

Does Morality Hamper the Market Process? A Reappraisal of the Mises Thesis

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Ludwig von Mises pioneered the praxeological critique of economic interventionism. He argued that the state's manipulation of market processes through wage and price controls, taxes and subsidies, central bank credit manipulation, and other regulatory policies would create unintended and undesirable consequences, and, therefore, further rounds of intervention. Mounting interventions would systematically disturb market processes and tend toward central economic planning. But Mises erred in his later attempt to equate moral reformism, especially the call for a morally improved capitalism, with interventionism. He claimed that moral reforms would, like any kind of economic intervention, hinder market processes and logically lead toward authoritarian control of the economy. Mises therefore insisted that a morally improved capitalism is unworkable. If Mises is correct, the effort of this Journal is not only in vain, it might unwittingly point in the direction of authoritarianism. This article puts Mises' praxeological reasoning to the test. We argue that his conclusions cannot be accepted as deduced from solid economic analysis and praxeological reasoning. Mises failed to provide a successful *a priori* argument showing that the logic of moral persuasion necessarily hampers market processes and logically tends toward authoritarianism.

Introduction

In the following passage taken from a section of *Human Action* titled "Righteousness as the Ultimate Standard of the Individual's Actions," Ludwig von Mises equates moral reformism, most notably that associated with the church, with interventionism.

Now, the reformers with whose plans we are concerned suggest along with the norms designed for the protection and preservation of private property further ethical rules should be ordained. They want to realize in

production and consumption things other than those realized under the social order in which individuals are not checked by any obligation other than that of not infringing upon the persons of their fellow men and upon the right of private property. They want to ban those motives that direct the individual's action in the market economy (they call them selfishness, acquisitiveness, profit-seeking) and to replace them with other impulses (they call them conscientiousness, righteousness, altruism, fear of God, charity). They are convinced that such a moral reform would in itself be sufficient to safeguard a mode of operation of the economic system, more satisfactory from their point of view than that of the unhampered capitalism, without any of those special government measures that interventionism and socialism require.

The supporters of these doctrines fail to recognize the role that those springs of action they condemn as vicious play in the operation of the market economy. The only reason that the market economy can operate without government orders telling everybody precisely what he should do and how he should do it is that it does not ask anybody to deviate from those lines of conduct that best serve his own interests.

Those who contend that there is a conflict between the acquisitiveness of various individuals or between the acquisitiveness of individuals on the one hand and the commonweal on the other, cannot avoid the suppression of the individual's right to choose and to act. They must substitute the supremacy of a central board of production management for the discretion of the citizens. In their scheme of the good society there is no room left for private initiative. The authority issues orders and everyone is forced to obey.¹

By fusing moral reform with interventionism, Mises argues that advocates of a morally improved market system unwittingly, and inevitably, advocate totalitarianism. Presumably, this remarkable thesis would apply to the contemporary appeals to enhance a Christian morality for post-Communist society, in Pope John Paul II's *Centesimus Annus*, and in the efforts of a number of theologians and economists who have contributed to the further refinement and application of the encyclical.²

For example, Gregory Gronbacher writes that "economic personalists do not advocate unfettered markets. They argue instead for constrained markets. However, the means of constraint advocated by them differs dramatically from the typical solutions offered by statist." Rather than a panoply of regulations, coercively enforced agreements, and other state policies, Gronbacher argues that "The market restraints sought by economic personalists are moral restraints. The personalist seeks noncoercive means to persuade and reinforce individual behavior in accord with the truth about the human person."³ But Mises advances the thesis that these well-meant restraints would—if indefatigably pursued—pave the way toward totalitarianism. He is not saying that advocates of this moral vision are bent on destroying the foundations of the market system

(although some moral reformers may have this as their goal). “What does matter,” Mises maintains, “is the idea of erecting a social system on the twofold basis of private property and of moral principles restricting the utilization of private property.”⁴

