

Praxeology, Value Judgments, and Public Policy

By Murray N. Rothbard

[*The Foundations of Modern Austrian Economics*, Edwin Dolan, ed. (Kansas City: Sheed and War, 1976), pp. 89-111; *The Logic of Action One* (Cheltenham, UK: Edward Elgar, 1997), pp. 78-99. The pagination in this edition corresponds to *Logic*.]

Ethics is the discipline, or what is called in classical philosophy the "science," of what goals men should or should not pursue. All men have values and place positive or negative value judgments on goods, people, and events. Ethics is the discipline that provides standards for a moral critique of these value judgments. In the final analysis, either such a discipline exists and a rational or objective system of ethics is possible, or else each individual's value judgments are ultimately arbitrary and solely a result of individual whim. It is not my province to try to settle one of the great questions of philosophy here. But even if we believe, as I do, that an objective science of ethics exists, and even if we believe still further that ethical judgments are within the province of the historian or social scientist, one thing is certain: praxeology, economic theory, cannot itself establish ethical judgments. How could it when it deals with the formal fact that men act rather than with the content of such actions? Furthermore, praxeology is not grounded on any value judgments of the praxeologist, since what he is doing is analyzing the fact that people in general have values rather than inserting any value judgments of his own.

What, then is the proper relationship of praxeology to values or ethics? Like other sciences, praxeology provides laws about reality, laws that those who frame ethical judgments disregard only at their peril. In

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brief, the citizen, or the "ethicist," may have framed, in ways which we cannot deal with here, general ethical rules or goals. But in order to decide how to arrive at such goals, he must employ all the relevant conclusions of the various sciences, all of which are *in themselves* value-free. For example, let us suppose that a person's goal is to improve his health. Having arrived at this value—which I would consider to be rational and others would consider purely emotive and arbitrary—the person tries to discover how to reach his goal. To do so, he must employ the laws and findings, value-free in themselves, of the relevant sciences. He then extends the judgment of "good," as applied to his health, on to the means he believes will further that health. His end, the improvement of his health, he pronounces to be "good"; he then, let us say, adopts the findings of medical science that *x* grams of vitamin C per day will improve his health; he therefore extends the ethical pronouncement of "good"—or, more technically, of "right"—to taking vitamin C as well. Similarly, if a person decides that it is "good" for him to build a house and adopts this as his goal, he must try to use the laws of engineering—in themselves value-free—to figure out the best way of constructing that house. Felix Adler put the relationship clearly, though we may question his use of the term *social* before science in this context:

The . . . end being given, the ethical formula being supplied from elsewhere, social science has its most important function to discharge in filling in the formula with a richer content, and, by a more comprehensive survey and study of the means that lead to the end, to give to the ethical imperatives a concreteness and definiteness of meaning which otherwise they could not possess. Thus ethical rule may enjoin upon us to promote . . . health, . . . but so long as the laws of hygiene remain unknown or ignored, the practical rules which we are to adopt in reference to health will be scanty and ineffectual. The new knowledge of hygiene which social science supplies will enrich our moral code in this particular. Certain things which we freely did before, we now know we may not do; certain things which we omitted to do, we now know we ought to do.¹

¹ Felix Adler, "The Relation of Ethics to Social Science," in *Congress of Arts and Science*, H.J. Rogers, ed. (Boston: Houghton Mifflin, 1906), 7, p. 678.

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Praxeology has the same methodological status as the other sciences and the same relation to ethics. Thus, to take a deliberately simple example: if our end is to be able to find gasoline when we pull up to the service station, and value-free praxeological law tells us—as it does—that, if the government fixes a maximum price for any product below the free-market price, a shortage of that product will develop, then (unless other goals supervene) we will make the ethical pronouncement that it is "bad" or "wrong" for the government to impose such a measure. Praxeology, like the other sciences, is the value-free handmaiden of values and ethics.

To our contention that the sciences, including praxeology, are in themselves value-free, it might be objected that it is values or ethics that direct the *interest* of the scientist in discovering the specific laws of his discipline. There is no question about the fact that medical science is currently far more interested in discovering a cure for cancer than in searching for a cure for some disease that might only have existed in parts of the Ukraine in the eighteenth century. But the unquestioned fact that values and ethics are important in guiding the attention of scientists to specific problems is irrelevant to the fact that the laws and disciplines of the science itself are value-free. Similarly, Crusoe on his desert island may not be particularly interested in investigating the science of bridge building, but the laws of that science itself are value-free.

Ethical questions, of course, play a far smaller role in applied medicine than they do in politics or political economy. A basic reason for this is that generally the physician and his patient agree—or are supposed to agree—on the end in view: the advancement of the patient's health. The physician can advise the patient without engaging in an intense discussion of their mutual values and goals. Of course, even here, the situation is not always that clear-cut. Two examples will reveal how ethical conflicts may arise: first, the patient needs a new kidney to continue to live; is it ethical for the physician and/or the patient to murder a third party and extract his kidney? Second, is it ethical for the physician to pursue medical research for the possible good of humanity while treating his patient as an unwitting guinea pig? These are both cases where valuational and ethical conflicts enter the picture.

