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**Is the ‘Human Action’ in
Human Action Human Action?
Mises, Hayek, and Aristotle on
‘Capitalism’ and Human Flourishing**

The Austrian School—generally understood as a loose grouping of economists, philosophers, and historians who emphasize the primacy of individual autonomy in economies and societies—has long been the target of criticism from across the political spectrum. For example, socialists, communists, and other collectivists often denounce Austrians as “neo-liberalist” reactionaries who reject the anti-individualism which forms the basis of socialism and communism. At the same time, Austrians have long been persecuted by fascists and other statists as anathema to the late “enlightenment” substitution of state or party power for individual initiative. The Austrian School has also often been criticized by Distributists and some other (Catholic) traditionalists, who oppose capitalism *in se* on the grounds that capitalism is antithetical to human societies. Some Distributists have even denounced Austrian economics as a “heresy” and a “cult” which distorts, when not downright overriding, the words of not only the Gospel but also of the Salamanca School scholars whose mantle the Austrians claim to have inherited.

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But while the Austrian School has been subjected to intense scrutiny and critique from so many quarters, I offer here the perhaps novel argument that it has not been nearly criticized enough by capitalists. “Capitalism”—an anachronistic and pejorative appellation, to be sure¹—I understand as that general tendency of the human race to make improvements in the general welfare by leveraging the enormous potential of commerce, industry, and ingenuity in favor of human flourishing. Capitalism benefits the whole human person, and is fully compatible with the human being as created in the image and likeness of God.² However, the Austrian School tends first to reduce the human person to *homo economicus*, a radical denaturing that needlessly limits the applicability of the full panoply of capitalism’s ontological and epistemological boons. Capitalism and people are both much greater than even Austrians tend to admit. Far better to eschew abstractions and embrace the totality of both “capitalism” and the human person as mutually created for one another.

To show how it might be possible to amend the Austrian position in order to more fully extend the blessings of capitalism to humanity, I will consider here whether the ideas advocated by the Austrians comport with ancient philosophy, particularly on the subject of the human person.³ In this paper, I use the seminal works of perhaps the two most

¹ See, e.g., Deirdre N. McCloskey, *Bourgeois Equality: How Ideas, Not Capital or Institutions, Enriched the World* (Chicago and London: University of Chicago Press, 2016), as well as the other two volumes of McCloskey’s triptych in praise of the bourgeoisie, i.e., *The Bourgeois Virtues: Ethics for an Age of Commerce* (2006) and *Bourgeois Dignity: Why Economics Can’t Explain the Modern World* (2010).

² Genesis 1:27.

³ Cf., e.g., Barry Smith, “Aristotle, Menger, Mises: An Essay in the Metaphysics of Economics,” *History of Political Economy*, Annual Supplement to vol. 22 (1990): 263–288; *Austrian Economics: Historical and Philosophical Background*, ed. Wolfgang Grassl and Barry Smith (Kent: Croom Helm, 1986); Roderick T. Long, “Realism and Abstraction in Economics: Aristotle and Mises versus Friedman,” *The Quarterly Journal of Austrian Economics* 9, no. 3 (Fall 2006): 3–23; David Gordon, *An Austro-Libertarian View: Essays by David Gordon*, vol. I: *Economics, Philosophy, Law*

prominent Austrian School thinkers—Ludwig von Mises and Friedrich von Hayek—to compare the philosophical underpinnings of Austrian School economics with the philosophy of Aristotle. Specifically, I investigate the question of human action: Who are people, and why and how do they act? Do Mises and Hayek present Aristotelian answers to these questions? And is Mises' and Hayek's anthropology even sufficient to support the economic and political-social theories for which it forms the basis? Is there some way in which a more robust understanding of man would allow for a more plentiful human society?

Ludwig von Mises

The virtual face of Austrian economics, Ludwig von Mises (1881-1973) was active in economics in Austria in the 1920s and 30s, leading the minority charge against the rise of socialism and central state planning before eventually fleeing the National Socialists in 1940 and emigrating to the United States. Mises' life in America was much more obscure than the one he had led in Europe. However, he attracted to his circle the brilliant polymath Murray Rothbard (1926-1995), who in turn brought in the key thinkers who would later promote Mises' work to a new generation of Americans and, eventually, to the world. Today, the Ludwig von Mises Institute in Auburn, Alabama, founded by Rothbard, Llewellyn Rockwell, and Burton Blumert in 1982, serves as the international headquarters of Misesian thought, and a home for libertarian inquiry in a wide variety of fields.

(Auburn, Ala.: Mises Institute, 2017); Justin Ptak, "The Prehistory of Modern Economic Thought: Aristotle in Austrian Theory" (Mises Institute 2009), available online—see the section *References* for details; and Michael Oliva Córdoba, "On the Philosophy and Logic of Human Action: A Neo-Austrian Contribution to the Methodology of the Social Sciences" (University of Hamburg 2017), available online—see the section *References* for details. Cf. also Martin Rhonheimer, *The Perspective of the Acting Person: Essays in the Renewal of Thomistic Moral Philosophy* (Washington, D.C.: The Catholic University of America Press, 2008).

Austrian luminary Friedrich von Hayek (1899-1992), for his part, was born in Austria-Hungary but moved to London in 1931 and soon became a leader of anti-fascist, anti-socialist, anti-collectivist thought in the West. He won the Nobel Prize for Economics in 1974 (along with Gunnar Myrdal) for “pioneering work in the theory of money and economic fluctuations and . . . penetrating analysis of the interdependence of economic, social and institutional phenomena.”⁴

Mises and Hayek are especially important because their works apply Austrian thought across a broad spectrum of fields—from economics, of course, to law, business, social justice, constitutionalism, and beyond.