As economists influenced by Mises’ work, we generally agree with his argument about the unintended consequences of economic interventionism. A significant increase in the minimum wage, for example, tends to increase unemployment—an unintended, and undesirable, outcome. The logic of interventionism suggests that other socio-economic reforms would have to be introduced, such as certain welfare policies, to solve the growing unemployment problem, and those policies would likely spur further rounds of unintended and undesirable outcomes justifying still more policies and interventions. Because intervention begets intervention, interventionism is unstable, and, if continued, logically leads to centralized economic planning.⁵

While we accept Mises’ views on economic interventionism, we disagree with his attempt to equate moral reforms—secular or nonsecular—with interventions into the unhampered market process. We question the Misesian claim that spirited public debate over a higher moral consciousness beyond a merely consequentialist version of ethical egoism—call it, simply, *morality*—will invariably hamper the market system and threaten its stability.

Kinds of Order in the Market and in Civil Society

Before discussing a relationship as complicated as that between the market and the church, and especially that between a market process and an intervention, we must clarify our use of these terms. Though it is a noun, the *market* should not be thought of as a person, place, or thing. In fact, according to Mises, the market should be interpreted more as a verb: “The market is not a place, a thing, or a collective entity. The market is a process, actuated by the interplay of the actions of the various individuals cooperating under the division of labor. The forces determining the—*continually changing*—state of the market are the value judgments of these individuals and their actions as directed by these value judgments.”⁶

The market is a “spontaneous order” in which the purposive actions and interactions of people pursuing their own plans, whether they are altruistically or selfishly conceived, foster “an end that was no part of one’s intentions.”⁷ An orderly arrangement emerges through voluntary exchange that is not the product of any one mind, nor the design of any particular group, but can be attributed to the multitude of all past and present individual actions.⁸ This market

process is the “comprehensive order extending over the whole field of human society.”⁹

According to Hayek, two types of order exist within society: spontaneous order and intentionally designed order.¹⁰ These two forms of order are not mutually exclusive, for within all deliberately designed social orders there exist definite spontaneous forces¹¹ and within all spontaneous orders exist certain elements of design.¹² When we speak of ideal-type spontaneous orders, we often think of such evolving institutions as law, language, money, and the market. Intentionally designed orders are often seen in terms of organizations such as consumer cooperatives, families, firms, and governments. The divide between what qualifies as a spontaneous order and a designed order is far from absolute, but the church would seem to be an organization best suited to the latter category.¹³

While market processes are inherently unpredictable, a church operates analogously to a firm in the sense that it tends to proceed into the future with certain ends it hopes to reach. These ends could prove to be quite diverse from parish to parish, but to move the parish ahead, clergy must set goals and implement plans for achieving them.

The spontaneous aspect in the organization of a church partially resides in how well the plans of parishioners and clergy coordinate, leading to a result that may or may not produce the desired end. A particular parish may adhere to certain fundamental tenets and proceed according to a certain code, but even within the limits of these “rules” a great amount of liberty remains for the emergence of spontaneous order. Though a denomination might agree on these rules explicitly or tacitly, the “promotion of an end which was no part of their intention” occurs for individuals within a church as they act and interact within limits. As this free association carries on, the spontaneous order not only affects the particular ends but also “influences how the institutional framework evolves.”¹⁴ Thus, not only are outcomes indeterminate, but the future structure of the church as a whole is unknowable with any degree of certainty.

While similar in some ways and different in others, both the market and the church emerge from the free association and value judgment of individuals. What we know as the market is a phenomenon stemming from the actions of people who believe *ex ante* that it is better to cooperate through trading than to live self-sufficiently in isolation. Similarly, the church is the result of human action in which individuals believe *ex ante* that it is more valuable to organize with certain common beliefs to realize their personal ends than it is to do so alone. Ideally, both are the result of free, voluntary association within society.