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In economic and political questions, in contrast, ethical and value conflicts abound and permeate society. It is therefore impermissible for the economist or other social scientist to act as if he were a physician, who can generally assume complete agreement on values and goals with his patient and who can therefore prescribe accordingly and with no compunction. Since, then, praxeology provides no ethics whatsoever but only the data for people to pursue their various values and goals, it follows that it is impermissible for the economist *qua* economist to make any ethical or value pronouncements or to advocate any social or political policy whatsoever.

The trouble is that most economists burn to make ethical pronouncements and to advocate political policies—to say, in effect, that policy X is "good" and policy Y "bad." Properly, an economist may only make such pronouncements in one of two ways: either (1) to insert his own arbitrary, *ad hoc* personal value judgments and advocate policy clearly on that basis; or (2) to develop and defend a coherent ethical system and make his pronouncement, not as an economist, but as an ethicist, who also uses the data of economic science. But to do the latter, he must have thought deeply about ethical problems and also believe in ethics as an objective or rational discipline—and precious few economists have done either. That leaves him with the first choice: to make crystal clear that he is speaking not as an economist but as a private citizen who is making his own confessedly arbitrary and *ad hoc* value pronouncements.

Most economists pay lip service to the impermissibility of making ethical pronouncements *qua* economist, but in practice they either ignore their own criteria or engage in elaborate procedures to evade them. Why? We can think of two possible reasons. One is the disreputable reason that, if Professor Doakes advocates policy X and basically does so *as* an economics professor, he will be listened to and followed with awe and respect; whereas if he advocates policy X as plain Joe Doakes, the mass of the citizenry may come to the perfectly valid conclusion that their *own* arbitrary and *ad hoc* value judgments are just as good as his, and that therefore there is no particular reason to listen to him at all. A second and more responsible reason might be that the economist, despite his professed disbelief in a science of ethics, realizes deep down that there is something unfortunate—we might even say

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bad—about unscientific and arbitrary value judgments in public policy, and so he tries desperately to square the circle, in order to be able to advocate policy in some sort of scientific manner.

While squaring this circle is impossible, as we shall consider further, I believe that this putative uneasiness at making arbitrary value judgments is correct. While it is surely admirable (ethical?) for an economist to distinguish clearly and carefully between the value-free science and his own value judgments, I contend further that it is the responsibility of any scientist, indeed any intellectual, to refrain from any value judgment whatever *unless* he can support it on the basis of a coherent and defensible ethical system. This means, of course, that those economists who, on whatever grounds, are not prepared to think about and advance an ethical system should strictly refrain from any value pronouncements or policy conclusions at all. This position is of course itself an ethical one. But it relates to the ethical system that is the precondition of all science; for, even though particular scientific laws are themselves value-free, the very procedures of science rest on the ethical norm of honesty and the search for truth; that norm, I believe, includes the responsibility to lend coherence and system to all one's pronouncements including valuational ones. I might add in passing that anyone conceding the necessity of honesty in science *ipso facto* becomes willy-nilly a believer in objective ethics, but I will leave that point to the ethical subjectivists to grapple with.²

Let me clarify with an example. Henry C. Simons, after trenchantly criticizing various allegedly scientific arguments for progressive taxation, came out flatly in favor of progression as follows:

The case for drastic progression in taxation must be rested on the case against inequality—on the ethical or aesthetic judgment that the prevailing distribution of wealth and income reveals a degree (and/or kind) of inequality which is distinctly evil or unlovely.³

² See the critique of the inconsistency of the championing of intellectual honesty by the greats opponent of objective ethics, Max Weber, in Leo Strauss, *Natural Right and History* (Chicago: University of Chicago Press, 1953), pp. 47-48.

³ Henry C. Simons, *Personal Income Taxation* (1938), pp. 18-19, cited by Walter J. Blum and Harry Kalven, Jr., *The Uneasy Case for Progressive Taxation* (Chicago: University of Chicago Press, 1953), p. 72.

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My point is that, while it was surely admirable for Simons to make the distinction between his scientific and his personal value judgments crystal clear, that is not enough for him to escape censure. He had, at the very least, the responsibility of analyzing the nature and implications of egalitarianism and then attempting to defend it as an ethical norm. Flat declarations of unsupported value judgments should be impermissible in intellectual, let alone scientific, discourse. In the intellectual quest for truth it is scarcely sufficient to proclaim one's value judgments as if they must be accepted as tablets from on high and not be themselves subject to intellectual criticism and evaluation.