Austrian economics grew out of a seemingly insoluble problem which had plagued economics throughout the nineteenth century: prices. Economists could not figure out why some things cost more than other things, and why prices fluctuated depending on circumstances. Many economists, most notably Karl Marx and his followers—but also earlier economists such as Adam Smith (1723-1790) and David Ricardo (1772-1823)—tried to see value as a function of labor input into goods. According to this labor theory of value, laid out by Marx in, for example, *Capital*, prices were indexes of work done, and capitalism an unjust appropriation of laborers’ work by exploitative owners of the means (tools, plant, equipment, and so forth) by which laborers’ work was translated into goods and thence into money, or capital. But Austrian School co-founders Eugen Böhm von Bawerk (1851-1914) and Carl Menger (1840-1921) intuited that prices were not magically infused into objects by labor, and were also not indexes of transcendental value, but were, instead, functions of choices made by particular people in particular circumstances. Later liberal economists applied these insights in focusing

⁴ The Nobel Prize: Friedrich von Hayek, available at: https://www.nobelprize.org/nobel_prizes/economic-sciences/laureates/1974/hayek-facts.html.

on how individual people acted within a market, and how the choices made by individuals moved out through the wider economy as a whole.

For the Austrians, then, economics is the aggregate of individual human action. Indeed, human action was so fundamental to Austrian economics that Ludwig von Mises titled his magnum opus on Austrian economics just that: *Human Action*. This seminal volume might be said to be the foundational text of Austrian economics. Almost every other Austrian text before it in some way leads up to it, while almost every other Austrian text which followed it in some way engages with it. In investigating human action, Mises was trying to understand the building blocks of economies, and also to clarify the subject of economics. But is Mises' "human action" *human* action? How well does it fit man as we find him in the world, and how much does it admit of man's ultimate destiny? How well, in other words, does *Human Action* set the theoretical stage for capitalism's beneficent intervention in human societies, freeing man from drudgery and helping him move toward his higher calling?

At the beginning of *Human Action*, Mises sets forth, as might be expected, what he means by "human action":

Human action is purposeful behavior. Or we may say: Action is will put into operation and transformed into an agency, is aiming and ends and goals, is the ego's meaningful response to stimuli and to the conditions of its environment, is a person's conscious adjustment to the state of the universe that determines his life.⁵

Is this a new definition of "human action," or a very old one? At first blush, it might seem as though Mises defines "human action" in a way similar to Aristotle, who wrote, at the very beginning of the *Nicomachean Ethics*:

⁵ Ludwig von Mises, *Human Action: A Treatise on Economics* (Chicago: Contemporary Books, 1963), 11.

Every art and every inquiry, and similarly every action and pursuit, is thought to aim at some good; and for this reason the good has been rightly declared to be that at which all things aim.⁶

If Misesian action is “aiming and ends and goals,” does it not envision the same telos as Aristotle’s “good . . . at which all things aim”?

While this may seem to be so, just two paragraphs after the definition given above, Mises veers in a decidedly un-Aristotelian direction:

The field of our science is human action, not the psychological events which result in an action. It is precisely this which distinguishes the general theory of human action, praxeology, from psychology. The theme of psychology is the internal events that result or can result in a definite action. The theme of praxeology is action as such.⁷

Mises thus at first equates human action with “aims and ends and goals,” it is true, but the broader context of this phrase betrays Mises’ heavily restricted teleology. For Mises, human action need have no telos beyond “conscious adjustment to the state of the universe.” Indeed, the state of the universe “determines his [i.e., man’s] life”—action is “will . . . transformed into an agency,” and “the ego’s meaningful response to stimuli and to the conditions of its environment.” Praxeology is thus essentially a reduction of the human person to the practical intellect, choosing among practical objects.⁸ Beyond this, Mises refuses to inquire into human nature or the true needs and ends of the human person.

⁶ Aristotle, *Nicomachean Ethics*, I, ch. 1, in *The Basic Works of Aristotle*, trans. and ed. Richard McKeon (New York: Random House, 1941), 935.

⁷ Mises, *Human Action*, 11–12.

⁸ On the practical intellect and practical objects, see St. Thomas Aquinas, *Summa Theologiae*, I, q. 79: “On the Intellectual Powers.” See also, e.g., John E. Naus, *The Nature of the Practical Intellect According to Saint Thomas Aquinas* (Roma: Libreria Editrice dell’Iniversità Gregoriana, 1959).

This prescinding from ultimate aims—this stunted sub-teleology—stands in stark contrast to Aristotle’s view as presented in the *Nicomachean Ethics*:

Our present inquiry does not aim, as others do, at study; for the purpose of our examination is not to know what virtue is [Aristotle had earlier said that the pursuit of virtue and happiness was the end of all human action], but to become good, since otherwise the inquiry would be of no benefit to us. Hence we must examine the right way to act, since, as we have said, the actions also control the character of the states we acquire.⁹

For Aristotle, Misesian “human action” would not really have been human action at all. Instead, Aristotle would have seen “human action” as a rejection of the human, of that which makes action human and which makes the actor a human being. This is because Aristotle knew that human beings did not simply act, as though they could choose without choosing human goods and move without moving toward some human end. Instead, Aristotle saw people as being inevitably moral actors, either pursuing virtue daily and growing incrementally in wisdom and temperance (and, ultimately, happiness), or else becoming increasingly unvirtuous and unhappy due to choices made in defiance of the natural ends of human life. The Misesian portrait of “human action” would have been unintelligible to Aristotle. In the *Nicomachean Ethics*, action is not neutral, and cannot be. Man not only acts, he must also act *rightly*. There is no escaping the moral consequences of what we do.

