

An Epistemology of Praxeology
An Essay on the Nature of Consciousness and Social Interaction

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“The nature of this exact orientation of theoretical research...consists in the fact that we reduce human phenomena to their most original and simplest constitutive factors...and...try to investigate the laws by which more complicated human phenomena are formed from those simplest elements, thought of in their isolation.”

“Though all the social phenomena with which we can possibly deal may have physical attributes, they need not be physical facts for our purpose. That depends on how we shall find it convenient to classify them for the discussion of our problems.”

“The importance of phenomenology for the solution of the epistemological problems of praxeology has not been noticed at all.”

“We must, then, leave unsolved the notoriously difficult problems which surround the constitution of the Thou within the subjectivity of private experience. We are not going to be asking, therefore, how the Thou is constituted in an Ego...As important as these questions may be for epistemology and, therefore, for the social sciences, we may safely leave them aside in the present work.”

“It would be preposterous to assert apodictically that science will never succeed in developing a praxeological aprioristic doctrine of political organization that would place a theoretical science by the side of the purely historical discipline of political science. All we can say today is that no living man knows how such a science could be constructed.”

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Human Action

What is human action?

As an initial starting point, let us use the term *human action* to distinguish between processes that occur in nature and processes that are initiated by human beings. When the wind rustles the leaves in the trees, we consider this a process that occurs naturally, without human intervention. When we shake the tree in order to make fruit fall to the ground, we consider this an example of human action.

Conception of action.

Action may be understood in the following way: *Your* action is that which you are now doing as you yourself understand it. Or similarly, your action is the activity you are now engaged in from your own point of view. *My* action is that which I am now doing as I understand it, or the activity I am now engaged in from my own point of view.⁽¹⁾ Action is a first-person phenomenon. It is studied within the discipline of phenomenology.

Classes of action.

In an introductory study of action, we could begin by distinguishing various classes of actions. Four examples are: Physical actions (such as walking), mental actions (such as thinking), social actions (such as talking to someone), and economic actions (such as making a purchase).

Actions do not require forethought.

Actions need not be pre-planned. I may rise from my chair and walk to the other side of the room. To perform or execute this action, I need not contemplate, beforehand, various aspects of this action, and I need not contemplate, beforehand, whether the execution of this action will improve or worsen my happiness or well-being. To perform this action, I need not first decide on the means that will be necessary to perform this action. My action is simply what I am currently doing as I understand it.

What is meant by the phrase “categories of action” or “category of action”?

In an introductory study of action, we could begin by distinguishing various *parts* of an action. By means of illustration, let's assume we define action as “activity one takes in the present in order to attain a goal in the future.” If we accept this definition of action, in so doing, we have referred to at least six parts, or aspects, of action: 1. an *actor* (one who acts), 2. an *activity*, 3. a *goal*, 4. the notion of *attainment*, 5. the *present*, and 6. the *future*. Each of these parts or aspects of an action may be referred to as a “category” of action. A category of action is a part of an action that is present in every action.

There is also a different sense in which the term “category of action” could be used. Let's assume that we define action in a different way. We might plausibly define action as “my activity that has an explicit goal in mind.” In this definition of action, we would envision that during a typical day, there are periods in which I act and there are periods in which I do not act. The things I do during the day with an explicit goal in mind are my actions. The things I do during the day that have no explicit goal in mind are (my) nonactions. I could then define the term “category of action” as that subset of my doings during a typical day that have an explicit goal in mind, as opposed to other parts of my day which are absent an explicit goal. In this conception, an actor's action is temporally “intermittent.” The actor acts only during specific, definable periods. In other periods, the actor does not act.

There is a third way in which the term “category of action” may be intended. To illustrate, let's assume that I'm sitting in a chair. I may plausibly study or contemplate this chair from at least two different points of view. I may study the chair as a differentiated physical object, as natural science and physics do. Or I may study the chair in relation to my intentions or goals, as praxeology and phenomenology do. In this case, I could define a “category of action” in contradistinction to a “category of physical science.” “Category of action” would mean the raw data, or raw subject matter, of our senses (the things we see, hear, touch, etc.) studied as they relate to our goals and intentions. “Category of physical science” would mean that *same* raw data (the things we see, hear, touch, etc.), but studied as they relate to *other* raw data of the same kind (i.e., other things that we see, hear, touch, etc.). Stated more simply, the “category of action”

would mean objects studied in relation to intentions, and “category of physical science” would mean objects studied in relation to other objects.

In the current essay, we will employ the former definition of *category of action*. A “category of action” here will mean a component of an action that is present in every action.

Physical action, social interaction, social exchange.

In the present inquiry, we will begin by distinguishing three types of actions. First, *physical action* is action in which I interact with a physical object or entity. A simple example of physical action is picking up a rock. Second, *social interaction* is action in which I address another person or action in which I am aware that another person is addressing me. A simple example of social interaction is when I talk to someone or when someone talks to me.

Third, *social exchange* is action in which the object I interact with has been produced by another person or is the result of a social process. An example of social exchange is when I purchase something from another person or from a vending machine. These three types of action are provisional starting points only, defined for purposes of illustration. They are not precise definitions, and they do not constitute an exhaustive list of the possible types of action.

Social interaction and social exchange distinguished.

As we intend them here, social exchange and social interaction are distinctly different phenomena. As an example of social exchange, I may make a purchase via the Internet without addressing another person and without another person addressing me at the time of the purchase. Intellectually, if I think about it, I understand that the product I receive when I make an internet purchase came from another person or from other people. But during the time I execute this purchase, I need not address, or be addressed by, another person. By contrast, we will define social interaction specifically as that activity in which I am addressing another person or in which I am aware that another person is addressing me. Thus, as we intend these two terms, social exchange does not require social interaction.

The subjectivity of action.

In a phenomenological or praxeological study of action, action is a *subjective*, not an *objective*, phenomenon.(2) In a widely held conception of the term subjective, the ‘subjective opinion’ or ‘subjective belief’ about something is contrasted with the ‘objective reality’ or ‘objective existence’ of that thing. For example, we may contrast a person’s subjective belief that the world is flat, with the objective fact that the world is round. Any person may have their individual, subjective opinion or belief, but this subjective belief is only one person’s perspective. The perspective of any given individual may not accurately portray the “real situation” or the “objective situation.” In this conception of the term subjective, a person’s subjective opinion or belief may be objectively correct or objectively incorrect.

In the present inquiry, the term subjective has a different meaning. In our conception, the term subjective refers to a method of inquiry—sometimes referred to as *subjectivism*—in which every object, entity, or phenomenon, is related to a perceiving *subject*. Thus, in the subjective methodology, “the world is round” is rendered as “*I assert* the world is round” or “*I know* the world is round” or “*I can prove* the world is round,” etc. Each object, entity, or phenomenon, is related to a perceiving subject, and this results in a subjective interpretation of phenomena. Conversely, the objective interpretation is when we refer to those same objects, entities, or phenomena, while omitting reference to a perceiving subject, as in for example, “the world is round.”

The former conception of subjective entails an implied hierarchy in which the objective description of things outranks the subjective description of them. On the one hand, there is the objective situation, which is the real situation. On the other hand, there is each individual person’s perspective on that situation, and this perspective may not represent adequate knowledge of the real, objective situation. Any given individual’s subjective understanding of the real situation may be flawed or faulty. The objective situation or the real situation cannot be flawed or faulty. It simply is “what is.” Importantly, anyone who is identified as having a subjective opinion may consequently be wrong or mistaken, whereas one who knows the objective situation or the real situation, by virtue of this, cannot be wrong or mistaken.(3)

By contrast, subjective analysis, properly understood, does not contrast a subjective understanding of things with their objective reality, and does not entail or imply a hierarchical ranking. Subjectivism simply relates every 'thing' to a perceiving subject. From the subjectivist point of view, we can conduct a subjective analysis of the raw data of perception on the one hand (*I assert* the moon is round), or we can conduct an objective analysis of the raw data of perception on the other hand (the moon is round).

As we will demonstrate in the theory presented below, subjectivist theory lacks the categorial structure for making the kinds of comparisons that objectivist theory makes. In a consistent subjectivist theory, we do not contrast an object with a person's belief about that object.

Praxeology

What is praxeology?

Praxeology is the study of exact laws of human action. An exact law of human action is a relationship such that if an actor does X, then Y must necessarily also happen. To illustrate the meaning of the term *exact law*, we will use the following example as a reference, and we will return to this example several times during our discussion.