It is important to keep the preceding distinctions before us as we examine

Ludwig von Mises' harsh criticisms of the church. As a classical liberal, undoubtedly mindful of the epistemological justification for a free society, Mises recognizes the importance of tolerance when he explains that:

Liberalism demands tolerance as a matter of principle, not from opportunism. It demands toleration even of obviously nonsensical teachings, absurd forms of heterodoxy, and childishly silly superstitions. It demands toleration for doctrines and opinions that it seems are detrimental and ruinous to society and even for movements that it indefatigably combats. For what impels liberalism to demand and accord toleration is not consideration for the content of the doctrine to be tolerated, but the knowledge that only tolerance can create and preserve the condition of social peace without which humanity must relapse into the barbarism and penury of centuries long past.¹⁵

In a final comment he adds, "Against what is stupid, nonsensical, erroneous, and evil, liberalism fights with the weapons of the mind, and not with brute force and repression."¹⁶

Competition and Cooperation Without Moral Conscience

What is so perplexing about Mises' understanding of tolerance and the use of reason in suppressing nonsensical ideas, however, is his stubborn insistence that a complete dissolution of any individual's or group's nonsensical ideas is necessary for the market economy to realize the greatest general welfare. He held this position not only with respect to Communist ideologues but also with respect to moralists and theologians who offered suggestions of anything that appeared to deviate from the axiomatic, apodictically certain laws of economic analysis. He even criticized those who saw capitalism as an overly materialistic, consumerist-driven economic system that failed to affirm human dignity. Space restraints preclude us from considering moral theories that do, in fact, divorce sound economic principles from moral analysis (e.g., a theory of justice that calls "from each according to his ability, to each according to her need"). Suffice it to say that economics places parameters around our utopian visions. Of particular concern to Mises are moralists and theologians who maintain a good grasp of economic principles, who affirm the economic necessity of private ownership and free-market processes but vigorously denounce the consumerism and materialism associated with modern, market-based society.

We shall bypass the epistemological problems with Mises' claim to be the bearer of timeless, absolute truth,¹⁷ and examine instead his understanding of the relationship between a tolerant, free society and the faulty lines of reasoning that often emerge within it. First of all, he suggests, "Advocates of a social

reform to be accomplished by compliance with the principles of Christianity or with the demands of ‘true’ morality maintain that conscience should also guide well-intentioned people in their dealings on the market.”¹⁸ This inference, which argues that Christian reformers or “true” moralists operate with some intent of exhorting individuals to look at phenomena in a different way, seems quite reasonable, but it provides us with little that we did not already know.

We have no doubt that moral reformers seek to encourage a changed form of conscientiousness and behavior. From a praxeological perspective, Mises might push us to articulate exactly how the action of the moral reformer who encourages us to “attribute primacy to our voice of conscience”¹⁹ differs from the advertiser who attempts to prick our conscience to buy this or that product. How is the effort of the Christian reformer or moralist different from a mother who attempts to influence her child’s “voice of conscience” through dispensing advice? An endless number of examples can be offered that reflect instances in which attempts are made—whether consciously or subconsciously—to “stir the conscience” of another person.²⁰ This aspect of the market economy, or perhaps more broadly of civil society, does not necessarily obstruct our actions. Instead, it serves an important informational function that works to coordinate disparate individual plans. The “noise” we encounter as rational agents from moralists, telemarketers, or family members, should be seen as an effort to stir a person’s conscience. Before dismissing this noise as a form of invasive moralizing, it should be acknowledged that the work of such reformers might help to enlighten us in prioritizing our actions.

Yet Mises maintains that the work of the Christian reformer or “true” moralist deviates from the unhampered market economy in a special way—as a peculiar kind of intervention—that ultimately necessitates a growing dependence upon “authoritarian regimentation”²¹ to accomplish its objectives. While the actions of the moralist and the telemarketer cannot be distinguished analytically (they are calculative in Mises’ view), he suggests that the results yield systematically different consequences. The latter is an essential element of an open market process; presumably the former is not. For Mises, it is impossible to maintain a market process without entrepreneurs, but it is possible to maintain a market process apart from those concerned with moral conscience.