All the same, Mises seems to have understood that his theory of human action would fall apart without some kind of telos. So, Mises devised one, or rather incorporated one from European legend. Mises called his placeholder telos “Cockaigne,” the imaginary state in which

⁹ *Nicomachean Ethics*, II, ch. 2, trans. Terence Irwin, in C. D. C. Reeve and Patrick Lee Miller, *Introductory Readings in Ancient Greek and Roman Philosophy* (Indianapolis: Hackett Publishing, 2015), 318.

every human desire is gratified without any labor required. Cockaigne is a fairyland of perpetually sated physical appetites and desires. While this state is of course unattainable, Mises posits that every human action in the market works toward Cockaigne, or the satisfaction of at least some desire, in some way.¹⁰ With this eternally-receding mirage as makeshift telos, Mises sets up an evolutionist-hedonist definition for the humanity of human action. The capacity for at least advancing toward this ataraxic bliss in the neverland of Cockaigne gives form to human action and also stands as a substitute telos.

But Mises goes further than just this formalist exposition. For Mises, the being who could not act, or could not act such as to satisfy the definition Mises gives for human action, was not fully human:

[Man] is not only *homo sapiens*, but no less *homo agens*. Beings of human descent who either from birth or from acquired defects are unchangeably unfit for any action (in the strict sense of the term and not merely in the legal sense) are practically not human. Although the statutes and biology consider them to be men, they lack the essential feature of humanity. The newborn child too is not an acting being. It has not yet gone the whole way from conception to the full development of its human qualities. But at the end of this evolution it becomes an acting being.¹¹

Apart from the obvious and grave problems of human dignity which would follow from stripping untold numbers of helpless human beings of their de facto humanity, this implied evolutionary view of humanity is highly problematic for Mises' theory of human action. Mises' Cockaigne quasi-telos and subsequent denial of full humanity to anyone incapable of attaining to it not only militates against a robust, Aristotelian understanding of action, it also undermines the very humanity of the

¹⁰ Cf. Mises, *Human Action*, 13–14. See also *ibid.*, 15: “Epicurean ataraxia is that state of perfect happiness and contentment at which all human activity aims without ever wholly attaining it.”

¹¹ *Ibid.*, 14.

agent. Mises' "human action" thus appears to be tautological. Humans act in response to stimuli and for unreachable ends, but anyone unable to take part in the Sisyphean pursuit of ataraxia/Cockaigne is disqualified from being human in the first place.

The crucial decoupling of actor from telos takes place precisely when Mises deviates from the Aristotelian understanding of "happiness." This decoupling is effected with no small degree of subtlety. As he puts it, Mises sees "no valid objection" to defining "human action as the striving for happiness."¹² But having "no valid objection" to defining the human telos as happiness is not the same as defining it as such. For Aristotle, happiness is not an optional definition of the human telos—it is what makes man man in the first place. Without positively affirming that this is precisely what makes man who he is, it is impossible to understand who human beings are or what they do.

Perhaps aware that unreachable ataraxia is an insufficient substitute for the Aristotelian telos of happiness, and perhaps also in order to eliminate any objective transcendentals which might complicate his theory of the individually autonomous agent, Mises denies happiness both as a shared goal of humanity and as an objectively identifiable individual human state. Happiness instead gets whittled down to desire, a simple and more immediate element which fits in much more readily with Mises' liberalist interpretation of the human person.¹³

The ultimate goal of human action is always the satisfaction of the acting man's desire. There is no standard of greater or lesser satisfaction other than individual judgments of value, different for various people and for the same people at various times. What makes a man feel uneasy and less uneasy is established by him from the standard of his own will and judgment, from his

¹² *Ibid.*, 15.

¹³ On this reading, Mises' theory seems to be a restatement and explication of G. E. Moore's naturalistic fallacy, making use of Moore's open questions argument in an attempt to destabilize the good. See, e.g., *Principia Ethica* (1903).

personal and subjective valuation. Nobody is in a position to decree what should make a fellow man happier.¹⁴

By making happiness a subjective category and collapsing it down to desire, Mises attempts to forestall argument about ends in order to focus on means. The individual thus acts, but for reasons that are either admittedly figments of the imagination, or else unintelligible to anyone but the agent.

Mises' human action would seem to be trapped in a Lockean/Kantian state of incommunicative frustration. And yet, this radical individualism bordering on solipsism does not impinge on the functioning of the market economy, Mises argues. Indeed, Mises makes the merely *acting* human—acting for what ends nobody knows or can know—the centerpiece of economic activity. Some men, Mises points out:

desire nothing else than the satisfaction of their appetites for sexual intercourse, food, drinks, fine homes, and other material things. But other men care more for the satisfactions commonly called 'higher' and 'ideal'. . . . There are people for whom the ultimate goal of the earthly pilgrimage is the preparation for a life of bliss. There are other people who do not believe in the teachings of any religion and do not allow their actions to be influenced by them. Praxeology is indifferent to the ultimate goals of action. Its findings are valid for all kinds of action irrespective of the ends aimed at. It is a science of means, not of ends. It applies the term happiness in a purely formal sense. In the praxeological terminology the proposition: man's unique aim is to attain happiness, is tautological. It does not imply any statement about the state of affairs from which man expects happiness.¹⁵

For Mises and other liberals, all choices are equally valid. There is no standard by which to determine if one choice is any better or worse than another. It follows that happiness under any liberal theory could never

¹⁴ Mises, *Human Action*, 14.