When an actor (**A**) walks to one side of the room (action X), then actor **A** necessarily also walks away from the opposite side of the room (necessary result or consequence Y). Though one may take issue with this example from various perspectives, it nonetheless serves to illustrate some important things about exact laws of human action. First, an exact law derives its exactness or necessity from the fact that there is no temporal separation between X and Y. X and Y are in *some sense* identical. Second, result or consequence Y is in *some sense* unobservable to **A** or not present to the mind of **A** at the time **A** does action X.⁽⁴⁾ In this example, as **A** walks to the other side of the room, the opposite side of the room is behind **A**, and **A** typically does not observe it as **A** walks forward. Exact laws of human action derive from the fact that a single action may have multiple aspects, only some of which are observed by the actor when the action is undertaken.

Thus, the structure of an exact law at this point of our discussion is that a unitary action is comprised of multiple aspects or components such that if the action is

undertaken, all of the components must be simultaneously present. However, when the action is undertaken, actor **A** only observes one, or some, of the components, but not all of them. The fact that when X is done, Y must also be present, because Y is a component of X or conjoined with X, constitutes the necessity or exactness of the exact law linking X and Y.⁽⁵⁾ The fact that when X is done, Y is not observed by the actor, is what separates X and Y into two different phenomena in the experience of the actor. Because walking to one side of the room is the same thing as walking away from the opposite side of the room—because this is a singular event with multiple aspects—then when one happens, the other must also happen. Because walking away from the opposite side of the room is not observed by actor **A** as actor **A** walks to the other side of the room, these two things are nonidentical—they are two separate things—in the experience of actor **A**.

The difference between exact laws and empirical laws.

In contrast to exact laws, an *empirical law* is a relationship between X and Y such that if I do X, Y may, or may not, happen. For example, if my action is to walk to the other side of the room, I may or may not actually arrive at the other side of the room. My action (X) of walking to the other side of the room may or may not be followed by (Y), my arriving at the other side of the room. In an exact law, when X is done, Y must necessarily also occur, while in an empirical law, when X is done, Y may or may not occur.

The difference between exact laws and empirical laws is important in the realm of human action because whether we embark on action X often depends on whether the relationship between X and Y is considered an exact one or an empirical one. If my swimming two miles out to sea must always result in my swimming two miles away from the shore (exact law), I may, as a rule, abstain from swimming two miles out to sea. If, on the other hand, my swimming two miles out to sea can sometimes result in my remaining close to the shore (empirical law), I may be more likely to decide to swim two miles out to sea. If I know that some negative consequence Y must necessarily happen if I do X (exact law), this may lead me to avoid doing X. If I can do X and arrange for negative consequence Y not to happen (empirical law), then this may lead me to do X.

In the realm of “social actions,” the distinction between exact laws and empirical laws is important, because whether we embark on social action X will often depend on the likelihood that a given negative consequence Y will occur. For example, consider someone (**A**) who is deciding whether to commit a crime. There are various negative consequences that may happen to **A** if **A** commits this crime (incarceration, fines, bodily harm, public shame, etc.). All of these potential consequences are, as far as we know, empirical in nature. Any one of these consequences may, or may not, happen to **A** after **A** commits the crime. Understanding this, **A** knows that it is possible to commit the crime, reap the benefits of the crime, and avoid the negative consequences of committing the crime. Thus, **A** decides to commit the crime. However, what if the negative consequences (incarceration, fines, bodily harm, public shame, etc.) were, somehow, a necessary result (exact law) of **A**'s committing the crime? If there were exact laws involved in committing a crime, similar to the exact laws that are involved in walking and swimming, and if these exact laws were known to **A**, might **A** then abstain from committing the crime?

The same reasoning applies to actions we may call “political actions.” If a political policy can be enacted, and if the various negative consequences of the policy can be avoided, then a person may decide to enact the policy. However, if enactment of the policy entails negative consequences that are necessary and unavoidable, the same person may decide not to enact the policy. Thus, the question whether there are exact laws in the social realm of human action—or whether the relationships between social phenomena are all empirical in nature—is of great practical and theoretical significance.

Who is Carl Menger?

Carl Menger was an economist, a philosopher, and the founder of the Austrian School of economics. For our purposes, Carl Menger is important because in his book *Investigations into the Method of the Social Sciences* he sets forth the distinction between exact laws and empirical laws.

“The types and typical relationships (the laws) of the world of phenomena are not equally strict in all cases. A glance at the theoretical sciences teaches us rather that the regularities in the coexistence and in the succession of phenomena are in part without exception; indeed they are

such that the possibility of an exception seems quite out of the question. However, some are such that they do indeed exhibit exceptions, or that in their case exceptions seem possible. The first are called *laws of nature*, the latter, *empirical laws*.”(IM-50)

Menger goes on to note that the term “laws of nature” should more correctly be replaced by the term “exact laws.” For Menger, the totality of disciplines that study exact laws may be termed “exact science,” and according to Menger, this exact science:

“does...on the basis of the **rules of cognition** characterized by us above, arrive at laws of phenomena which are not only absolute, but according to our **laws of thinking** simply cannot be thought of in any other way but as absolute. That is, it arrives at exact laws, the so-called “laws of nature” of phenomena.”(IM-61)(emphasis added)

Thus, Menger may be considered the founder of modern praxeology in the sense that he argued for the existence and validity of exact laws of social action and he suggested that their source is cognitive in nature. Ludwig von Mises then expanded on Menger’s insight—exact laws of social action of cognitive derivation—naming this discipline “praxeology.”

Who is Ludwig von Mises?

Ludwig von Mises was also an economist, a philosopher, and one of the most well-known members of the Austrian School of economics. In Mises’s writings, exact laws are referred to as *a priori knowledge*. A priori knowledge, as Mises intends it, means knowledge of the relationship between X and Y that we have before we observe or initiate a concrete instance. According to Mises, a priori knowledge derives from the structure of our minds. Referring to our original example, Mises might hold that we know, a priori (beforehand), that in walking toward the other side of the room we will be walking away from the opposite side of the room. And he would hold that we have this knowledge because our minds are structured in such a way that the doing of X or the appearance or occurrence of X also entails the doing of Y or the appearance or occurrence of Y.

“But the problem of the a priori is of a different character...It refers to the essential and necessary character of the logical structure of the human mind.”(HA-34)

“Human knowledge is conditioned by the structure of the human mind. If it chooses human action as the subject matter of its inquiries, it cannot mean anything else than the categories of action which are proper to the human mind and are its projection into the external world of becoming and change. All the theorems of praxeology refer only to these categories of action and are valid only in the orbit of their operation.”(HA-36)

“Praxeology starts from an a priori category and proceeds by deductive reasoning...For as must be emphasized again, the reality the elucidation and interpretation of which is the task of praxeology is congeneric with the logical structure of the human mind.”(UF-65)

In Mises’s theory, economics is a subdivision of the wider discipline of praxeology. Praxeology, according to Mises, studies the most universal and general aspects of human action, while praxeology’s various sub-branches study various subclasses of action. One such subclass of actions is actions involving money payments or actions that can be expressed in terms of exchange ratios (i.e., prices). Mises refers to the study of such actions as *catallactics*.

“Out of the political theory of the classical school emerges the general theory of human action, *praxeology*. The economic or catallactic problems are embedded in a more general science...economics becomes a part, although the hitherto best elaborated part, of a more universal science, praxeology.”(HA-3)

Who is Friedrich Hayek?

Friedrich Hayek was an economist and philosopher of the Austrian School and a younger contemporary of Ludwig von Mises. Though Hayek proposed his own theory of social evolution based on the notion of *spontaneous order*, he is important in the history of praxeology due to his disagreement with Mises about the nature of economics. Mises held that economics was *a priori* (was concerned with exact laws) while Hayek argued that economics was empirical (was concerned with empirical laws).

“What I see only now clearly is the problem of my relation to Mises, which began with my 1937 article on the economics of knowledge, which was an attempt to persuade Mises himself that when he asserted that the market theory was a priori, he was wrong; that what was a priori was only the logic of individual action, but the moment that you passed from this to the interaction of many people, you entered into the empirical field.”(HH-72)

Hayek’s point, valid in its own right, can be easily seen in referring to our original example. If actor **A** is in a room full of people and walks to the other side of the room, we can state as a type of exact law that actor **A** must necessarily walk away from the opposite side of the room. This fact is the “logic of individual action” that Hayek is referring to. It refers only to the action (X) of an individual actor and that result or consequence (Y) which must accompany action X. However, actor **A**’s walking to the other side of the room gives us no exact, a priori, or necessary knowledge about what the other people in the room will do. There is no a priori or exact law of the form “If actor **A** does X (e.g., walks to the other side of the room), then actor **B** must necessarily do Y.” Praxeology, the logic of individual action, only applies to the components of the action of an individual. It does not apply to the components of the actions of several people.(6) In this limited sense, Hayek was correct, and he thus concluded that the science of economics was empirical and not a priori.