Suppose, for example, that Simons's ethical or esthetic judgment was not on behalf of equality but of a very different social ideal. Suppose that instead he had come out in favor of the murder of all short people, of all adults under five feet six inches in height. And suppose that his sole defense of this proposal were the following:

The case for the liquidation of all short people must be rested on the case against the existence of short people—on the ethical or aesthetic judgment that the prevailing number of short adults is distinctly evil or unlovely.

One wonders if the reception accorded to Simons's remarks by his fellow economists or social scientists would have been quite the same.⁴ Yet, of course, the logic of his stance would have been precisely the same.

More usual is an attempt by the economist to place himself in the status of the physician of our foregoing example, that is, as someone who is merely agreeing to or ratifying the values either of a majority in society or of every person in it. But even in these cases, it must be remembered that the physician is in no sense value-free, though he is simply sharing the value of his patient, and that the value of health is so deeply shared that there is no occasion for making it explicit. Nevertheless, the physician *does* make a value judgment, and, even if

⁴ Murray N. Rothbard, *Egalitarianism as a Revolt against Nature, and Other Essays* (Washington, D.C.: Libertarian Review Press, 1974), pp. 2-3; also see Rothbard *Power and Market* (Menlo Park, Calif.: Institute for Humane Studies, 1970), pp. 157-60.

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every person in society shares the same value and goal, the economist who goes along with such a value is still making a value judgment, even if indeed universally shared. He is still illegitimately going beyond the bounds of the economist *per se*, and his value judgments must still be supported by rational argument.

The weakest path to an economist's adoption of social values is to appeal to the majority. Thus, John F. Due commented on the progressive income tax in his text on public finance:

The strongest argument for progression is the fact that the consensus of opinion in society today regards progression as necessary for equity. This is, in turn, based on the principle that the pattern of income distribution, before taxes, involves excessive inequality (which) can be condemned on the basis of inherent unfairness in terms of the standards accepted by society.⁵

But once again the fact that the majority of society might hold market inequality to be "unfair" does not absolve Due of the fact that, in ratifying that judgment, he himself made that value judgment and went beyond the province of the economist. Furthermore, on scientific standards, the *ad hoc* and arbitrary value judgments of the majority are no better than those of one person, and Due, like Simons, failed to support that judgment with any sort of argumentation. Furthermore, when we ratify the majority, what of the rights or the utilities of the minority? Felix Adler's strictures against the utilitarian ethic clearly apply here:

Other sociologists frankly express their ideals in terms of quantity and, in the fashion of Bentham, pronounce the greatest happiness of the greatest number to be the social end, although they fail to make it intelligible why the happiness of the greater number should be cogent as an end upon those who happen to belong to the lesser number.⁶

⁵ John F. Due, *Government Finance* (Homewood, Ill.: Richard D. Irwin, 1954), pp. 128-29.

⁶ Adler, "Relation of Ethics," p. 673.

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Again, with Due as with Simons, one wonders about the treatment of such a position by the American intellectual community if his imprimatur on the "consensus of opinion in society today" had been applied instead to the treatment of the Jews in Germany in the 1930s.

Just as the physician who advises his client commits himself to the ethic of good health, so the economist who advises a client is *not*, much as he would like to think so, a mere technician who is not committing himself to the value judgment of his client and his client's goals. By advising a steel company on how to increase its profits, the economist is thereby committed to share in the steel entrepreneur's value judgment that his greater profit is a desirable goal. It is even more important to make this point about the economist who advises the State. In so doing, he commits himself to the value judgments, not simply of the majority of society as in the case of Due, but to the value judgments of the rulers of the State apparatus. To take a deliberately dramatic example, let us suppose that an economist is hired by the Nazis to advise the government on the most efficient method of setting up concentration camps. By agreeing to help make more efficient concentration camps, he is agreeing to make them "better," in short, he is committing himself willy-nilly to concentration camps as a desirable goal. And he would, again, still be doing so even if this goal were heartily endorsed by the great majority of the German public. To underscore this point, it should be clear that an economist whose value system leads him to oppose concentration camps might well give such advice to the German government as to make the concentration camps as *inefficient* as possible, that is to sabotage their operations. In short, whatever advice he gives to his clients, a value commitment by the economist, either for or against his clients' goals, is inescapable.⁷

A more interesting variant of the economist's attempt to make value-free value judgments is the "unanimity principle," recently emphasized by James M. Buchanan. Here the idea is that the economist can safely advocate a policy if *everyone* in the society also advocates it. But, in the first place, the unanimity principle is still subject to the aforementioned strictures: that, even if the economist simply shares in

⁷ Murray N. Rothbard, "Value Implications of Economic Theory," *The American Economist* 17 (Spring 1973): 38-39.