Successful economic agents—enterprisers, entrepreneurs, and the telemarketer (our example, not Mises’)—survive the market process by serving the consumer for the simple reason that “the market economy is a system of consumers’ supremacy.”²² This is the familiar notion of consumer sovereignty. Unsuccessful agents learn the hard way through unanticipated economic losses, which means that they are gradually weeded out of the competitive struggle. In Mises’ view,

the competitive process is driven by the values of consumers, but he leaves it to the other sciences (particularly psychology), and not praxeology or economics, to discuss *how* or *why* people have the values, the tastes, and the preferences they do. Actions may demonstrate preferences but they do not explain why a person enjoys A over B. In Mises' view, the market process is the unfolding of cooperative and competitive activities by countless entrepreneurs, promoters, speculators, and middlemen who constantly struggle to serve the preferences of consumers. It is not for the economist to debate whether the consumer *ought* to prefer A over B or vice versa. Instead, the economist must explain processes by which profit-seeking entrepreneurs will come to serve those consumers, which is the reason that Mises thought economics ought to be value-free. Moreover, he maintained relentlessly that there can be no rational discussion over what values one ought to pursue for "any examination of ultimate ends turns out to be purely subjective and therefore arbitrary."²³ Thus, in making such a statement, Mises essentially denies the possibility of a rational foundation for morality.

Is Moral Reform Interventionist, Logically Leading Toward Statism?

Perhaps we are now in a better position to understand why Mises would equate moral reform, *per se*, with interventionism. The moral pundit challenges the values and preferences not only of the consumer but of all people. Economists, however, have grown accustomed to viewing the unhampered market process as an idealized set of activities through which people pursue their own (given) interests without fraud, theft, or coercion. Consequently, as we might expect, fraud, theft, and coercion appear as exogenous forces—interventions into an otherwise peaceful harmony of interests.²⁴ The preachers of a "true" morality, however, challenge those interests. Their purpose is to question and challenge what Misesian economics—in fact, most economic theory—takes as given. (That it is tempting to consider this a kind of intervention is even witnessed in Gronbacher's work cited above, as he uses similar language when he admits that economic personalists call for moral restraints to serve as market restraints on the otherwise unfettered market system.)

We are now in a position to boil down the essential aspects of Mises' basic thesis. His central argument can be summarized in the following propositions:

- (1) Individuals engage in a calculative pursuit of their own interests.
- (2) The market is a process through which, only voluntary exchanges occur among the individuals described by (1).
- (3) An important goal of economic theory is to explain how (2) allows (1) to coordinate their plans.

While propositions (1) and (2) are debatable among reasonable people, taken together all three constitute an important thought experiment for understanding complex economic phenomena. For us, however, the problem arises in the further stages of the thesis.

(4) Moral theory lies outside the domain of praxeology and economics proper.

(5) To the extent that moral theory seeks a rational discourse over ultimate ends, moral theory is impossible and doomed to fail.

(6) Moral theory and its assorted pronouncements question, criticize, or challenge the otherwise given interests described in (1).

(7) Therefore, moral reforms are a peculiar kind of intervention into the market process (2).

Though Mises (and most of the economics profession) defend proposition (4), reasonable people may disagree and take different positions on the issue.²⁵ Proposition (5) is even more debatable.

We have found that moral reforms are a peculiar kind of intervention into what would otherwise be a free, unhampered market process, only if we interpret the free market as a process of plan coordination among self-interested, calculative individuals. So Mises' propositions (6) and (7) make sense within the context of the unhampered market thought experiment. Moral reformers who support the institution of private property do not want to change the economic parameters of price, quantity, and output—they do not champion direct government regulation of business, wages, and prices—but the values, tastes, and preferences of people within the social order.

If we continue with the thought experiment of the market as a pure economic exchange process, then perhaps proposition (7) can be maintained. To the extent that market processes take on more of an institutional character, which means they are shaped and supported by cultural, religious, scientific, and political institutions, it is difficult to find an analytically pure market process in the real world. Given this fact, then, the Misesian notion of morality “intervening” on market processes becomes all the more problematic. Some might present just the opposite argument, namely, that market processes “intervene” on the moral resources of individuals.²⁶

But why would that moral “intervention” (Mises) or “restraint” (Gronbacher) carry, as Mises believes, the unintended consequences of the type associated with economic interventions? In other words, why would moral challenges unwittingly generate *economic* instability and the crushing tendency toward central economic planning? This is the crucial jump in Mises' argument. Why would calls for moral reform, while intending to uphold the institution of private pro-

perty, inexorably lead to central economic planning? Mises would answer as follows:

(8) Moral reformers will find that their efforts are in vain. Erroneously claiming to have found the “true” ultimate ends, their values will conflict with the interests of the individuals described in (1).