However, in drawing the unqualified conclusion that economics was empirical, Hayek committed an important oversight: he neglected to think through the logical implications of an analytical method he himself had acknowledged. To understand how this is so, we will consider a passage from Hayek’s essay “The Facts of the Social Sciences.”

“From the fact that whenever we interpret human action as in any sense purposive or meaningful, whether we do so in ordinary life or for the purposes of the social sciences, we have to define both the objects of human activity and the different kinds of actions themselves, not in physical terms but in terms of the opinions or intentions of the acting persons, there follow some very important consequences; namely, nothing less than that we can, from the concepts of the objects, analytically conclude something about what the actions will be. If we define an object in terms of a person’s

attitude toward it, it follows, of course, that the definition of the object implies a statement about the attitude of the person toward the thing. When we say that a person possesses food or money, or that he utters a word, we imply that he knows that the first can be eaten, that the second can be used to buy something with, and that the third can be understood—and perhaps many other things.”(EO-62/63)

In Hayek’s view as depicted here, the logic of action (praxeology) entails an analytical link (a necessary, a priori, or “exact” link) between an object of action (food) and an actor’s action (eating). As we’ve discussed, this logic only applies to the action of an individual actor and does not apply in the relationship between several actors. For example, if actor **A** has *food*, this may imply that the action of *eating* is also associated with actor **A** in some sense. However, from the fact that actor **A** has food, we cannot analytically conclude anything about the action of a separate actor, actor **B**. This was Hayek’s point to Mises.

As we can read in Hayek’s passage above, the action that is analytically derived is derived not from a physically defined or objectively defined object, but rather from an object defined in terms of the opinion or intention of some individual. Based on the opinion or intention that actor **A** has X (for example, money), we then analytically conclude from this that action Y (for example, buying) is associated with actor **A**. In this type of analysis, we are not focused on whether or not actor **A** “really has” object X in the objective sense. The question whether **A** “really” has money or not, is a different question. The question we are asking is whether anything else (Y) must also be the case *if* **A** has money. In other words, *assuming* **A** has money (assumption X), then is there anything else (Y) we can analytically conclude?

As Hayek explains this analytical method, he leaves unanswered an important question: who, exactly, attributes the opinion or intention of object X to actor **A** from which action Y is analytically derived? In other words, who is it that makes the original assumption that actor **A** is in possession of object X? Is it actor **A**, or the social scientist, or someone else? The answer to this question is unclear in Hayek’s account.

Let’s consider the scenario in which *actor A* assumes he/she is involved with object X. Object X will be a store. Thus, from **A**’s assumption that he/she is

involved with a store, according to Hayek, we may analytically derive the action of buying with respect to actor **A**.⁽⁷⁾ However, if this is the case, then what prevents actor **A** from also assuming that actor **B**, whom **A** observes, is involved with the same store? From **A**'s assumption that **B** is involved with the same store, the action of buying could also be analytically derived with respect to actor **B**. But now, analytical conclusions have been drawn that apply to more than one person, and this analytical method can potentially be extended to a limitless number of people.

If we consider a scenario in which the *social scientist* makes the assumption that actor **A** is involved with a store, and from this assumption may analytically derive the action of buying with respect to actor **A**, then the social scientist may also make the assumption that actor **B**—or any number of actors—is involved with the same store, and from this assumption may analytically derive the action of buying with respect to actor **B**—or any number of actors.

The scenarios sketched above employ the same analytical method that Hayek describes in his essay with one important difference. The person who is the attributive source of the original assumptions—the subjective beliefs, opinions, and intentions from which analysis proceeds—is not limited to attributing those original assumptions to an isolated actor only. The original assumptions may be attributed to a number of different people, and thus Hayek's method could, ostensibly, be systematically applied in the analysis of a number of different people. This calls into question Hayek's assertion that the logic of action (praxeology) only applies to the action of an isolated individual. As far as is known, Hayek didn't realize his oversight. He provided a rudimentary sketch of an a priori, analytical method of social analysis, but neglected to pursue the logical implications of this method or the possibility of extending it further.

Mises's mistake.

In the economic sphere, it is a common practice to forecast the expected effects of a planned policy, program, or venture. The recurring question is: If X is done, what will be the result, Y? Praxeology, as Mises conceives it, applies not only to the action of an isolated individual, but also to actions taken in a social setting, such as those studied in the discipline of economics. Thus, Mises claims that there are at least some actions X, involving a number of different people (e.g., social

policies, social programs, social ventures, etc.), for which there is a result Y that is inevitable and unavoidable. Relationships between X and Y that are inevitable and unavoidable are referred to by Mises as “apodictically certain.”

“Praxeological knowledge makes it possible to predict with apodictic certainty the outcome of various modes of action.”(HA-117)

The fundamental question is whether, upon the doing of X, Y must necessarily occur without the possibility of exception. If the answer is yes, then the relationship between X and Y is an exact law and we will know beforehand (a priori) that if we do X, Y will happen, unavoidably and without fail. If the answer is no, then the relationship between X and Y is an empirical law, and we will not know whether Y will happen until we first do X, and then observe whether or not Y happens. In his book *Epistemological Problems of Economics*, Mises provides the following example, demonstrating how he views the necessary relationships that praxeology seeks to discover.

“For example, we deduce from our theory that when the price of a commodity rises (**X**), its production will be increased (**Y**). However, if the expansion of production necessitates new investment of capital, which requires considerable time, a certain period of time will elapse before the price rise (**X**) brings about an increase in supply (**Y**). And if the new investment required to expand production (**Y**) would commit capital in such a way that conversion of invested capital goods in another branch of production is altogether impossible or, if possible, is so only at the cost of heavy losses, and if one is of the opinion that the price of the commodity will soon drop again, then **the expansion of production (Y) does not take place at all**. In the whole process there is nothing that the theory could not immediately explain to us.”(EP-163)(emphasis and X’s/Y’s added for clarity)(8)

The first thing to note is that Mises is here discussing a typical deduced praxeological relationship. The deduced relationship between X and Y in this passage is, for Mises, of the same logical character as the other deduced relationships of praxeology. In Mises’s system there are only deduced (a priori) relationships on the one hand, and relationships shown to us by experience (empirical or historical relationships) on the other hand. The relationship between

the increase in the price of a commodity and the increase in the commodity's production is, according to Mises, a deduced, praxeological relationship.

As we can see, Mises explains that granted assumption X (an increase in the price of a commodity), we deduce phenomenon Y (an increase in the production of the commodity). However, he also explains that granted assumption X, phenomenon Y *may not take place at all*. Mises's explanation amounts to an admission that though we may *deduce* Y from X in a theoretical context, we do not thereby learn whether phenomenon Y must necessarily follow phenomenon X in economic life. The theoretical deduction of the relationship between X and Y that Mises envisions is fully consistent with Y not occurring upon the occurrence of X. Plainly then, the apodictic certainty claimed by Mises may possibly apply to the theoretically-deduced relationship itself, but it does not apply to the relationship between X and Y in economic life as we observe it. If we want to know whether or not Y will happen in everyday life or in economic life, we have to first do X and then observe, *ex post* (after the fact) whether or not Y happens. This is clear as day in Mises's explanation. The series of events described by Mises in this passage therefore represents an empirical relationship, not an *a priori* one.

Mises accounts for this discrepancy—the *deduced* relationship between X and Y versus the *actual* relationship between X and Y—by stating that if Y does not take place, our theory will be able to explain *why* it did not take place. But this explanation skirts the issue. The primary purpose of praxeological knowledge is not to provide a satisfactory historical account, *ex post*, of why phenomenon Y did or did not take place. The primary aim of praxeology is knowledge instructing us on how to bring about Y or to prevent Y's happening *in the future*, and *with certainty*, by either causing X to happen or by trying to prevent X from happening.(9)

Ceteris Paribus laws.

Given that Mises's assertions regarding praxeological knowledge seem to be in clear contradiction to his acknowledgment about actual economic events, how could Mises maintain such a seeming inconsistency? The answer lies in the pernicious notion of *ceteris paribus*. According to Mises:

“We call the method of scientific work that examines the effect, *ceteris paribus*, of change in one factor, the static method. Nearly everything that

sociology and its hitherto best developed branch, economics, have thus far accomplished is due to the use of the static method. The assumption that it makes, viz., that all other conditions remain perfectly unchanged, is an indispensable fiction for reasoning and science. In life everything is continually in flux, but for thought we must construct an imaginary state of rest. In this manner we conceptually isolate the individual factors in order to be able to study the effects of changes in them.”(EP-108)(Note: In using the term “sociology” in this passage Mises is referring to praxeology.)