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everyone else's value judgment, he is still making a value judgment. Furthermore, the superficial attractiveness of the unanimity principle fades away under more stringent analysis; for unanimity is scarcely sufficient to establish an ethical principle. For one thing, the requirement of unanimity for any action or change begins with and freezes the status quo. For an action to be adopted, the justice and ethical propriety of the status quo must first be established, and of course economics can scarcely be prepared to do that. The economist who advocates the unanimity principle as a seemingly value-free pronouncement is thereby making a massive and totally unsupported value judgment on behalf of the status quo. A stark but not untypical example was the debate in the British Parliament during the early nineteenth century on the abolition of slavery, when early adherents of the "compensation principle" variant of the unanimity principle (which has its own additional and grave problems) maintained that the masters must be compensated for the loss of their investment in slaves. At that point, Benjamin Pearson, a member of the Manchester school, declared that "he had thought it was the slaves who should have been compensated."⁸ Here is a striking example of the need in advocating public policy of some ethical system, of a concept of justice. Those ethicists among us who hold that slavery is unjust would always oppose the idea of compensating the masters and would rather think in terms of reparations to compensate the slaves for their years of oppression. But what is there for the value-free economist to say?

There are other grave problems with the compensation principle as a salvaging attempt to make it possible for value-free economists to advocate public policy. For the compensation principle assumes that it is conceptually possible to measure losses and thereby to compensate losers. But since praxeology informs us that "utility" and "cost" are purely subjective (psychic) concepts and therefore cannot be measured or even estimated by outside observers, it becomes impossible for such observers to weigh "social costs" and "social benefits" and to decide that the latter outweigh the former for any public policy, much less to make the compensations involved so that the losers are no longer losers. The usual attempt is to measure psychic losses in utility by the monetary price of an asset; thus, if a railroad damages the land of a farmer by

⁸ William D. Grampp, *The Manchester School of Economics* (Stanford, Calif.: Stanford University Press, 1960), p. 59; also see Rothbard, "Value Implications," pp. 36-37.

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smoke, it is assumed that the farmer's loss can be measured by the market price of the land. But this ignores the facts that the farmer may have a psychic attachment to the land that puts its value far above the market price and that—especially in this kind of situation that does not involve direct action and exchange by the individuals—it is impossible to find out what the farmer's psychic attachment to the land may be worth. He may *say*, for example, that his attachment to the land requires the compensation of \$10 million, even though the market price is \$100,000, but of course he may be lying. However, the government or other outside observer has no scientific way of finding out one way or another.⁹ Furthermore, the existence in the society of just one militant anarchist, whose psychic grievance against government is such that he cannot be compensated for his psychic disutility from the existence of government, is enough by itself to destroy the social-utility and compensation-principle case for any government action whatever. And surely at least one such anarchist exists.

Can praxeological economics, then, say nothing about social utility? Not quite. If we define an "increase in social utility" in the Paretian manner as a situation where one or more persons gain in utility while nobody loses, then praxeology finds a definite, but restricted, role for the concept. But it is a role where social utilities remain unmeasurable and incomparable between persons. Briefly, praxeology maintains that when a person acts, his utility, or at least his *ex ante* utility, increases; he expects to enjoy a psychic benefit from the act, otherwise he would not have done it. When, in a voluntary free-market exchange, for example, I buy a newspaper from a newsdealer for 15 cents, I demonstrate by my action that I prefer (at least *ex ante*) the newspaper to the 15 cents, while the newsdealer demonstrates by his action the reverse order of preference. Since each of us is better off by the exchange, both the newsdealer and I have demonstrably gained in utility, while *nothing* has demonstrably happened to anyone else. Elsewhere I have called this praxeological concept "demonstrated preference," in which action demonstrates preference, in contrast to various forms of psychologizing, which tries to measure other persons'

⁹ For a further analysis of this question, see Walter Block, "Coase and Demsetz on Private Property Rights: A comment," *Journal of Libertarian Studies* 1, no. 2 (Spring 1977): 112-15.

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value scales apart from action, and to behaviorism, which assumes that such values or preferences do not exist.¹⁰ The compensation principle that I have been criticizing rests on the illegitimate psychologizing notion that a scientific economist-observer can know *anything* about someone else's value scale except as it is demonstrated through such action as the purchase or sale of a newspaper. And since the compensation principle is necessarily divorced from demonstrated preference, it cannot be employed by scientific economists. Incidentally, I might note here that "demonstrated preference" is very different from Samuelson's famous concept of "revealed preference," for Samuelson, in illegitimate psychologizing fashion, assumed the existence of an underlying preference scale that forms the basis of a person's action and that remains constant in the course of his actions over time. There is, however, no warrant for the scientific economist to make any such assumption. All we can say is that an action, at a specific point of time, reveals some of a person's preferences *at that time*. There is no warrant for assuming that such preference orderings remain constant over time.¹¹