(9) Moral reformers must therefore turn to other means. When persuasion fails, they will turn to the coercive hand of the state.

(10) Now like any other intervention, those forceful moral interventions will generate undesirable outcomes, encouraging moralists to call for more effective, more comprehensive state policies and regulations to improve the outcomes of their moral crusade. Authoritarian regimentation results.

It is not our intent to deny the many instances in which particular moralists or religious institutions enlist the coercive power of the state for enforcing matters of conscience. The principal issue is whether moral reformism logically tends in the direction of authoritarian regimentation. Mises claims that it does.

What is the epistemological status of Mises’ conclusion? Is it, in fact, an exercise in praxeology as Mises himself believed? We have seen that his thesis rests, in part, on the thought experiment described in the first three propositions. Even if we accept those propositions, (10) does not logically follow. Propositions (8) and (9) are *empirical* claims. How can Mises *know* that the moral reform efforts will be in vain? How does he *know* that reformers will turn to other means, such as the state, to accomplish their objectives? As a praxelologist, he cannot support these claims because they are empirically based and he did not logically deduce them. His claims seem to be based on historical observations (for example, he mentions the just-price doctrine and the failed attempts to implement it), but praxeologists cannot generate universal laws from historical instances.

At best, a particular reading of history might suggest that certain moral reform efforts have been unsuccessful and have led to state intervention. Proposition (8), the alleged vanity of moral reform efforts, and proposition (9), the inherent statist propensity of these efforts, are not grounded in sound praxeological reasoning. Mises, in other words, has not established the *a priori* argument that moral reformism must ultimately hamper, and thereby disturb, the market process. Moral appeals are not necessarily nor even generally similar to other acts of intervention, which, according to him, would generate unexpected economic distortions, bouts of intervention, and a growing reliance on the state to manipulate the economy.

Conclusion

Mises attempted to tar moral reformism with the brush of interventionism, suggesting that a morally improved capitalism is unworkable. We have found that Mises offered more of a historically influenced judgment than a deduction from solid economic analysis and praxeological reasoning. It is important to see that Mises has not offered a successful *a priori* argument showing that moral reformism leads to economic intervention. The preceding analysis has a direct implication for the effort of this Journal to influence the economic community through the production of scholarship for a humane economy. It also challenges the validity of assumptions many economists make about human nature, human action, the meaning of terms such as *intervention* and the *unhampered market process*, and their presuppositions about the effect of morality on value-free economic analysis.

Notes

1. Ludwig von Mises, *Human Action: A Treatise on Economics*, 4th ed., ed. B. Greaves (New Haven: Yale University Press, 1949; San Francisco: Fox & Wilkes, 1966), 725, 729–30. These quotations appear in Part Six, “The Hampered Market Economy,” Chapter 27, “The Government and the Market,” particularly section 4, “Righteousness As the Ultimate Standard of the Individual’s Action.”

2. See John-Peter Pham, ed., *Centesimus Annus: Assessment and Perspectives for the Future of Catholic Social Doctrine* (Vatican City: Libreria Editrice Vaticana, 1998). Several articles in the *Journal of Markets and Morality* are devoted precisely to this concern as well. Particularly noteworthy among these are: Gregory M. A. Gronbacher, “The Need for Economic Personalism,” *Journal of Markets and Morality* 1, 1 (March 1998): 1–34; Daniel Rush Finn, “The Economic Personalism of John Paul II: Neither Right Nor Left,” *Journal of Markets and Morality* 2, 1 (Spring 1999): 74–87; Gregory M. A. Gronbacher, “The Humane Economy: Neither Right Nor Left. A Response to Daniel Rush Finn,” *Journal of Markets and Morality* 2, 2 (Fall 1999): 247–70; Jesús Huerta de Soto, “The Ethics of Capitalism,” *Journal of Markets and Morality* 2, 2 (Fall 1999): 150–63; A. M. C. Waterman, “Market Social Order and Christian Organicism in *Centesimus Annus*,” *Journal of Markets and Morality* 2, 2 (Fall 1999): 220–33.