In the section “Praxeological Prediction” in Mises’s *Human Action*, he writes:

“Praxeological knowledge makes it possible to predict with apodictic certainty the outcome of various modes of action...We can predict, as will be shown later, that—other things being equal—a fall in the demand for *a* will result in a drop in the price of *a*.”(HA-117/118)

Thus, in Mises’s mind, exact laws are *ceteris paribus* laws. We can think about *ceteris paribus* laws as asserting something such as the following. If we were to roll a metal ball on a flat surface (action X), then, other things being equal (*ceteris paribus*), the ball will continue to roll indefinitely (result Y). However, in the universe in which we live, once the ball starts rolling, the atomic particles of which the universe is comprised do not remain perfectly still—i.e., other things do not remain equal—and thus there is friction. And therefore, when we do X (roll a metal ball on a flat surface) Y does not happen (the ball does not continue to roll indefinitely).

In Mises’s economic example, the relationship between X and Y is the same kind of *ceteris paribus* relationship. In the theory, when the price of a commodity rises (X), “all other conditions remain[ing] perfectly unchanged”, increased production of that commodity (Y) is the apodictically certain outcome. However, in the universe in which we live, after X happens, things do not remain perfectly unchanged. Instead, there is a time interval between X and Y, and during this time interval, people may make decisions that prevent the increase in production from happening. In economic life we cannot predict with apodictic certainty that if X happens, Y will happen. We can only know whether Y happens by observation after X is done.

Ceteris Paribus laws: Critique

The notion of ceteris paribus is invalid on its face, as it equates to the assertion that some phenomenon X would occur with necessity if things were different than they are (e.g., if things remained perfectly unchanged through time). Since we always act under the assumption that things are the way they are, and not different (i.e., things do not remain perfectly unchanged through time), this tells us ahead of time (a priori) that X may not necessarily occur.

In Mises's formulation of ceteris paribus, the occurrence of X will result in the occurrence of Y if things aside from X and Y remain equal or unchanged. Here we will consider two possibilities. First, if the things that are to remain equal or unchanged are *specified*, this immediately renders the notion of ceteris paribus problematic. Consider, for example:

“The stock of housing remaining equal, an increase in the money supply (X) must necessarily result in an increase in housing prices (Y).”

Mises has already indicated how a statement such as this is invalid since X may happen and yet Y may not happen at all. If the money supply increases, people may possibly put this additional money into the stock market. There is nothing that compels them with apodictic certainty to apply this additional money to home purchases, thus driving up the price of homes. It is possible for the money supply to increase while the price of housing remains unchanged or decreases. Here we will put forth the hypothesis that, as a logical principle, a ceteris paribus law that specifies the things that are to remain equal or unchanged will encounter similar, insurmountable logical problems.

Second, if ceteris paribus laws are not valid when the things that are to remain equal or unchanged are specified, this leaves ceteris paribus laws in which the things that are to remain equal or unchanged are not specified. In this case, when we're discussing the relationship between X and Y, and we refer to *other things* without qualification or limitation, the implied meaning is “other things aside from X and Y,” which is equivalent to “*all* other things aside from X and Y.” And this is indeed the interpretation accepted by Mises when he writes “The assumption [ceteris paribus] makes, viz., that all other conditions remain perfectly unchanged...”

The fatal flaw in this formulation of ceteris paribus is that the condition that it refers to—all things aside from X and Y remaining perfectly unchanged—will not and cannot occur in the universe and in life as we know it. As an analogy, consider the proposition:

All elephants being relocated to the sun, an increase in the price of A will lead to an increase in production of A.

Here we can easily see that the ceteris paribus law is telling us that if something we believe can never happen, happens, then the asserted relationship between X and Y will hold. This is tantamount to the assertion “If the impossible happens, then the occurrence of X must result in the occurrence of Y.” We *never* expect the conditions “everything besides X and Y remaining perfectly unchanged” to be the conditions within which X and Y take place. Therefore, apparently, we should never expect the asserted relationship between X and Y to occur as stated.

However, even if we grant the possibility of the usefulness of the theoretical assumption that everything else remains perfectly unchanged while X and Y undergo changes, why, exactly, must the relationship between X and Y occur as stated in any particular ceteris paribus formulation? Why, for example, isn’t it the case that, other things being equal, the occurrence of X leads to the *disappearance* of Y, or the *doubling* of Y, or the *fragmentation* of Y?(10)

There is a simple way to understand why ceteris paribus is a flawed notion as Mises employs it in economics. When the price of a commodity rises, Mises will agree that the increasing of this price is an action on the part of some actor or actors. The corresponding increase in the production of the commodity is also an action on the part of some actor or actors. If we assume that an actor or group of actors increases the price of some commodity X, it is clear that there is no necessity that some other actor or actors increase the production of X. They *may* increase the production of X. Perhaps it is even *likely* that they will increase the production of X. But it is not absolutely certain that they will.

Due to these considerations, we conclude that the notion of ceteris paribus is invalid and incoherent.

What is phenomenology?

Phenomenology is the study of structures of consciousness as experienced from the subjective or first-person point of view.(11,12) For the person who is pursuing or practicing it, phenomenology is essentially the contemplative study (thinking about the nature of) of one's own consciousness. As we will use the term *consciousness* here, consciousness is the totality of all sense data of which I, a conscious being, am aware, and which from my point of view constitute the totality of my present experience. This includes the totality of my sense data of sight, taste, smell, hearing, and touch, as well as all "mental" sense data such as imaginings, envisionings, thoughts, emotions, or any other mental sense data of which I am aware. The totality of all of these "sense impressions" constitutes my "conscious field." My consciousness is all the sense impressions of which I am presently aware. The study of these sense impressions, done contemplatively by me, is phenomenology.

As contrasted to phenomenology, what we will refer to as the *epistemological method* is the search for structures of consciousness strictly in relation to *regularities* of conscious experience. As opposed to phenomenology, in which one may study any aspect of consciousness, we will use the term *epistemological method* to mean a subdivision of phenomenology that seeks to explain experienced regularities of consciousness in terms of a defined structure of consciousness.

Finally, we will clearly differentiate both phenomenology and the epistemological method from social scientific *methodological individualism*. Methodological individualism is a method of social analysis that traces social phenomena to the actions of individuals. It eschews analyzing social phenomena in terms of social wholes or social collectives. However, our reason for clearly differentiating methodological individualism from phenomenology and the epistemological method is that methodological individualism may incorporate both the *observation* of social actors and the *spatial and temporal relation* of social actors as valid foundations of social analysis. In our theory we will explicitly disavow both the observation of social actors and the spatial and temporal relation of social actors as valid foundations of social analysis.

The difference between physical science and social science.

The difference between physical science and social science is both fundamental and elemental. Physical science is founded on the observation and comparison of two or more objects, entities, or phenomena, while social science is founded on a situation observed by an actor in relation to an unrealized and therefore unobserved situation. Stated in the most elemental terms, in physical science there are two objects, while in social science there is, strictly speaking, only one object. Thus, the foundation of each science is radically different.

Physical science entails, minimally, one observation, the passage of time, and then a second observation. Both observations are then compared as to their characteristics, and this procedure results in *relational terms* that record the difference in the characteristics observed. Relational terms such as higher/lower, faster/slower, sooner/later, more/less, heavier/lighter, here/there, darker/lighter all denote a comparison, or a contrasting of observed characteristics. In social science, the founding principle is completely different. In social science, the actor is confronted with a current situation, and in this sense we can say that the actor “observes” the current situation. But in social science, this current situation, observed by the actor, is not contrasted with another, second situation. Instead, it is contrasted with a situation that the actor *seeks to attain*; a situation that *has not been realized or observed*, and which therefore *has no observed characteristics*. As the unrealized and unobserved has no observed characteristics, there can be no comparison between it and a currently observed situation. In symbolic notation we can say that physical science is founded on the relationship between 1 and 1 while social science is founded on the relationship between 1 and 0.

From the fact that social science is not based on the foundational notion of two observations, it follows that temporal relationships (sooner/later) and spatial relationships (here/there, high/low, etc.) are not part of social analysis. The terms sooner and later imply or signify that two observations have taken place establishing the sequential order of two events. The terms high and low imply or signify that two observations have taken place establishing the relative position of two objects. An analytical framework in which there is only one category of observation lacks the second observational category necessary to express the

results of a comparison of characteristics. Regarding the situation that I am currently observing, I may ask myself, “Is *nil* sooner or later than this current situation? Is *nil* higher or lower than this current situation? Is *nil* darker or lighter than this current situation?” This rhetorical question indicates the nature of the categorial foundation of social science. Social science is not based on the comparison of two objects, events, or phenomena.

Social science as it currently exists may utilize terms that denote a comparison of characteristics, but this only serves as an indication that the method of physical science is being employed.