¹⁵ *Ibid.*, 14–15.

be applied in any other than “a purely formal sense.” True, Mises allows, most men have an “appetite for food and warmth [which] is common to men and other animals.” However, it “is neither more nor less rational or irrational” to choose “fidelity to [one’s] religious, philosophical, and political convictions or the freedom and flowering of [one’s] nation” than to strive after “life, health, and wealth.”¹⁶ Once conceived of as mere choice operating without telos, it is inevitable that all of human action be unintelligible in terms of hierarchies or standards. Radical relativism and individualism are the bases upon which the liberal agent moves through the world and interacts with others similarly divorced from ultimate ends.

To be fair, Mises posited this subjectivism mainly as a way to counter the odd price-objectivism of earlier economists, who had tried to discover the formulae of prices in intrinsic and yet invisible quanta which influenced exchanges in ways mystical to human inquiry. By removing these considerations from economics and substituting price investigations with the mere assumption of action (that is, by shifting economics from the object to the subject), Mises did, as he said, achieve a certain level of objectivity by the apparently paradoxical introduction of subjectivism:

The teachings of praxeology and economics are valid for every human action without regard to its underlying motives, causes, and goals. The ultimate judgments of value and the ultimate ends of human action are given for any kind of scientific inquiry; they are not open to any further analysis. Praxeology deals with the ways and means chosen for the attainment of such ultimate ends. Its object is means, not ends. In this sense we speak of the subjectivism of the general science of human action. It takes the ultimate ends chosen by acting man as data, it is entirely neutral with regard to them, and it refrains from passing any value judgments. The only standard which it applies is whether or not the

¹⁶ *Ibid.*, 19.

means chosen are fit for the attainment of the ends aimed at. If Eudaemonism says happiness, if Utilitarianism and economics say utility, we must interpret these terms in a subjectivistic way as that which acting man aims at because it is desirable in his eyes. It is in this formalism that the progress of the modern meaning of Eudaemonism, Hedonism, and Utilitarianism consists as opposed to the older . . . objectivistic theory of values as expounded by classical political economy. At the same time it is in this subjectivism that the objectivity of our science lies. Because it is subjectivistic and takes the value judgments of acting man as ultimate data not open to any further critical examination, it is itself above all strife of parties and factions, it is indifferent to the conflicts of all schools of dogmatism and ethical doctrines, it is free from valuations and preconceived ideas and judgments, it is universally valid and plainly human.¹⁷

In other words, praxeology, in Mises' estimation, was largely a tactical maneuver, an attempt to make man intelligible as a datum of scientific investigation.

However, Mises' subjectivism is not *only* tactical. It might be objected that Mises needed to effectively eliminate any telos (by rendering it unreachable, as with Cockaigne or ataraxia) in order to stave off Marxist and other neo-Hegelian claims about class struggle, the eventual overthrow of the bourgeoisie, or suchlike outworkings of the "spirit of history." But Mises goes beyond what seems necessary to do the work of denying the neo-Hegelians their materialist telos. Indeed, in *Human Action* Mises comes out not only against ends and objectives, but also against metaphysics, denying both organizational wholes and causes working within systems. Misesian "human action" reduces man's interior motivation to a relativistic swirl of impulses and desires, all of which are equally valid and none of which lie open to "value judgments." Beyond these, though, it is only the man who sees causes

¹⁷ *Ibid.*, 21–22.

and effects, who is equipped to act in the economic sense. (No cause and no effect would be a world of chaos, Mises allows, which would obviate not only human choosing and acting, but also their meaning.¹⁸) Mises even goes so far as to say that “the problem of the study and analysis of other people’s action is in no way connected with the problem of the existence of a *soul* or of an *immortal soul*.”¹⁹

It is curious why Mises would feel the need to touch upon the question of the soul when he has already established, for his purposes, that human action, in his view, renders the interior man not only opaque, but effectively inconsequential to the man known to the world only by his actions. (This opacity Mises calls “plainly human” subjective-objectivity.) Mises further asserts that man cannot act *unless* he has some way of influencing causes. Mises closes the door on metaphysical considerations, and then attempts to turn liberal, radically subjective *homo economicus* into a kind of metaphysics in his own right:

The archetype of causality research was: where and how must I interfere in order to divert the course of events from the way it would go in the absence of my interference in a direction which better suits my wishes? In this sense man raises the question: who or what is at the bottom of things? He searches for the regularity and the ‘law’, because he wants to interfere. Only later was this search more extensively interpreted by metaphysics as a search after the ultimate cause of being and existence. Centuries were needed to bring these exaggerated and extravagant ideas back again to the more modest question of where one must interfere or should one be able to interfere in order to attain this or that end. . . . [However, the] philosophical, epistemological,

¹⁸ *Ibid.*, 22. This is another *deus ex machina* backstop keeping Mises’ theory from unraveling on its own terms.

¹⁹ *Ibid.*, 26.

and metaphysical problems of causality and of imperfect induction are beyond the scope of praxeology.²⁰

Mises here in part anticipates his colleague Friedrich Hayek's notion of "spontaneous order," according to which societies arise out of interactions in the free market. But in grounding even metaphysics (admittedly an "exaggerated and extravagant idea") in human action, Mises is also repeating a very old notion, namely, that man is the measure of all things.