3. Gronbacher, “The Need for Economic Personalism,” 15.

4. Mises, *Human Action*, 724.

5. See Ludwig von Mises, *A Critique of Interventionism: Inquiries into Economic Policy and the Economic Ideology of the Present* (New Rochelle, N.Y.: Arlington House, 1977).

6. Mises, *Human Action*, 257–58.

7. Adam Smith, *An Inquiry into the Nature and Causes of the Wealth of Nations*, vol. 1, ed. R. Campbell and A. Skinner (Oxford: Clarendon Press, 1979), 456.

8. For perhaps the best discussion of design theorists vis-à-vis evolutionary social theorists, see Friedrich A. Hayek’s, “Individualism: True and False,” in *Individualism and Economic Order* (Chicago: University of Chicago Press, 1948). Hayek observes that the notion of spontaneous order, which is “the result of human action, but not of human design,” can be traced to Adam Ferguson’s *An Essay on the History of Civil Society* (1st ed., 1767). He also notes that such thinkers as Josiah Tucker, Adam Smith, and Edmund Burke were groping with a similar idea at approximately the same time.

9. Friedrich A. Hayek, *Law, Legislation, and Liberty*, vol. I, *Rules and Order* (Chicago: University of Chicago Press, 1973), 115.

10. *Ibid.*, 46.

11. Even in cases where an entire organization has been constructed on the basis of one individual's predetermined plan, it can still be said that this organization has been partially determined by the constantly changing spontaneous order of the individual planner's mind. On this point, see Friedrich A. Hayek, *The Sensory Order* (Chicago: University of Chicago Press, 1952) as well as Steven Horwitz, "From *The Sensory Order* to the Liberal Order: Hayek's Non-Rationalist Liberalism," *The Review of Austrian Economics* 13 (2000): 23–40.

12. Hayek, *Law, Legislation, and Liberty*, 45–46.

13. This is particularly true for the structures of the church, a claim that incidentally is consistent with the work of Armen A. Alchian, Friedrich A. Hayek, and Douglass C. North. Armen A. Alchian and Harold Demsetz, "Production, Information Costs, and Economic Organization," in *Economic Forces at Work*, ed. Armen A. Alchian (Indianapolis: Liberty Fund, 1977), 73–110; Hayek, *Law, Legislation, and Liberty*; and Douglas C. North, *Institutions, Institutional Change, and Economic Performance* (Cambridge: Cambridge University Press, 1990). At the same time, however, we must admit that the theological concept of the church as the body of Christ with, so far, a two-thousand-year history, is composed of tremendously complex, dynamic, and spontaneous forces. Many theologians have traditionally regarded the church as the product of the Holy Spirit and not that of human design or direction, which would seem to support its spontaneous order characteristics. Because the church is guided by the Holy Spirit, theologians generally maintain that it is incapable of being explained by social-scientific analysis. However, some theologians, such as Edward Schillebeeckx, while not denying the role of the Holy Spirit, view the church's historical order as the unintended result of human action, and, as such, is explainable, using the procedures of social science. See Edward Schillebeeckx, *Church: The Human Story of God* (New York: Crossroad, 1994). Economists have taken this type of analysis one step further by examining the incentive and competitive market structures of different church organizations. See Robert B. Ekelund, Robert F. Hebert, Robert D. Tollison, and Gary M. Anderson, *Sacred Trust: The Medieval Church As an Economic Firm* (New York: Oxford University Press, 1996), favorably reviewed by John Wells in *Journal of Markets and Morality* 1, 1 (March 1998): 97–100.

14. North, *Institutions, Institutional Change, and Economic Performance*, 5.

15. Ludwig von Mises, *Liberalism: The Classical Tradition*, 4th ed. (Irvington-on-Hudson: Foundation for Economic Education, 1996 [1927]), 56–57.