The difference between objective and subjective.

Any phenomenon, whether an object of social science or of physical science, can be rendered as either a *subjective* phenomenon or an *objective* phenomenon, by simply adding or omitting reference to an actor (a subject). Consider the following phrases:

I assert the sun exists.

I believe the sun exists.

I know the sun exists.

I’m certain the sun exists.

I observe the sun exists.

These are phrases that refer to the subjective experience of an actor. However, if we remove reference to the actor, we are left with “the sun exists,” which is the description of an *objective* situation. Similarly, we can translate any objective phenomenon into a subjective phenomenon by simply reversing this process. We can render “the universe exists” as:

I assert the universe exists.

I believe the universe exists.

I know the universe exists.

I’m certain the universe exists.

I observe the universe exists.

In principle, any phenomenon can be rendered as either a subjective phenomenon or an objective phenomenon.

Epistemology

What is epistemology?

Epistemology concerns the method by which we obtain, and judge the validity of, our knowledge. For example, I may obtain knowledge from someone else, or I may obtain knowledge from observation. A basic epistemological inquiry might begin by examining the differences between these two methods of obtaining knowledge. In our present epistemological inquiry, we will focus on a narrower question: how do we validate our knowledge of the things we do not observe?

Take for example, a mountain that I am looking at. As I typically understand things, the mountain has a front side that I am currently observing and it has a back side that I do not currently observe. The question is, what is the nature of the knowledge I can obtain about the back side of the mountain? One way I can learn about the back of the mountain is from another person. Someone can tell me about the back of the mountain and in this way I can obtain knowledge about it.

Another way I can learn about the back of the mountain is to assume that the back of the mountain, which I do not observe now, will be observed in a *future observation*. For example, I could locate a road or trail that leads to the other side of the mountain and I could follow that road or trail until I reach the other side of the mountain, at which point I could observe the other side of the mountain. As I look at the mountain now, I do not observe the back of the mountain. However, the back of the mountain will—or at least may potentially—appear to me as a future observation.

Thus, regarding this particular unobservable—the back side of the mountain—my knowledge of it can be obtained from another person or it can be obtained from a future observation.(13)

Assuming I am looking at the front of the mountain now, if I accept someone's description of the back of the mountain, then in effect, I have validated this particular form of knowledge of this particular unobservable. Similarly, if I am looking at the front of the mountain now, and I accept that the back of the mountain will or may appear to me as a future observation, I have in effect

validated *this* particular form of knowledge of this particular unobservable. Stated loosely, I may accept someone's description as a sufficient "representation" of the back of the mountain, or I may accept that a potential future observation of mine is a sufficient "representation" of the back of the mountain. We could say that these are two "forms of knowledge" about this particular unobservable. And our question now is whether there are any other forms of knowledge possible concerning this and other unobservables?

The category of unobservables.

One possibility is that my mind or consciousness is structured in such a way that every observation is coupled with an unobservable. We can make the assumption that unobservability—the fact that there are things we don't observe—is a function of our minds or consciousness, and not a function of the physical, spatially extended universe. If we make this assumption, then as I observe the front of the mountain, I may consider the possibility that the back of the mountain, which I may believe is there, but which I do not observe, derives from the nature of my consciousness. And thus, if I am looking at the front of the mountain now, and I accept that the back of the mountain, as something presently unobservable, is a function of the structure of my consciousness, I have in effect validated *this* particular form of knowledge of this particular unobservable.

If I generalize the notion that the unobservable aspect of things is a function of my consciousness, this forms the basis of a theoretical "category of consciousness." Whenever in our conscious experience we encounter an unobservable (an unobserved entity), we will, as a theoretical principle, consider it to be an instance of a wider category of unobservables. In this theory we will not treat unobservables as potential future observations.

Unobservables.

Consider the following things: the other side of things, the inside of things, other people's minds (their experience of consciousness), concepts, the future, time, gravity. These are all particular instances of what we will refer to as *unobservables*. An unobservable is something that I believe exists, as part of what I observe now, but which I do not observe now. If I am sitting in a room with other people, I believe the other side and the inside of the walls are there, now, though I

do not observe them. I believe that the thoughts, emotions, intentions, and opinions of the other people in the room are there, now, though I do not observe them. When I write, I believe that *concepts* are in some sense part of my work, and I believe that *time* and *gravity* are part of my physical activity, and I believe that the *future* will occur after the present that I now experience. However, I have never observed concepts, time, gravity, or the future. Each one of these entities is the same in that they are part of what I observe, in some sense, even though I do not observe them.

Assigning characteristics to unobservables.

If someone in the room were to ask me about any of the entities listed above, I can provide at least some description of each one of them. For example, I can describe the other side of the wall as being a flat surface, and as being located approximately seven inches behind the front of the wall, and as being made of the same material as the front of the wall. I can describe the future as something that will occur after the present, and as something that will be populated with various people, objects, and forces of nature. I can describe the minds of the other people in this room as containing various thoughts, emotions, intentions, and opinions, and I can describe each person's mind as located within the physical confines of their body. We will refer to the process or activity in which I describe something I do not observe as the process or activity of *assigning characteristics to unobservables*. I assign characteristics to unobservables when I provide a description of an entity I do not presently observe.

An analysis of the categories of observation.

Taking the example of the mountain I am observing, I may say that the mountain is taller than me (a characteristic), and I may say that the mountain is in front of me (another characteristic). These characteristics that I have assigned to the mountain are based on the foundational notion of two categories of observation as we previously discussed. In the foundational structure of physical science, we assert there are at least two "category" placeholders (..1..) and (..2..) representing the (at least) two observations that are to be compared with respect to their characteristics. I am able to say that the mountain is taller than me or in front of me because I have made an observation of my own body (observation 1) and compared it to my observation of the mountain (observation 2). The process of

comparing the two observations results in relational terms such as “taller” (taller/shorter) or “front” (front/back).

Now I will repeat this process a second time, but this time I will compare myself only to the *back* of the mountain. As a matter of principle, I will agree beforehand that the results of this process will be stated in terms of the physical-scientific categorial scheme comprised of at least two observations. I will also agree beforehand that the back of the mountain, although not observable to me, must have *some* characteristics. My prior agreement to state the results of this comparison in the physical-scientific form of two observations is reasonable. My prior assumption that the back of the mountain must have at least *some* characteristics is also reasonable.

This procedure will undoubtedly lead to results very similar to the first observational procedure. I will likely reach the conclusion that the back of the mountain is taller than me and I will likely reach the conclusion that the back of the mountain is located in front of me. However, it is obvious that these conclusions, unlike the conclusions I reached the first time, will not be based on a second set of observations. Rather, the conclusions I will reach after this process will be based on my prior agreement to state the results in terms of two categories of observation and to assume that the back of the mountain has at least *some* characteristics. If the back of the mountain, by prior agreement, must have *some* characteristics, and if the result of my process must be stated in terms of a two-category structure built to express those characteristics, then the result of my process will express a comparison of two observations, even if two observations have not taken place. I will be logically compelled to reach the conclusion that the back of the mountain is taller than me and in front of me based on my original agreements, even though I have made no observations of the back of the mountain.(13a) On the one hand, I have only made one observation, the observation of myself. On the other hand, the form in which I express my conclusion, as it entails two categories representing two observations, will imply that two observations have taken place. Thus, we conclude that the knowledge expressed in the first process (in which I made two observations) is fundamentally different from the knowledge expressed in the second process (in which I made only one observation), though the form in which they are presented is the same, implying that both forms of knowledge are the same.

Let us return to the example of myself in a room with other people, and we will employ the social-scientific categorial structure discussed previously in which there is only one category of observation. Recall that social science as we conceive it is not founded on the relationship between two objects, events, or phenomena, but is founded rather on the distinction between a situation confronting an actor and a situation the actor is trying to attain but which has not occurred and is therefore not observed. In this approach, there is only one category of observational (perceptual, sensory, etc.) content.

As I sit in the room, I see different people, I see the various surfaces of the room, and I see the furniture and other objects in the room. I can hear various noises, and I can feel my body in contact with the chair I am sitting on. As I sit there, I have various thoughts and imaginings. If I get up to make a cup of coffee, I can smell the coffee and taste the coffee. All these, we may say, are “perceptual content” or “sense data” of my consciousness. We may also refer to them as “observed content” or simply as “observations.”