Man as the measure of all things was given its most famous form by Protagoras of Abdera (490-420 BC), whom Plato mocked as having been the first professional sophist.²¹ Aristotle, too, disliked the notion that man was the measure of all things. For example, in the *Metaphysics*, Aristotle argues against Empedocles (495-444 BC), who espoused an early kind of nominalism by making man the measure(r) of nature:

Nothing that is has a nature,
But only mixing and parting of the mixed,
And nature is but a name given them by men.²²

In putting "the philosophical, epistemological, and metaphysical problems of causality and of imperfect induction . . . beyond the scope of praxeology," Mises is essentially following Protagoras and Empedocles in eliding the entire question of the nature of things and foregrounding man as the chooser and actor among a telos-free milieu. However, as Aristotle wrote:

Nature in the primary and strict sense is the essence of things which have in themselves, as such, a source of movement; . . . and nature in this sense is the source of the movement of natural

²⁰ *Ibid.*, 22–23.

²¹ Cf. Plato's *Lesser Hippias* (363c–364a) and *Protagoras*.

²² Aristotle, *Metaphysics*, V, ch. 4, in *The Basic Works of Aristotle*, 756.

objects, being present in them somehow, either potentially or in complete reality.²³

How is one to split nature from nature, man from himself, in trying to understand how man moves and chooses in the natural world? How could there be an economics as a natural science if there is no nature in and through which to engage in transactions? Mises puts these considerations “beyond the scope of praxeology,” but it is unclear how there could be any market exchanges amid such a featureless, natureless, undifferentiated array.

Indeed, one profound but rarely noted irony of Mises’ radical subjectivity is that it undermines economics itself. For Mises, “action is change, and change is in the temporal sense.”²⁴ Mises sees human activity as being at the center of economics, but in reducing human beings to shells with unknowable inner workings—human beings who merely choose and act, but for reasons which remain permanently beyond the scope of inquiry—Mises inadvertently reduces the economy, too, to a catatonic plateau of unintelligibility. This would seem to produce a kind of ghost world in which actors cannot act, choices cannot be chosen, and markets cannot move.

As if unable to shake the ghost of metaphysics, this catatonic economics has a shadowy role in Austrian economics, wherein it is called the “evenly rotating economy”. The evenly rotating economy is the “final state of rest”²⁵ which arises when the needs and desires which, for Mises, drive economic activity have all been satisfied. Everyone has traded for everything that they want, and there is no further stimulus to economic activity of any kind. In this imaginary state, wherein “the market prices of all goods and services coincide with the final prices,”²⁶

²³ *Ibid.*

²⁴ Mises, *Human Action*, 248.

²⁵ *Ibid.*, 246.

²⁶ *Ibid.*, 247.

there is no element of time, no environmental or other non-human pressures which throw the temporally-achieved economic equilibrium off and necessitate a further renegotiation of distribution of goods and services by means of renewed market activity. Mises rejects the evenly rotating economy as an imaginary figment, but it seems to be the phantom of his own conception of the economy. For Mises, the evenly rotating economy “is not peopled with living men making choices and liable to error; it is a world of soulless unthinking automatons; it is not a human society, it is an ant hill.”²⁷

If so, then why posit this doppelganger economy, this nowhere-land in which the necessity of the market has been obviated and human action has lost its humanity and activity (and the actor his agency)? The irony, and perhaps also the necessity, of the evenly rotating economy enters when one considers that, as Mises has conceived of the human person, such a collection of “soulless unthinking automatons” seems to follow naturally from the anti-teleological “man” that Mises has made not only the center of the economy, but also the center of the universe. Even if one allows, *pro arguendo*, that it might be possible for individuals in the Misesian scheme to act for Aristotelian moral and virtuous ends as individuals, how would it be possible for such individuals to form relationships with one another and carry out market transactions? Would not Mises’ hollow men have no innards, mind or soul, to share with others? Many contemporary Austrians (for example George Gilder and Jeffrey Tucker) understand economics as largely a question of information. But how could individuals who had no common ends possibly exchange information and thus enter into economic exchange? Would not a “world of soulless unthinking automatons” result, which would preclude any economic activity in the first place? With these questions, the evenly-rotating economy comes to seem less like a shad-

²⁷ *Ibid.*, 248.

ow of the market economy, and more like the natural consequence of denaturing real men into *homo economicus*.

Perhaps sensing the futility of positing an economy filled with drones, or the inevitable devolution of “human actors” to ants in “an ant hill,” Mises calls forth a second kind of economic actor, one which would seem to be more fully human in the Aristotelian sense, in order to provide the dynamism which an economy of “automatons” would most certainly lack. For Mises, this more human economic actor is the “entrepreneur.” Mises sees in entrepreneurs—“the historians of the future” able to speculate on market directions and thereby profit themselves and their firms (and, by extension, society as a whole)—“not men, but a definite function.”²⁸ “Entrepreneur means acting man in regard to the changes occurring in the data of the market.”²⁹ Even Mises’ more human economic actor, then, seems bound to the market like Prometheus chained to the rock.

The consequences of denying the humanity of *homo economicus* taint all of Mises’ *Human Action*. By depriving man’s action of a telos, Mises makes human action something other than human. By depriving man of metaphysics, Mises destroys the humanity of human actors, too. In *Human Action*, “human action” quite remarkably fails to meet Aristotle’s Nicomachean criteria for being *human* action. What follows from this severely attenuated anthropology is not scientific, as Mises hoped, and not even economics. It ironically produces the same “soulless automatons” in which all other reductionist theories have ultimately resulted, whether liberal or collectivist or statist or otherwise. Just as important, it leaves man unable to appropriate the blessings of capitalism, blessings which few have done more to celebrate and promote than Ludwig von Mises.