Now since praxeology shows, by the concept of demonstrated preference, that both the newsdealer and I gain in utility from the exchange, and nothing has demonstrably happened to anyone else, we can conclude scientifically, as praxeological economists, that social utility has increased from the sale and purchase of the newspaper—since we have defined social utility in the Paretian manner. It is true, of course, that third parties may well be grinding their teeth in hatred at the exchange. There may be people, for example, who through envy suffer psychic loss because the newspaper dealer and/or I have gained. Therefore, if we employ the Paretian definition of "social utility" in the usual psychologizing sense, we can say nothing about social utility one way or the other. But if we confine the concept to its strict scientific

¹⁰ Murray N. Rothbard, "Toward a Reconstruction of Utility and Welfare Economics" in *On Freedom and Free Enterprise: Essays in Honor of Ludwig von Mises*, Mary Sennholz, ed. (Princeton, N.J.: Van Nostrand, 1956), pp. 224-32, 243-63.

¹¹ *Ibid.*, pp. 228-30; also see Ludwig von Mises, *Human Action: A Treatise on Economics* (New Haven, Conn.: Yale University Press, 1949), pp. 102-4. Samuelson views may be found, among other places, in Paul A. Samuelson, "The Empirical Implications of Utility Analysis," *Econometrica* 6 (October 1938): 334-56; and Samuelson, *Foundations of Economics* (Cambridge, Mass.: Harvard University Press, 1947), pp. 146-63.

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compass in demonstrated preference, then we can state that social utility increases from the exchange. Still further, we may know as historians, from interpretive understanding of the hearts and minds of envious neighbors, that they do lose in utility. But we are trying to determine in this paper precisely what scientific economists can say about social utility or can advocate for public policy, and since they must confine themselves to demonstrated preference, they must affirm that social utility has increased.

Conversely, since every act of the State involves coercion, at least the coercion of taxation, and since in its every act there is at least one demonstrable loser in utility, we must also conclude that no act whatever of the State can increase social utility. Here, of course, is another good reason why the economic scientist cannot use the concept of "social utility" to establish any sort of unanimity principle or any other case for government action. It has been pointed out that, similarly, we cannot say that any action of the State *decreases* social utility, at least in the short term, and that too is correct.

We must emphasize, however, that the praxeological conclusion that the free market maximizes social utility is not sufficient to enable the praxeological economist to advocate the free market while abstaining from value judgments or from an ethical system. In the first place, why *should* an economist favor increasing social utility? This in itself requires an ethical or value judgment. And, second, the social-utility concept has many other failings, including the fact that while the envious and the egalitarian or the admirer of coercion *per se* may not be included in the social-utility concept, the contemporary historian knows that he is there, lurking in the wings; it therefore requires an ethical judgment, which cannot be supplied by praxeology, to overrule him. Furthermore, many of the strictures against the unanimity principle apply here too; for example, should we really be eager to preserve the utility of the slaveholder against loss? And if so, why?

Let us now turn to the position of Ludwig von Mises on the entire matter of praxeology, value judgments, and the advocacy of public policy. The case of Mises is particularly interesting, not only because he was a leader in the modern Austrian school and in praxeology, but also because he was, of all the economists in the twentieth century, the most

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uncompromising and passionate adherent of *laissez-faire* and at the same time the most rigorous and uncompromising advocate of value-free economics and opponent of any sort of objective ethics. How then did he attempt to reconcile these two positions?¹²

Essentially, Mises offered two very different solutions to this problem. The first is a variant of the unanimity principle. Essentially this variant affirms that an economist *per se* cannot say that a given governmental policy is "good" or "bad." However, if a given policy will lead to consequences, as explained by praxeology, that *every one* of the supporters of the policy will agree is bad, then the value-free economist is justified in calling the policy a "bad" one. Thus, Mises wrote:

An economist investigates whether a measure *a* can bring about the result *p* for the attainment of which it is recommended, and finds that *a* does not result in *p* but in *g*, an effect which even the supporters of the measure *a* consider undesirable. If the economist states the outcome of his investigation by saying that *a* is a bad measure, he does not pronounce a judgment of value. He merely says that from the point of view of those aiming at the goal *p*, the measure *a* is inappropriate.¹³

And again:

Economics does not say that . . . government interference with the prices of only one commodity . . . is unfair, bad, or unfeasible. It says, that it makes conditions worse, not better, *from the point of view of the government and those backing its interference.*¹⁴

Now this is surely an ingenious attempt to allow pronouncements of "good" or "bad" by the economist without making a value judgment; for the economist is supposed to be only a praxeologist, a technician, pointing out to his readers or listeners that they will all consider a policy

¹² For a posing of this question, see William E. Rappard, "On reading von Mises," in *On Freedom and Free Enterprise*, Mary Sennholz, ed., pp. 17-33.

¹³ Mises, *Human Action*, p. 879.

¹⁴ *Ibid.*, p. 758; italics in the original.