In sharp contrast to that which I observe, there are many things that I believe surround me in the room, or are with me in the room, or are part of my current situation in the room in some way, but which I do not observe. As mentioned previously, I believe that all the objects I observe have a back side, and an inside, though I do not observe those things. I believe that time is passing in this room and that gravity is keeping the objects in the room from floating in the air, though I observe neither time nor gravity. And I believe the people in this room have thoughts, intentions, and opinions, and that these things, which I do not observe, exist within the confines of this room. Thus, it is clear that as I sit in this room, there are two fundamental categories of entities that constitute my conscious experience. On the one hand, there are all those things I perceive, sense, or observe, and on the other hand, there are all those things I believe are present, but which I do not observe.

Thus, if we return to the example of myself in relation to the back of the mountain, we can see that there is an alternative way to understand the back of the mountain and this alternative is *theoretically consistent*. Recall that in the second process discussed above, observational content was expressed in the result although the corresponding observation was not carried out. Something

unobserved was nonetheless given observed characteristics in the result. And this is because the agreements preceding the process formed a “structural imperative” in which the structure of expression or presentation took precedence over the actual observational evidence. The categorial system proposed here avoids this theoretical inconsistency in conceiving a mental category of unobserved “entities.”

Assigning characteristics to unobservables: Risk

Continuing with this line of thought, the suggestion is that in a theoretical context, there is no basis for assigning characteristics to unobserved entities. That we nonetheless do so is due to social (cultural) considerations and not due to strictly theoretical considerations. In our theories of the world, and thus in our social theories, we believe we must begin with the assumption that the back of the mountain is “really there”—the assumption of ontological realism—and that this assumption must therefore be reflected in the essential elements of our theories. And thus, we insert into our theories perceptual content that *is* the result of an observation interchangeably with perceptual content that *is not* the result of an observation. The risk is that such a procedural flaw, hidden within the foundation of the theory, could render the theory incapable of reliable extension into the unknown and incapable of leading to new or unexpected knowledge.

Distinguishing between unobserved entities.

From the theoretical procedure in which we refrain from assigning characteristics to unobserved entities, it follows that there is no basis for distinguishing between various assumed unobserved entities. From the point of view of our theory, unobserved entities (the other side of things, the inside of things, concepts, time, gravity, the future, other minds, etc.) are regarded as indistinguishable. And this means that there are entities we have believed were separate, unique, and differentiable entities, but which from a theoretical point of view, are one singular thing.

Explaining the unobserved by means of perceptions.

The attempt to describe or depict an unobserved entity is fundamentally problematic. To illustrate, we imagine that we possess a piece of straight wire that we may bend or cut if necessary. If someone asks us to use the wire to explain or demonstrate the letter “T” or to explain or demonstrate the nature of a circle, we

can cut and arrange the wire to form a “T” and we can bend the wire into the shape of a circle. But what do we do if someone asks us to use the wire to explain or demonstrate the nature of the unobserved? There is no arrangement in the shape of the wire that can imitate or replicate unobservability in the same way that the wire can imitate or replicate the letter “T” or a circle. The reason is that the wire is a perceptual object and the phenomenon we are trying to represent is the absence of perceptual content. This is the problem of trying to explain perceptual absence by means of perceptual presence, or stated differently, the problem of trying to explain the unobserved by means of observations. When the quantum physicists of the early twentieth century discovered this phenomenon—i.e., that visualizability has limits—they reached the conclusion that certain phenomena are “fundamentally unvisualizable” and may entail “an unvisualizable relation of complementarity.”(PW-12,100)

The situation in our current theory is the same and it is not difficult to explain the essential problem. We seek to define or conceptualize an unobserved or unobservable aspect of consciousness that stands in a correlative relationship to the perceptual aspect of consciousness. If both aspects of consciousness combine to constitute our conscious experience, then how can we, with theoretical consistency, express the relationship between these two aspects of consciousness? Immediately upon asking this question, it becomes apparent that the notion of “both” and the notion of “two” may themselves be problematic. When we use the words ‘both’ or ‘two’ we imply a differentiation of objects or entities. To differentiate these two entities, we will use a number of perceptions—words, pictures, gestures, visualizations, etc. We will try to arrange these perceptual objects in such a way that they “represent” each of the aspects of consciousness (each of the categories of consciousness). One of these consciousness aspects is the absence of perceptual content. However, we will assert that as a matter of principle, similar to our ‘wire’ example, there is no possible arrangement of perceptual content capable of representing or conveying the absence of perceptual content. Importantly, any attempt to represent the absence of perceptual content by means of perceptual content will be *unsatisfactory*. Stated differently, if we are able to satisfactorily differentiate two mental categories, we will not have satisfactorily differentiated the category of unobservability.(14,15)

Spinoza's insight: time separation.

In social science there exists a little-known insight attributed to the philosopher Benedict de Spinoza:

“In no case do we strive for, wish for, long for, or desire anything, because we deem it to be good, but on the other hand we deem a thing to be good, because we strive for it, wish for it, long for it, or desire it.”(TE-56)

This insight was later reformulated by the philosopher Friedrich Heinrich Jacobi as:

“We originally want or desire an object not because it is agreeable or good, but we call it agreeable or good because we want or desire it; and we do this because our sensuous or supersensuous nature so requires. There is, thus, no basis for recognizing what is good and worth wishing for outside the faculty of desiring—i.e., the original desire and wish themselves.”(EP-151)

This dictum was formulated to explain the relationship between two recurring social phenomena: those of *goodness* and *desire*. In what follows, we will explore this notion further with the goal of applying it to a wider range of phenomena.

When we begin to think about social phenomena (economics, ethics, psychology, etc.), it is common to begin with the notion of several independent activities. For example, if I want to perform the action of going to the store, first I might put on the appropriate clothing for going to the store, and then I might grab my wallet and keys, and then I might drive to the store. I can describe my action of going to the store in terms of several, subsidiary, time-separated activities. Something similar occurs in the case where I may consider the relationship between, for example, the notions of goodness and desire. It is plausible to assume that first I decide whether a particular thing is good or worth pursuing, and then, in a second, time-separated activity, I pursue that thing. The dictums of Spinoza and Jacobi suggest that this is not correct. Spinoza and Jacobi are suggesting that *when* we pursue something, we call that thing good. To pursue something is to, in some sense, deem that thing to be good. This suggests that there is no time separation in the relationship between pursuing something and deeming it to be good.

We can see something similar in our notion of *action*. We may begin with an original notion that an action may be comprised of a number of subsidiary,

independent, time-separated activities. For example “I put on my clothes” would be one part of my action in which I obtain the means for finalizing the action of going to the store. Then there is an intervening time period in which I do other, perhaps unrelated things (call a friend, eat a snack, wash the dishes, etc.). Then I finally “drive to and arrive at the store.” In driving to and arriving at the store, I obtain my goal, which is a separate, time-separated, concluding component of my action. In this notion, the various parts of my action are time-separated.

However, a conception of action in which action is *that which the actor is now doing*—which is our working definition—brings the notion of independent, time-separated components of action into question. The relationship of the components of action consistent with this second concept of action is something such as: “I put on my clothes now, **in order to W**,” “I call a friend now, **in order to X**,” “I eat a snack now, **in order to Y**,” “I get in my car now, **in order to Z**,” etc. Here, the components of action—in this case means and ends—are not considered time-separated. Rather, each concrete activity—each “that which I am doing now”—implies or entails a related or correlated second component—“that which I am trying to achieve.” Each *means* I currently employ implies a corresponding *end*. This accords with Spinoza’s dictum in which each act of desire implies a corresponding object deemed good.

This conception is reinforced by Mises in the following passage from *Epistemological Problems of Economics*.

“However, we can never identify the want otherwise than in the action. The action is always in accord with the want because we can infer the want only from the action.”(EP-80)

Thus, we will maintain that in Mises’s praxeology, as in Spinoza’s dictum of ethics, the components of action are not time-separated.(16) In a consistent social science or social theory, there is no time separation between entities or phenomena. Time separation is a construct of physical science.

Spinoza’s insight: why do we believe the unobserved is observable?

What Spinoza’s insight suggests, and what Mises corroborates, is that from the point of view of the individual consciousness, the original desire is in some sense “constitutive of” the good, and the original action is in some sense “constitutive

of” the want. In other words, what a consciousness considers “good” is already “implied” in the desire (already “contained” in the desire), and what a consciousness “wants” is already “implied” in the action (already “contained” in the action).

In Mises’s praxeology, the fundamental categories are those of ‘action’ and ‘want.’ And in our theory of consciousness, the fundamental categories are those of ‘perception’ and ‘unobservability.’ The insights of Spinoza and Mises teach us that the conception wherein we first determine that a thing is good and then we decide to desire it, and the conception wherein we first determine that we want something and then we act to attain it—i.e., the notion of time-separated activities—is incorrect. In a theoretical context, the “goodness” of a thing is the “flip side” of our desiring it, and that we “want” something is the “flip side” of our acting to attain it.