²⁸ *Ibid.*, 252.

²⁹ *Ibid.*, 254.

Friedrich von Hayek

Ludwig von Mises' misunderstanding of the human person, and his concomitant failure to understand how human beings act within the context of market transactions and economic systems more broadly, is compounded in the work of Mises' contemporary and fellow Austrian School thinker Friedrich Hayek. Whereas Mises restricted his application of a highly purified liberalism (and, therefore, of a highly denatured anthropology) largely to descriptive investigations, Hayek used the radical liberalism of the Austrian School in order to go beyond description to prescriptive systems of law and other social enterprises.

In particular, Hayek was concerned with setting forth a new legal order which he called "the constitution of liberty."³⁰ The constitution of liberty, for Hayek, was grounded in his central tenet of spontaneous order, or the notion that the interactions of individuals working and trading in the free market would produce, somehow, an organic order which would give shape to societies unfettered by intrusive governments or totalitarian dictators. The sum of free interaction and exchange was to be a regime of ordered liberty, in which the participants-cum-generators of that ordered liberty would enjoy both freedom of thought and enterprise at the interpersonal level, as well as guarantees of that freedom at the structural level of society, such as in courts and government offices and other institutions.

However, the key to Hayek's "constitution of liberty" was that government was not to impose a telos of any kind beyond keeping a basic level of peace needed for the full enjoyment of personal liberty. Hayek found that the imposition of a telos upon a society limited the exercise of individual choice and the range of the individual's exercise of freedom, and so he eschewed telos in favor of a minimal set of shared

³⁰ See, especially, Friedrich A. Hayek, *The Constitution of Liberty* (Chicago: University of Chicago Press, 1960).

ground rules which, if properly followed, he thought would ensure the individual the maximum of liberty. Hayek thus essentially expanded the move that Mises makes at the beginning of *Human Action*, stripping telos not just from man, but from society as a whole.

This move grew out of one of Hayek's key insights: the impossibility of socialism.³¹ The impossibility of socialism was, at root, a knowledge problem.³² Given the fundamental uncertainty of existence, and particularly within complex economies and societies, it is a "fatal conceit" to believe that a body of planners could gain a transcendent knowledge of the virtual infinity of variables constituting a given economy or society, and then intervene in this deep stochastic in order to arrange those variables in a more advantageous way.

As a result, Hayek considered the legislation of more than general rules of order—e.g., the drafting of a constitution—to be inadvisable. After all, if central planners cannot anticipate even the most basic patterns of a changing economy, how can legislators be expected to foresee the future through the fog of uncertainty? As a solution to this prob-

³¹ Cf. Friedrich A. Hayek, *The Road to Serfdom* and "The Use of Knowledge in Society," cited in Aeon J. Skoble, "Hayek the Philosopher of Law," in *The Cambridge Companion to Hayek*, ed. Edward Feser (Cambridge University Press, 2006), 176–177.

³² See also Bruno Leoni, "Freedom and Legislation," in *Freedom and the Law* (Los Angeles: Nash Publishing, 1961), 106–107: "The reason why socialism and legislation are inevitably connected is that while a free market implies a spontaneous adjustment of demand and supply on the basis of the preference scales of individuals, this adjustment cannot take place if the demand is not such as to be met by supply on the same basis, that is, if the preference scales of those who enter the market are not actually complementary. . . . Legislation may achieve what a spontaneous adjustment could never do. Demand may be obliged to meet supply, or supply may be obliged to meet demand, according to certain regulations enacted by legislative bodies, possibly deciding, as happens at present, on the basis of such procedural devices as the majority rule. The fact about legislation . . . is that regulations are enforced upon everybody, including those who never participated in the process of making the regulations and who may never have had any notice of it. This fact distinguishes a statute from a decision handed down by a judge in a case brought before him by the parties. The decision . . . is not directly enforceable on other people who were not parties to the dispute or who were not represented by the parties in the case."

lem within the sphere of the law, Hayek proposed a legislative regime of nomocracy as a replacement for teleocracy. This was the working model for his “constitution of liberty.” Hayek’s aim in advocating this limited form of legislation was to attenuate what he called *thesis*, or the legislative power of the sovereign—who sought to impose order on a society from above in a process Hayek called *taxis*—, in order to clear the legal ground for *kosmos*, or order spontaneously arising without orientation toward an external telos.³³

All of this reluctance to commit to a telos of any kind stems from Hayek’s insistence that every interaction was a kind of experiment. The accumulation of knowledge—and a fortiori the sublimation of this accumulated knowledge into some kind of shared social goal or even shared social assumption, under the guise of custom or tradition, of how the world should work—Hayek found to be unnecessarily restricting to individual freedom. And, in this sense, Hayek, going beyond Mises, found that the market provided not only goods and services, but, most important, knowledge. Hayek’s refusal to allow for teloses in his society operating under his “constitution of liberty” was due ultimately to his insistence that liberalism was to be preferred to collectivism because of liberalism’s superiority in opening the human mind to the greater and better acquisition of knowledge. As Chandran Kukathas points out in *Hayek and Modern Liberalism*:

In his development of the Misesian critique of socialism, Hayek sought to show that the fundamental problem in economics was not a calculational problem but an *epistemological* one. . . . The weakness of socialist planning was that it required *more* knowledge for decision making and yet was *less* able to ensure that knowledge of opportunities was utilized. . . . In his political theory, Hayek [argues] that it is the *epistemological* rather than the