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"bad" once he reveals its full consequences. But ingenious as it is, the attempt completely fails. For how could Mises *know* what the advocates of the particular policy consider desirable? How could he know what their value scales are now or what they will be when the consequences of the measure appear? One of the great contributions of praxeology, as I have pointed out above, is that the praxeologist, the economist, doesn't know what anyone's value scales are except as those value preferences are demonstrated by a person's concrete action. In the case of my purchase of the newspaper, historians or psychologists may make more or less informed estimates of the newsdealer's or my value scales through the process of interpretive understanding, but all that the economist can know scientifically and with certainty is the preference relative to 15 cents or the newspaper as demonstrated through concrete action. Mises himself emphasized that

one must not forget that the scale of values or wants manifests itself only in the reality of action. These scales have no independent existence apart from the actual behavior of individuals. The only source from which our knowledge concerning these scales is derived is the observation of a man's actions. Every action is always in perfect agreement with the scale of values or wants because these scales are nothing but an instrument for the interpretation of a man's acting.¹⁵

Given Mises's own analysis, then, how can the economist know what the motives for advocating various policies really are or how people will regard the consequences of these policies?

Thus, Mises, *qua* praxeologist, might show that price controls (to use his example) will lead to unforeseen shortages of a good to the consumers. But how could Mises know that some advocates of price controls do not *want* shortages? They may, for example, be socialists, anxious to use the controls as a step toward full collectivism. Some may be egalitarians who prefer shortages because the rich will not be able to use their money to buy more of the product than poorer people. Others may be one of the legion of contemporary intellectuals who are eternally complaining about the excessive affluence of our society or about the

¹⁵ Ibid., p. 95.

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great waste of energy; they may all delight in the shortages of goods. Still others may favor price controls, even after learning of the shortages, because they or their political allies will enjoy well-paying jobs or power in a price-control bureaucracy. All sorts of such possibilities exist, and *none* of them is compatible with the assertion of Mises, as a value-free economist, that all supporters of price controls—or of any other government intervention—must concede, after learning economics, that the measure is "bad." In fact, once Mises conceded that even a single advocate of price controls or any other interventionist measure may acknowledge the economic consequences and still favor it, he could no longer call any of these measures "bad" or "good" or even "appropriate" or "inappropriate" without inserting into his economic policy pronouncements the very value judgments that he himself held to be inadmissible as a scientist of human action.¹⁶ He would no longer be a technical reporter to all advocates of a certain policy but an advocate participating on one side of a value conflict.

Moreover, there is another fundamental reason for advocates of "inappropriate" policies to refuse to change their minds even after hearing and acknowledging the praxeological chain of consequences. For praxeology may indeed show that all types of government policies will have consequences that most people, at least, will tend to abhor. But, and this is a vital qualification, most of these consequences take *time*, some a great deal of time. No economist has done more than Ludwig von Mises to elucidate the universality of time preference in human affairs—the praxeologic law that everyone prefers to attain a given satisfaction sooner than later. And certainly Mises, as a value-free scientist, could never presume to criticize anyone's rate of time preference, to say that A's was "too high" and B's "too low." But, in that case, what about the high-time-preference people in society who retort to the praxeologist: "Perhaps this high tax and subsidy policy will lead to a decline of capital; perhaps even the price control will lead to shortages, but I don't care. Having a high time preference, I value more highly the short-run subsidies, or the short-run enjoyment of buying the current good at cheaper prices, than the prospect of suffering the future consequences."

¹⁶ Mises himself conceded at one point that a government or a political party may advocate policies for "demagogic," that is, for hidden and unannounced, reasons (*ibid.*, p. 104n).

And Mises, as a value-free scientist and opponent of any concept of objective ethics, *could not* call them wrong. There is no way that he could assert the superiority of the long run over the short run without overriding the values of the high-time-preference people; and that could not be cogently done without abandoning his own subjectivist ethics.

In this connection, one of Mises's basic arguments for the free market is that, on the market, there is a "harmony of the rightly understood interests of all members of the market society." It is clear from his discussion that he could not merely mean "interests" after learning the praxeological consequences of market activity or of government intervention. He also, and in particular, meant people's long-run interests. As he stated, "For 'rightly understood' interests we may as well say interests 'in the long run.'"¹⁷ But what about the high-time-preference folk, who prefer to consult their short-run interests? How can the long run be called "better" than the short run? Why is "right understanding" necessarily the long run?

We see, therefore, that Mises's attempt to advocate *laissez-faire* while remaining value-free, by assuming that all of the advocates of government intervention will abandon their position once they learn of its consequences, falls completely to the ground. There is another and very different way, however, that Mises attempted to reconcile his passionate advocacy of *laissez-faire* with the absolute value-freedom of the scientist. This was to take a position much more compatible with praxeology, by recognizing that the economist *qua* economist can only trace chains of cause and effect and may not engage in value judgments or advocate public policy. In so doing, Mises conceded that the economic scientist cannot advocate *laissez-faire* but then added that as a *citizen* he can do so. Mises, as a citizen, proposed a value system but it is a curiously scanty one. For he was here caught in a dilemma. As a praxeologist he knew that he could not as an economic scientist pronounce value judgments or advocate policy. Yet he could not bring himself simply to assert and inject arbitrary value judgments. And so, as a utilitarian (for Mises, along with most economists, was indeed a utilitarian in ethics, although a Kantian in epistemology), he made only one narrow value judgment: that he desired to fulfill the goals of the

¹⁷ Ibid., pp. 670 and note.