Returning to our illustrative example of standing in front of a mountain, we described how we may understand or have knowledge of the back of the mountain in several ways. For example, another person may tell us about the back of the mountain, or we may understand the back of the mountain as a perception of ours that may occur in the future. In the present theory we conceive the back of the mountain in terms of an “unobservability category” inherent to our consciousness. However, one question we have not yet addressed is how we came to the idea that the mountain we observe has a back side that we need to understand or obtain knowledge about. Is it the case that first, we determine that the mountain has a back side, and then, in a second, time-separated activity, we try to obtain information about it? This is the notion of time-separated activities discussed above, and we have determined that in a theoretical context, this notion is incorrect. Given what we have been discussing, and applying the Spinoza/Jacobi dictum to the categories of our present theory, we might obtain something such as:

“We originally attempt to observe an object not because it is observable, but we call it observable because we attempt to observe it; and we do this because our sensuous or supersensuous nature so requires. There is, thus, no basis for recognizing what is observable and worth attempting to observe outside of the original attempt to observe itself.”

When I look at the mountain in front of me, I may believe that the back of the mountain is also observable (for example, in a future observation). This apparent knowledge, however, occurs not because the back of the mountain “is observable,” but rather because as I look at the mountain, my “sensuous or supersensuous nature” (i.e., my consciousness) is such that I *attempt to observe it*. And it is from this *attempt itself* that I derive the notion that the back of the mountain *is there* (i.e., that it is observable). I form the idea that a particular unobserved thing is observable from the *observation attempt itself*. And I make that observation attempt because that is the nature of my consciousness.

Thus, with regard to any sensuous or perceptual consciousness content, and speaking allegorically, my consciousness “supplies” an unobserved aspect of that perceptual or sensuous content, which manifests to me—which I experience—as an attempt to observe. Again, speaking allegorically, my ‘attempt to observe’ “creates” the unobservable aspect of the concrete content of my consciousness.

The theoretical treatment of the unobserved.

We conclude this section on unobservables with the suggestion that the success or failure of social science may ultimately depend on the theoretical understanding and the theoretical treatment of the unobservable aspect of consciousness.

Action as the attempt to observe.

In the Misesian conception of action, the actor attempts to substitute a state of affairs (situation) that suits the actor more, for a state of affairs (situation) that suits the actor less. The actor is “dissatisfied” with the current situation, and tries to replace it with a different, more satisfactory, situation. Our present question is, what is the actor’s “evidence” that the current situation is unsatisfactory, and what will be the actor’s evidence should a more satisfactory situation arrive or materialize? Our answer is that this evidence must be perceptual (i.e., observational) evidence. The evidence I have of a particular unsatisfactory situation—for example, that I am hungry—is my perceived or observed feeling of hunger. The evidence I have that the more satisfactory situation has arrived or materialized is my perceived or observed feeling of satiation. Similarly, when climbing to the top of a mountain, the evidence I have that I have not yet reached the top of the mountain is my perceptions or observations which indicate that I

am not yet at the top of the mountain. The evidence that I have reached the top of the mountain is my perceptions or observations indicating that I am at the top of the mountain. Thus, my attempt to change my current situation to a different situation can be equivalently expressed as my attempt to change my current perceptions to a different set of perceptions, or equivalently, my attempt to change my current observations to a different set of observations.

For example, we may refer to a situation in which I am in pain as my perception of pain or my *observation* of pain. In our theory, perception and observation are equivalent. In action, I seek to replace my perception of pain with a perception absent of pain, or equivalently, I seek to replace my observation of pain with an observation absent of pain. In other words, action can be understood as my attempt to observe something that I do not currently observe. In this particular instance, I do not observe (experience) not having pain; I observe (experience) having pain. The observation I am attempting to have, but do not now have, is the observation (experience) of not having pain. Thus, all action can be conceived in terms of an “attempt to observe.”

In modifying the conception of action in which the actor is trying to attain a *situation* to a conception in which the actor is trying to attain an *observation*, we ground our analysis in the conscious experience of the actor and we evolve to a conception of action that is unambiguously subjective and thus consistent with a subjective theory of action.

Categories of Consciousness.

In the writings of Ludwig von Mises, the human mind plays a central role. As Mises understands it, coexisting with the concrete perceptual content of our experience are certain logical relationships such that our experience of the world must necessarily conform to these logical relationships. Our minds have a “logical structure” such that all the phenomena that appear or occur within our conscious experience are consistent with this structure and can’t occur or appear in any other way but as consistent with this structure.⁽¹⁷⁾ Returning to our original example, Mises might hold that the “logical relationship” between my walking toward the other side of the room (X) and my walking away from the opposite side of the room (Y) derives from the structure of my mind. And this is why the

sentence “I walked toward the wall in front of me in order to be closer to the wall behind me” doesn’t “make sense.”

According to Mises, there are various *mental categories* which he refers to as “*a priori categories*.” We can think of a Misesian *a priori* category as a phenomenon of our consciousness that reveals itself to us in the recurring patterns of our experience (as contrasted with the ever-changing content of our experience) and which serves as a foundational axiom for logical reasoning or analysis. As Mises understands things, *human action* is one such mental, or *a priori*, category.

“The starting point of praxeology is a self-evident truth, the cognition of action, that is, the cognition of the fact that there is such a thing as consciously aiming at ends.”(UF-5)

“The starting point of all praxeological and economic reasoning [is] the category of human action...From the unshakable foundation of the category of human action praxeology and economics proceed step by step by means of discursive reasoning.”(HA-67)

What Mises means is that the foundation of praxeology—the original premise or axiom from which we begin to reason—is the recurring conscious experience we have of striving after ends. Striving after ends is a recurring experience of consciousness. We *try* to lose weight, we *try* to eat a healthy diet, we *try* to have patience in our dealings with other people, we *try* to be punctual, etc. Mises refers to this recurring conscious experience of trying to attain a goal as the *category of action*.(18) If this original premise is valid, and if reasoning from this premise is consistent, then the results of this reasoning should also be valid. For Mises, praxeology is similar to logic and mathematics in the sense that logical reasoning proceeding from a foundational concept or idea can provide new, and valid, knowledge. A primary difference between praxeology, mathematics, and logic, as Mises understands it, is that whereas it may be possible for mathematics and logic to begin from various assumed and arbitrary axioms, the foundational premise of praxeological reasoning is a singular, identifiable, phenomenon of consciousness which we repeatedly experience; the experience of consciously striving for ends, i.e., the experience of action.

“The starting point of praxeology is not a choice of axioms and a decision about methods of procedure, but reflection about the essence of action.”(HA-39)

Reasoning from the category of action.

In the Misesian conception of praxeology, we proceed from the category of action by means of discursive reasoning. Mises believes there are other a priori categories aside from the category of action, and these other a priori categories constitute the beginning reasoning points for other sciences such as mathematics and formal logic. This conception of Mises could be interpreted to mean that in order to begin the process of praxeological reasoning, we must differentiate the a priori (mental) category of action from the a priori (mental) categories of other disciplines.(19) Our question now is whether a differentiation of various mental categories is in fact necessary.

We begin with the basic assumption of praxeology, which is that of an actor attempting to substitute the present situation (A) with a different situation (B). This naturally leads to the question of the definition of the *present situation*. The present situation as I experience it must be some current content of my conscious experience.(20) But which part of my current experiential content constitutes my “present situation?” If I begin to differentiate various parts of my current conscious experience with the aim of separating the part of my current conscious experience that *is* my present situation from the part of my current conscious experience that *is not* my present situation, this will entail at least two theoretical problems. First, there will be the theoretical problem of the arbitrariness of the line of separation between what I include as part of my present situation and what I exclude as part of my present situation. But the more fundamental theoretical problem, and as we assert, the insurmountable theoretical problem, is that of the relationship between two objects, as we have outlined in the discussions of the difference between physical and social science. The differentiation of various contents of consciousness results in at least two perceptual content groups which are differentiated by various physical terms such as higher/lower, nearer/farther, sooner/later, here/there, etc. The foundational structure of physical science, the accompanying physical relational terms, and the formal implications of this analytical structure, are thereby introduced. As we

indicated previously, social science solves this theoretical problem by means of its classification method in which there is only one category of perceptual content. In so doing, the foundational categorial structure of physical science and the related physical terms are not introduced.