16. Mises, *Liberalism*, 57. We can appreciate Mises' argument for tolerance when we examine the many mistakes that religious organizations have made throughout history. Such monstrosities as the burning of suspected witches, the Inquisition, the silencing of Galileo, and the exiling of Copernicus all were the result of religious intolerance. We can envision how persecution and repression could easily occur in our own day leading toward a Communist state, if an attitude of tolerance were not prescribed. Though we cannot force an individual to change his or her ways, Mises is correct that reason is the best weapon at our disposal for enlightening nonsensical positions. Persuasion is often more easily prescribed than accomplished, but for an adamant classical liberal it is the only available option.

17. See David L. Prychitko, "Praxeology," in *The Elgar Companion to Austrian Economics*, ed. Peter J. Boettke (Northampton, Mass.: Edward Elgar Publishing Company, 1998), 77–83. To support Prychitko's claim, it should be seen that the notion of an *a priori* truth, even in the context of the hard sciences, is one where the facticity of a premise only has a modicum of significance. See, for example, Peter Bernstein, *Against the Gods: The Remarkable Story of Risk* (New York: John Wiley & Sons, 1998), in which Bernstein questions the a prioriism supporting chemistry, measurement, and the laws of physics.

18. Mises, *Human Action*, 724.

19. *Ibid.*, 726.

20. Mises would regard any action as calculative that raises questions regarding calculative and non-calculative action in praxeology. See Stephen D. Parsons, "Mises and Lachmann on Human Action," in *Subjectivism and Economic Analysis: Essays in Honor of Ludwig Lachmann*, ed. Roger Koppl and Gary Mongiovi (New York: Routledge, 1998), 31–60. Some moral theorists distinguish

between different kinds of actions. For example, Jürgen Habermas has ventured a distinction between strategic action and communicative action. Strategic action is instrumental, i.e., action geared toward individual or group success. Communicative action, on the other hand, while still teleological (i.e., it entails a means-ends purposiveness), is geared toward reaching an understanding with another party. Communicative action, therefore, presupposes that the speakers will be truthful and sincere in their utterances, that they seek to understand rather than manipulate one another. (The breakdown of communicative action illustrates why we detest manipulators who appear as moralists when, in fact, they are only out for their own selfish gain. Manipulators are frauds who violate our presuppositions.) The telemarketer, then, engages in strategic action. His or her goal is not to understand you but to complete a deal or to accomplish a project. This is true, likewise, for the bank teller, the dam-builder, the fund-raiser, the entrepreneur, and the parish finance committee. Morally speaking, there is nothing necessarily wrong with strategic action. For Habermas, the problem is that economists tend to reduce all actions to a case of strategic action. See Jürgen Habermas, *Moral Consciousness and Communicative Action* (Cambridge, Mass.: MIT Press, 1990), esp. 133–41.

21. Mises, *Human Action*, 729.

22. *Ibid.*

23. *Ibid.*, 96.

24. Murray Rothbard defines the market process as “the entire gamut of voluntary exchange activity,” which means that, by definition, fraud, theft, or coercion can *never* occur in markets. Of course, Rothbard’s definition is tautological, meaning that it does not present an empirical description of really existing market systems. See Murray Rothbard, *Toward a Reconstruction of Utility and Welfare Economics* (New York: Center for Libertarian Studies, 1977), 27. For a detailed criticism of Rothbard’s position, see David L. Prychitko, “Formalism in Austrian-School Welfare Economics: Another Pretense of Knowledge?,” *Critical Review* 7, 4 (1993): 567–92.

25. See, for example, the debate between Ricardo F. Crespo and Peter J. Boettke in the *Journal of Markets and Morality*. Ricardo F. Crespo, “Is Economics a Moral Science?,” *Journal of Markets and Morality* 1, 2 (October 1998): 201–11; Peter J. Boettke, “Is Economics a Moral Science? A Response to Ricardo F. Crespo,” *Journal of Markets and Morality* 1, 2 (October 1998): 212–19; Ricardo F. Crespo, “Is Economics a Moral Science? A Response to Peter J. Boettke,” *Journal of Markets and Morality* 1, 2 (October 1998): 220–25.

26. Habermas, for example, attempts to make this argument in his “colonization of the lifeworld” analysis. See Jürgen Habermas, *The Theory of Communicative Action*, vol. II, *Lifeworld and System: A Critique of Functionalist Reason* (Boston: Beacon Press, 1987), 332–73, 391–96.