, eating, etc. To each of these *individual* actors then, we may apply the analytic principle of Hayek's Pure Logic of Choice. If one actor has *food*, the action analytically associated with this is *eating*; if one actor has *money*, the action analytically associated with this is *buying*, etc.

But this method of analysis does not apply to the relationship **between** actors. If one actor has food, this says nothing necessary about the action of a second, different actor.

Thus, the Pure Logic of Choice (praxeology) does not apply to study of the market. Praxeology, as an a priori discipline (a discipline capable of formulating tautological, logically necessary, propositions) is only valid when studying the actions of the isolated individual. When we study the **interaction** of a number of individuals the **intra**-logic of individual action no longer applies. The actions of one market participant bear no necessary or a priori relationship to the actions of other market participants. The only way to study these interrelationships is by observation and experience, i.e., empirically. There can be no a priori, deductive, or analytic study of market phenomena.

This argument of Hayek's constitutes the fundamental difference between the Misesian and the Hayekian conception of economics. The fundamental proposition of Hayekian economics is that market study can only be empirical and cannot be a priori. In other words, praxeology is not applicable to market study:

What I see only now clearly is the problem of my relationship to Mises, which began with my 1937 article on the economics of knowledge, which was an attempt to persuade Mises

himself that when he asserted that the market theory was a priori, he was wrong; that what was a priori was only the logic of individual action, but the moment that you passed from this to the interaction of many people, you entered into the empirical field. (*Hayek on Hayek*, p. 72)

As Hayek's argument against praxeology is relatively simple, so is it simple to see the flaw in Hayek's argument. We may ask, when a *marketplace* is the object of the actor's action (when the actor observes a market, or when he walks in a market, or when he buys in a market), why can't we draw an analytical conclusion from *this* object of the actor's action? Or, when a *price* is the object of the actor's action (when the actor observes a price, or asks a price, or pays a price), why can't we draw an analytical conclusion from *this* object of the actor's action? In short, why can't we arrive at analytical conclusions regarding *any* market object or market phenomenon or any social object or social phenomenon, by understanding them to be objects of an actor's action, and drawing analytical conclusions from these objects as Hayek indicates?

If we assume an actor possess *food*, and from this we may analytically arrive at the action *eating*, then when the actor visits a *market*, why may we not analytically arrive at the action *purchasing*? And when the actor considers a *price*, why may we not analytically arrive at the action *exchanging*?

It would seem that Hayek's analytical method should be applicable to the objects and phenomena of the market, and this would constitute a kind of "a priori" analysis of the market.

Furthermore, this same procedure should be applicable to other social objects and social phenomena such as language(s), law(s), the family, etc.

Another important aspect of Hayek's critique should be noted. Recall that when Hayek describes the procedure of the Pure Logic of Choice, he does so in terms of a **third person** narrative. Hayek writes:

When we say that **a person** possesses food or money, or that he utters a word, we imply that he knows that the first can be eaten, that the second can be used to buy something with, and that the third can be understood—and perhaps many other things. (emphasis added)

In Hayek's conception, the social scientist observes or studies a hypothetical actor and the Pure Logic of Choice applies to the relationship between the observed actor's action and the object of the observed actor's action. But what about the case when it is **the social scientist himself** who interacts with the object or phenomenon in question? Let's say the social scientist visits a farmer's market or pays a price for something in this same market or pays interest on a loan. Since the market, the price, the loan, and the interest, appear to the scientist as objects of his own action, what prevents the scientist from drawing analytical conclusions about action from these objects that appear to him? What prevents the scientist from studying the relationship between *his own* actions and the objects of his actions? Is there something that obligates the social scientist to study only the relationship between the objects and actions of *other people*?

Thus, there are two important problems with Hayek's critique of praxeology:

1. Hayek doesn't explain why the Pure Logic of Choice can't be applied to market study by considering market phenomena as objects of action (visiting a market, paying a price, etc.) and then drawing analytical conclusions from the concepts of those objects.
2. Hayek doesn't explain why the social scientist can't apply the Pure Logic of Choice to the objects of *his own* actions, and draw analytical conclusions about the relationship between his own actions and the objects of his actions.