³³ Skoble, “Hayek the Philosopher of Law,” 171 ff., and Chor Y. Cheung, “Hayek on Nomocracy and Teleocracy: A Critical Assessment,” *Cosmos+Taxis* 1, no. 2 (2014): 24–33.

calculational problem which characterizes not simply the production process but the human condition generally. The market, defined by the institutions of justice [e.g., courts and legislatures, etc.], is to be praised not merely for making production cheaper; for what is discovered in the market process is not only 'economic' knowledge, but knowledge of the world, of others, and even of oneself. This is why in *The Constitution of Liberty* he stresses the importance of the social process remaining 'experimental': when experiments are forbidden because superior knowledge has rendered parts of the process of trial and error otiose, then the 'beliefs that happen to be prevalent at a given time may become an obstacle to the advancement of knowledge' [citing Hayek, *Constitution of Liberty*, 37]. For knowledge 'advances' not just with the growth of explicit or scientific knowledge, but 'with every adaptation to the environment in which past experience is incorporated' [citing *ibid.*, 26].³⁴

Hayek's "constitution of liberty" thus bears strict resemblance to Mises' "human actor," adapting to environmental stimuli but fated, even required, to eschew any bigger purpose beyond the immediate "experiment," as Hayek puts it, of every new market interaction.

As Aristotle points out, however, the "knowledge" which Hayek claims will be pursued open-endedly must, by its very nature, bring the knowers of that knowledge into some kind of organizational whole. First, there is a unity in things themselves that cannot be atomized and rearranged in the way that Hayek imagines the market will do:

For instance, we might say that 'man' has not one meaning but several, . . . for a peculiar name might be assigned to each of the definitions. If, however, they were not limited but one were to say that the word has an infinite number of meanings, obviously reasoning would be impossible; for not to have one meaning is to

³⁴ Chandran Kukathas, *Hayek and Modern Liberalism* (Oxford: Clarendon Press, 1989), 100–101. See also Friedrich A. Hayek, "The Use of Knowledge in Society," in *Individualism and Economic Order* (Chicago: The University of Chicago Press, 1958), 77–91.

have no meaning, and if words have no meaning our reasoning with one another, and indeed with ourselves, has been annihilated; for it is impossible to think of anything if we do not think of one thing.³⁵

It therefore seems to follow that there could be no market in the first place without some modicum of aims and ends. In attempting to use the free market to unseat socialist and collectivist central-planning panopticons which have arrogated to themselves the power to control and dictate all economic activity, Hayek ironically undoes the very possibility of economic activity in the first place. Centralized economic planning is certainly an evil, but the eradication of economic transactions (however unintended) by dethroning mankind in all of his complexity in the process of taking down socialism cannot possibly be the solution. Capitalism is *good* for people, and we need not artificially de-telos-ify man or society in order to clear the ground for capitalism.

Again, Aristotle provides a clue as to how we might go beyond the dead ends of Mises' and Hayek's flawed anthropology. Centralized planning was an idea already familiar to the ancient Greeks, for example, but the rejection of central planning need not inevitably lead to the embrace of teleological indifference or even hostility. Aristotle made clear in *Nicomachean Ethics*, especially Book VIII, that friendship is a necessary corollary of human existence, and is presupposed in any quest for virtue and happiness. Friendship, although for Aristotle it takes many forms, is the *sine qua non* of the social life. The absence of the common good is not conceivable—man enters into friendships, and society without friendship is as nonsensical as molecules without chemical bonds.³⁶ However, for Hayek, all shared understanding of the common good—of *communio*, or of justice going beyond individual transactions—must be forced upon society from without. Ironically, for Ha-

³⁵ Aristotle, *Metaphysics*, IV, ch. 4, in *The Basic Works of Aristotle*, 738.

³⁶ See Aristotle, *Nicomachean Ethics*, VIII, in *The Basic Works of Aristotle*, 1058 ff.

yeck, while order arises spontaneously from below, the good, or aims which transcend individual prerogatives, do not. The best that a liberal society can provide is procedural justice, or the “evaluat[ion of] competing claims.”³⁷ Hayek insisted that the rule of law, in a liberal, “open society,” can be at best ground rules. Society is “a collection of strangers free to pursue their own interests.”³⁸ While this does not preclude, for Hayek, social institutions such as the family and other local groups, it does mean that society as a whole can have no say in what, if any, the end goal of social interaction will be.

A Critique via Aristotle

Hayek’s rejection of *communio* and of social teleology can be, and has been, critiqued from a variety of positions. For example, Alasdair MacIntyre pointedly rejected Hayek on this score.³⁹ Here I would offer perhaps a novel critique, based on Aristotle’s understanding of diversity and its impossibility without some form of contrary opposition. For if, according to Aristotle in *Metaphysics*, X, ch. 3, there are four kinds of opposition, with some being unifying and others describing disparity of both quantity and quality, then it follows that Hayekian spontaneous order will either presuppose some kind of shared quality, or else it will be impossible for any order to come about, spontaneously or otherwise.⁴⁰ But if there is already a shared quality in Hayek’s market operations, then this will inevitably lead to shared ends—in other words, to a *communio*, or an operational whole which by its very nature will share a genus and work toward a common end. However, problematically for the theories of Mises and Hayek, there is no

³⁷ Kukathas, *Hayek and Modern Liberalism*, 118.

³⁸ *Ibid.*, 115.

³⁹ See, e.g., *After Virtue*, 237, cited in Kukathas, *Hayek and Modern Liberalism*, 114.