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majority of the public (happily, in this formulation, Mises did not presume to know the goals of *everyone*).

As Mises explained in his second variant:

Liberalism (i.e., *laissez-faire* liberalism) is a political doctrine. . . . As a political doctrine liberalism (in contrast to economic science) is not neutral with regard to values and ultimate ends sought by action. It assumes that all men or at least the majority of people are intent upon attaining certain goals. It gives them information about the means suitable to the realization of their plans. The champions of liberal doctrines are fully aware of the fact that their teachings are valid only for people who are committed to their valuational principles. While praxeology, and therefore economics too, uses the terms happiness and removal of uneasiness in a purely formal sense, liberalism attaches to them a concrete meaning. It presupposes that people prefer life to death, health to sickness . . . abundance to poverty. It teaches men how to act in accordance with these valuations.¹⁸

In this second variant, Mises successfully escaped the self-contradiction of being a value-free praxeologist advocating *laissez-faire*. Granting in this variant that the economist may not make such advocacy, he took his stand as a citizen willing to make value judgments. But he was not willing, as Simons was, to simply assert an *ad hoc* value judgment; presumably he felt that a valuing intellectual must present some sort of system to justify such value judgments. But for Mises the utilitarian, his system is a curiously bloodless one; even as a valuing *laissez-faire* liberal, he was only willing to make *the one* value judgment that he joined the majority of the people in favoring their common peace, prosperity, and abundance. In this way, as an opponent of objective ethics, and uncomfortable as he must have been with making any value judgments even as a citizen, he made the minimal possible degree of such judgments; true to his utilitarian position his value judgment is the desirability of fulfilling the subjectively desired goals of the bulk of the populace.

¹⁸ Ibid., pp. 153-54.

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A full critique of this position must involve a critique of utilitarian ethics itself, and this cannot be done here. But a few points may be made. In the first place, while praxeology can indeed demonstrate that *laissez-faire* will lead to harmony, prosperity, and abundance, while government intervention leads to conflict and impoverishment,¹⁹ and while it is probably true that most people value the former highly, it is not true that these are their *only* goals or values. The great analyst of ranked value scales and diminishing marginal utility should have been more aware of such competing values and goals. For example, many people, whether through envy or a misplaced theory of justice, may prefer far more equality of income than will be attained on the free market. Many people, *pace* the aforementioned intellectuals, may want less abundance in order to whittle down our allegedly excessive affluence. Others, as I have mentioned, may prefer to loot the capital of the rich or the businessman in the short run, while acknowledging but dismissing the long-run ill effects, because they have high time preference. Probably very few of these people will want to push statist measures to the point of total impoverishment and destruction—although this may happen, as in the case of Communist China. But a majority coalition of the foregoing might well opt for *some* reduction in wealth and prosperity on behalf of these other values. They may well decide that it is worth sacrificing a modicum of wealth and efficient production because of the high opportunity costs of not being able to enjoy an alleviation of envy, or a lust for power, or a submission to power, or, for example, the thrill of "national unity," which they might enjoy from a (short-lived) economic crisis.

What could Mises reply to a majority of the public who have indeed considered all the praxeological consequences and still prefer a modicum—or, for that matter, even a drastic amount—of statism in order to achieve some of their competing goals? As a utilitarian, he could not quarrel with the ethical nature of their chosen goals: for he had to confine himself to the *one* value judgment that he favored the majority achieving their chosen goals. The only reply that Mises could make within his own framework was to point out that government intervention has a cumulative effect, that eventually the economy must move either toward the free market or toward full socialism, which praxeology shows

¹⁹ Rothbard, *Power and Market*, pp. 194-96.

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will bring chaos and drastic impoverishment, at least to an industrial society. But this too, is not a fully satisfactory answer. While many programs of statist intervention—especially price controls—are indeed cumulative, others are not. Furthermore, the cumulative impact takes such a long time that the time preferences of the majority would probably lead them, in full acknowledgement of the consequences, to ignore the effect. And then what?