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These problems are problems in the application and understanding of *Hayek's own conception of praxeology*. Above, we assume that Hayek's conception of praxeology is valid (and is the same as Mises's), and we simply ask "if praxeology applies to objects *a*, *b*, and *c*, why doesn't praxeology apply to objects *x*, *y*, and *z*?" And we ask "if praxeology applies to the objects of *A*'s action, why doesn't praxeology apply to the objects of *B*'s action?" Hayek agrees that it is possible to draw analytical conclusions from objects *a*, *b*, and *c*, by considering them objects of the action of actor *A*. We simply ask why we can't draw analytical conclusions from objects *x*, *y*, and *z*, by considering them objects of the action of actor *B*? We're asking why Hayek's principles don't apply to objects and persons besides the specific ones Hayek uses to illustrate his principles.

It should be noted though, that Hayek's conception of the Pure Logic of Choice is not identical to Mises's conception of praxeology. Hayek's Pure Logic of Choice is a kind of conceptual analysis. Misesian praxeology is not concerned with conceptual analysis per se; it is concerned with the formal structure of action. These two things are not the same. As Mises conceives:

Praxeology is not concerned with the changing content of acting, but with its pure form and categorial structure.
(*Human Action*, 3rd rev. p. 47)

Thus, as soon as we differentiate the object of action "food" from the object of action "money" (as Hayek does in the Pure Logic of Choice), we are, according to Mises, referring to the *changing content of action*, and have therefore left praxeology proper.

This shows that Hayek conceives praxeology differently from Mises.

Aside from the questions about the *application* of Hayek's Pure Logic of Choice, there are serious questions about the *knowledge* it could possibly impart.

Recall, for example, that Hayek claims:

...we can, from the concepts of the objects, analytically conclude something about what the actions will be...

Is this simple proposition necessarily true? Can we analytically conclude the *action* of the individual based on the concept of the *object* that confronts him?

If we say that an actor possesses food, does this mean that the actor will perform the action of eating? Can't an actor possess food but not eat the food? Let's say an actor possesses a ball. Must he throw the ball? If an actor possesses a ball, may we "analytically conclude something about what his actions will be"? The answer seems clearly to be *no*. Perhaps we can analytically conclude that if an actor possesses a ball, then he also possesses a sphere and an object having an internal volume. Here we have conceptual or tautological analysis, but we have not thereby established a necessary relationship between a particular *object* and a particular *action* that an actor possessing that object must perform. The study of concepts is not identical to the study of action.

One of the pillars of Hayekian social thought is Hayek's contention that study of the market cannot be a priori. But Hayek seems not to have realized the implications of his own conception of the Pure Logic of Choice. He didn't realize that the method of deductive analysis he envisioned could easily be applied to the market and its various objects and phenomena (prices, interest, etc.).

When Hayek concludes that formal exact science is inapplicable to the study of market phenomena, his thinking diverges not only from

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Mises's, but from Menger's as well. Menger's *Investigations into the Method of the Social Sciences* is largely devoted to the proposition that formal exact science is valid in *all* realms of phenomena, "economy" being a realm of "human phenomena." Thus, Mises's insight that economics is only one branch of praxeology can be traced back to Menger's vision of the "exact approach to cognition." In his *Investigations*, Menger provided the following definition of formal exact science:

The aim of this orientation, which in the future we will call the *exact* one, an aim which research pursues in the same way in all realms of the world of phenomena, is the determination of strict laws of phenomena, of regularities in the succession of phenomena which do not present themselves to us as absolute, but which in respect to the approaches to cognition by which we attain to them simply bear within themselves the guarantee of absoluteness. It is the determination of laws of phenomena which commonly are called "laws of nature," but more correctly should be designated by the expression "*exact laws*."

Following Menger, Mises named the *social* branch of exact science *praxeology*.