⁴⁰ *The Basic Works of Aristotle*, 839 ff.

diversity apart from market interactions, and commerce is not a quality because by its very nature, according to Mises' definition, commerce presupposes that goods exchanged will be utterly unlike one another.

We face, therefore, a twofold impossibility. On the one hand, it is impossible for a Misesian/Hayekian market to exist without a telos (a telos which both Mises and Hayek categorically reject). On the other hand, without shared qualities—which would flow from a common genus and thus imprint on each member some shared aim—there could be no human society, but without such human society there could be no market in the first place. The market, as conceived by Mises and Hayek, is thus no market at all. It is a fiction. It is therefore impossible, contra Mises and Hayek, for society to exist as simply an epiphenomenon of market activity or of radical individual interaction. The very notion of diversity (in any context, social or otherwise) presupposes some sort of shared nature. Otherwise, what would result would be not diversity, but chaos.

And this shared nature, for human actors in an economic or judicial or governmental or societal order, can be none other than human nature itself. It is impossible for human beings to act in any way other than as human beings, which is to say, for some higher end and greater purpose which can never be cut off from the mere fact of the acting, choosing, or preferring. Hayek would have a society in which human beings did not act or live like human beings at all, but, rather, under a giant Rawlsian “veil of ignorance” in which everyone would be willfully blind—an impossibility from the outset—to the larger import of each action and to the movement toward *communio* and greater human flourishing, and human happiness, which is the ineluctable aim and cause of all human acting. Hayek's “constitution of liberty” is a denial of the natures of the beings whom he is purportedly trying to help. The “constitution of liberty” would seem, tragically, to be a recipe for dehumanization.

Aristotle would perhaps agree with Hayek that the seeker after virtue and happiness should be free, to a certain extent, to pursue higher ends according to his own lights. Everyone has certain predispositions and affinities, and one man may be more inclined to work as a carpenter while another may have a natural talent for, say, soldiering or music. However, Aristotle would disagree with Hayek in arguing that the free market is sufficient to supply man's needs, because, for Aristotle, human interactions always presuppose the existence of human ends. In going to a market and purchasing, for example, lumber needed to make a chair or tools for planing and fastening wood, a carpenter does not merely precipitate a material exchange, but also, even if in some small way, finds an opportunity to grow in virtue by dealing fairly with the seller and treating those whom he meets with respect. Moreover, the carpenter supplies some future buyer with a finished product, not merely to exist in the universe, but to further some human end, such as for rest or for a place to study or to eat, which, ultimately, also furthers the virtue and happiness of the person using the thing. The human being is the cause of the science that allows the carpenter to understand wood and tools and carpentry and human needs, and is also the cause of the desire to purchase and use a chair in pursuit of some human capacity. Order does not spontaneously arise out of market transactions; it is the precondition of the market, and of all human action. Society and goods exert organizing force upon the market, and not the other way around. A market is never really "free," because a market is always bound up in the full humanity of its participants (as is everything else made and used by human beings).

The "constitution of liberty" formulated by Hayek is laudable as an attempt to limit the size and scope of government. Unfortunately, prescinding telos from society is not likely to free man to seek a telos elsewhere. There are not multiple teloses, there is only one: happiness (secular and then beatific). And one approaches one's telos through vir-

tue. There is no other way. Man is therefore especially unlikely to know the freedom that Hayek seeks with his telos-less constitution of liberty if society is conceived of as an agglutination of telos-less agents as described in Mises' *Human Action*. Acting for no greater common end is not human action at all. Acting for no discernible purpose and under no metaphysical lights, as is made explicit in Mises' and Hayek's transactional anthropology, is not worthy of the human person, who is made for much higher things. And capitalism, as a gift from God, is able to lift us up in our full humanity. No liberal deracination of the human person is required.

But Mises', and Hayek's, pure liberalism precludes the possibility of seeing the human person as a principle of understanding. By removing any consideration of ends from human action, both Mises and Hayek denature human action, rendering it alien to actual human beings. While they were right to resist the wiles of socialist collectivists, they chose the wrong method. Radical individualism—free-market solipsism—does not correct socialist errors, it only transposes them. The choice presented by Mises and Hayek among a myriad of value systems and dogmas and teleologies is a false one. The first human action is to wonder and then to seek to understand. The end of this searching is truth, and happiness. This is not a matter of indifference to human action—it is the very foundation of it. Failing to take this into account, Mises and Hayek could not possibly understand the nature of human action, and therefore could not possibly mount a principled resistance to socialism. The only real solution to collectivist statism, now as ever, is to embrace the full flowering of our God-given humanity: prosperous, virtuous, happy, and free.



**Is the 'Human Action' in *Human Action* Human Action?
Mises, Hayek, and Aristotle on 'Capitalism' and Human Flourishing**

SUMMARY

Ludwig von Mises's *Human Action* is a seminal work of Austrian economics. It sets forth Mises's theory of the acting person and lays the groundwork for a liberal economic order. But is the "human action" which Mises describes in *Human Action* really human action? Mises, as well as his colleague Friedrich von Hayek, posits a liberal society in which telos and metaphysics can be elided from human interactions, but such conceptions of the human person are greatly different from the more robust, and humane, anthropologies of Aristotle and St. Thomas Aquinas. In this paper, I compare and contrast the visions of the human person found in Mises, Hayek, Aristotle, and St. Thomas, arguing that the truly human vision of human action found in the latter two thinkers' works provides a much sounder basis for human material flourishing ("capitalism").

KEYWORDS

Mises, Hayek, Aristotle, Aquinas, Human Action, praxeology, Constitution of Liberty, virtue, economics.

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