Mises attempted to use the cumulative argument to answer the contention that the majority of the public prefer egalitarian measures even knowingly at the expense of a portion of their own wealth. Mises's comment was that the "reserve fund" was on the point of being exhausted in Europe, and therefore that any further egalitarian measures would have to come directly out of the pockets of the masses through increased taxation. Mises assumed that once this became clear, the masses would no longer support interventionist measures.²⁰ In the first place, this is no argument against the *previous* egalitarian measures or in favor of their repeal. But secondly, while the masses *might* be convinced, there is certainly no apodictic certainty involved; the masses have in the past and presumably will in the future continue knowingly to support egalitarian and other statist measures on behalf of other goals, despite the knowledge that their income and wealth would be reduced. Thus, as William E. Rappard pointed out in his thoughtful critique of Mises's position:

Does the British voter, for instance, favor confiscatory taxation of large incomes primarily in the hope that it will redound to his material advantage, or in the certainty that it tends to reduce unwelcome and irritating social inequalities? In general, is the urge towards equality in our modern democracies not often stronger than the desire to improve one's material lot?²¹

Rappard also noted that in his own country, Switzerland, the urban industrial and commercial majority of the country have repeatedly, and often at popular referendums, endorsed measures to subsidize the minority of farmers in a deliberate effort to retard industrialization and

²⁰ Mises, *Human Action*, pp. 851-55.

²¹ Rappard, "On Reading von Mises," pp. 32-33.

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the growth of their own incomes. The urban majority did not do so in the "absurd belief that they were thereby increasing their real income." Instead, "quite deliberately and expressly, political parties have sacrificed the immediate material welfare of their members in order to prevent, or at least somewhat to retard, the complete industrialization of the country. A more agricultural Switzerland, though poorer, such is the dominant wish of the Swiss people today."²² The point here is that Mises, not only as a praxeologist but also as a utilitarian liberal, could have no word of criticism against these statist measures *once* the majority of the public take their praxeological consequences into account and choose them anyway on behalf of goals other than wealth and prosperity.

Furthermore, there are other types of statist intervention that clearly have little or no cumulative effect and that may even have very little effect in diminishing production or prosperity. Let us, for example, assume—and this assumption is not very farfetched in view of the record of human history—that the great majority of a society hate and revile redheads, perhaps, to cite Simons again, because they find redheads "evil or unlovely." Let us further assume that there are very few redheads in the society. This large majority then decide that they would like very much to murder all redheads. Here they are; the murder of redheads is high on the value scales of the great majority of the public; there are few redheads so that there will be little loss in production on the market. How could Mises rebut this proposed policy either as a praxeologist or as a utilitarian liberal? I submit that he could not do so.

Mises made one further attempt to establish his position, but it was even less successful. Criticizing the arguments for state intervention on behalf of equality or other moral concerns, he dismissed them as "emotional talk." After reaffirming that "praxeology and economics . . . are neutral with regard to any moral precepts," and asserting that "the fact that the immense majority of men prefer a richer supply of material goods to a less ample supply is a datum of history; it does not have any place in economic theory," he concluded by insisting that "he who disagrees with the teachings of economics ought to refute them by

²² Ibid., p. 33.

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discursive reasoning, not by . . . the appeal to arbitrary, allegedly ethical standards."²³

But I submit that this will not do; for Mises would have to concede that no one can decide upon *any* policy whatever unless he makes an ultimate ethical or value judgment. But since this is so, and since according to Mises all ultimate value judgments or ethical standards are arbitrary, how then could he denounce these *particular* ethical judgments as "arbitrary"? Furthermore, it was hardly correct for Mises to dismiss these judgments as "emotional," since for him as a utilitarian, reason cannot establish ultimate ethical principles, which can therefore only be established by subjective emotions. It was pointless for Mises to call for his critics to use "discursive reasoning" since he himself denied that discursive reasoning can be used to establish ultimate ethical values. Furthermore, the man whose ultimate ethical principles would lead him to support the free market could also be dismissed by Mises as equally "arbitrary" and "emotional," even if he takes the laws of praxeology into account before making his ultimately ethical decision. And we have seen above that the majority of the public very often have other goals which they hold, at least to a certain extent, higher than their own material well-being.

The burden of this paper has been to show that, while praxeological economic theory is extremely useful for providing data and knowledge for framing economic policy, it cannot be sufficient by itself to enable the economist to make any value pronouncements or to advocate any public policy whatsoever. More specifically, Ludwig von Mises to the contrary notwithstanding, neither praxeological economics nor Mises's utilitarian liberalism is sufficient to make the case for *laissez-faire* and the free-market economy. To make such a case, one must go beyond economics and utilitarianism to establish an objective ethics that affirms the overriding value of liberty and morally condemns all forms of statism, from egalitarianism to the murder of redheads, as well as such goals as the lust for power and the satisfaction of envy. To

²³ Ludwig von Mises, "Epistemological Relativism in the Sciences of Human Action," in *Relativism and the Study of Man*, Helmut Schoeck and James W. Wiggins, Eds., (Princeton, NJ: Van Nostrand, 1961), p. 133.

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make the full case for liberty, one cannot be a methodological slave to every goal that the majority of the public might happen to cherish.