Thus, we conclude that an initial theoretical procedure that seeks to differentiate various current contents of consciousness with the aim of separating that which *is* the actor's present situation from that which *is not* the actor's present situation is fundamentally flawed. We therefore conclude that the actor's *present situation* is the entirety of the current situation of which the actor is consciously aware. The actor's present situation is everything that the actor currently senses, perceives, imagines, and observes.(21)

It follows from this that any attempt by us as social theoreticians to differentiate various a priori categories from the category of action is unnecessary. Because any potential content that may appear within my conscious field and of which I may become consciously aware thereby becomes part of my "present situation." If a differentiable entity enters my conscious field in any way—an a priori category of mathematics, a mathematical equation, a mathematical idea, etc.—that object (entity, phenomenon, perception, etc.) will constitute part of my present situation. This is how we may begin to understand Mises when he writes:

"The category of action is the fundamental category of human knowledge. It implies all the categories of logic and the category of regularity and causality. It implies the category of time and that of value."(UF-36)

The category of action subsumes all other categories, since one of the elements of action—the present situation of the actor—includes the actor's conscious experience of any and all phenomena.(22)

The fundamental categories of consciousness.

As we have discussed previously, the most fundamental categories of consciousness are those of perceptual content (or perception) and of unobservability. By *perception*, we do not mean a segregated conscious activity, but rather *any* sense impression of which the actor is aware. Thus, by *perception* is intended any and all sense impressions associated with the five senses (sight, smell, hearing, taste, touch) taken together with all mental impressions

(imaginings, mental images, thoughts, words occurring mentally, etc.). All these things taken together constitute what we refer to as the actor's *conscious field*.

Notwithstanding the epistemological or theoretical problems associated with it, the "second" category of consciousness is the category of unobservability. To this category "belong" such unobserved phenomena as the future, time, gravity, concepts, the back side of things, the inside of things, other people's minds, etc. And we have asserted that from the point of view of our theory, these unobserved entities, which have heretofore been considered different things, are viewed as the same thing. From the point of view of our theory, and importantly, from the point of view of a conscious actor, the future, the back side of the mountain, and another person's thoughts, are all unobservable and in this sense all the same thing. There is no basis for distinguishing between them. These are all entities that the actor believes exist, in relation to things that the actor observes, but which the actor does not in fact observe.

Thus, consciousness—the conscious field of the actor—consists in a category of perceptual content and a category of unobservability.(23)

The subjective nature of perceptions.

This implies the following situation. In our pre-theoretical notion of action, I am typically conceived to be consciously aware of pursuing some goal. Let's assume that I am making a cup of coffee. In acting, I attempt to change a situation in which I do not have a cup of coffee into a situation in which I do have a cup of coffee. The situation in which I do have a cup of coffee has not yet materialized and therefore is not observed. As I pursue this goal, though I may be consciously aware of my attempt to change a situation without coffee into a situation with coffee, the various objects that I perceive or utilize in this goal may appear to me to be just "there" or simply "existing." I am trying to change my situation regarding a cup of coffee, but as I pursue this goal, as far as I am consciously aware, I am not trying to change anything with regard to all of the other perceptions in my conscious field. I am not trying to change the walls in my house, or the floor, or my arms that I see, or the spoon, or the coffee maker, or the kitchen sink, etc. During the course of my action of making a cup of coffee, these other things that I perceive seem to be just "there," and I may not be consciously aware of making any particular effort in regard to them.

However, according to what we are arguing now, this is not correct. We are now saying that every “perception of” is a “perception of an attempt to observe” the unobserved aspect of that perception. This means that when I see the wall in my house, or when I see the spoon, or the coffee maker, or the sink, I am doing the same thing as when I try to change a situation with no coffee into a situation with coffee. That is, in all instances, I am trying to observe an unobserved aspect of my current perception(s). The mere presence of a perceptual content is indicative of an *act* of consciousness, namely, the attempt to observe.(24)

In plain terms, this means that perceptions we previously considered to be objective are now understood to be subjective. The subjectiveness of my perceptions consists in that I try, knowingly or not, to observe the unobserved aspect of them.

This indicates that with regard to any perceptual content of consciousness, the actor is not passive or inactive. The perceptions of consciousness are not just “there.” Rather, with regard to any perception of consciousness, the actor desires to observe the unobserved aspect of it, because the perception is a perception *of* the desire.

The subjective and the objective revisited.

In our discussion so far, we have sought to clearly distinguish the social realm from the physical realm at an epistemological level. We initially asserted that any phenomenon may be expressed as either a subjective phenomenon or an objective phenomenon (“I assert the sun exists” versus “the sun exists”). Subjective phenomena are the subject matter of the social sciences; objective phenomena are the subject matter of the physical sciences. From what we have been discussing, we should now be able to understand this distinction at a more fundamental level. The objective is derived by conceiving our perceptions as *separate from* our mental activity as opposed to *constitutive of* our mental activity. The objective is derived by conceiving our *perceptions* as separate from our *attempt*.

Happiness and Unhappiness

The correlated pairs of consciousness.

Whereas physical phenomena are expressed in terms of correlated *physical* terms (high/low, near/far, fast/slow, light/dark), social phenomena are expressed in terms of correlated relationship pairs that denote the feeling, attitude, or opinion of a conscious actor; relationship pairs such as happiness/unhappiness, satisfaction/dissatisfaction, pleasure/pain, contentment/discontentment, ease/unease, joy/sorrow, etc. In the *social* correlated relationship pairs, one of the elements typically denotes an experience of “positivity” (a “positive” state of affairs as judged by an actor), and one of the elements typically denotes an experience of “negativity” (a “negative” state of affairs as judged by an actor).(25) Common terms we use to describe a positive experience include: pleasure, happiness, fulfillment, satisfaction, contentment, ease, comfort, serenity, merry, jolly, gleeful, glad, delight, cheerful, enjoyment, exuberance, exhilaration, elation, ecstasy, jubilation, rapture, bliss, euphoria, etc. Each of these words implies a correlated word that refers to an opposite, “negative” experience: pain, unhappiness, disappointment, dissatisfaction, discontentment, unease, etc. The recurring conscious experience we have in which every “positive” feeling, attitude, or opinion, is correlated to an opposite “negative” feeling, attitude, or opinion, is pervasive. I experience the world in terms of these correlated pairs not only with respect to my “inner feelings,” but also with respect to the “external world” of objects and events. Consider, for example, the relationship pairs perfect/imperfect, desirable/undesirable, attractive/unattractive, alluring/repulsive, accept/reject, etc. Or consider the relationship pairs good/bad, fair/unfair, just/unjust, evil/virtuous, kind/unkind, considerate/inconsiderate, rude/polite, etc.(26)

The correlated pairs of consciousness: derivation.

The pervasiveness of the occurrence and recurrence of correlated relationship pairs in our conscious experience is indicative of a fundamental, bicategorical, classification system inherent to conscious awareness. In this regard, the following passages by Hayek are profound:

“In discussing what we regard as other people’s conscious actions, we invariably interpret their action on the analogy of our own mind; that is, we group their actions, and the objects of their actions, into classes or categories which we know solely from the knowledge of our own mind.”

“We thus always supplement what we actually see of another person’s action by projecting into that person a system of classification of objects which we know, not from observing other people, but because it is in terms of these classes that we think ourselves.”(EO-63)

Above, Hayek is asserting that the various contents of consciousness, including the objects and phenomena of the social world, are classified according to an “a priori” mental classification system of the perceiving subject (of the conscious actor). Therefore, if we are able to ascertain the structure implied in the way phenomena are classified by our consciousness, we will know at least something about each concrete content of consciousness that can possibly and potentially appear. Hayek is explaining the *epistemological method*.

“The claim to which I have referred follows directly from this character of the first part of our task as a branch of applied logic. But it sounds startling enough at first. It is that we can derive from the knowledge of our own mind in an “a priori” or “deductive” or “analytic” fashion, an (at least in principle) *exhaustive* classification of all the possible forms of intelligible behavior.”

“If we can understand only what is similar to our own mind, it necessarily follows that we must be able to find all that we can understand in our own mind.”(EO-67/68)

Thus, from the point of view of the individual consciousness, the content of consciousness is classified according to a classification system inherent to consciousness. Said another way, the pattern in which the content of consciousness recurs, is indicative of an ascertainable “structure” of consciousness. The question then becomes, what exactly are these classifications and what exactly is this structure? And this question leads us back to the fundamental correlated pairs of social experience; happiness/unhappiness, desirable/undesirable, good/bad, etc. Specifically, since the number and type of correlated pairs of consciousness seem potentially limitless, does this indicate that

inherent to consciousness are a limitless number of a priori (preexisting) classifications or categories? Or, alternatively, are we to understand that all of the classification pairs of social and physical life derive from a more fundamental bicategorical classification source?

Owing to what we have previously established, our answer to this question is obvious. We have argued that the most fundamental categories of consciousness are those of perceptual presence and perceptual absence (observed and unobserved) and this, we suggest, is the source from which all other correlated pairs of consciousness derive.(27) Our working assumption (model) will be that of a bicategorical structure of consciousness in which various *contents* of consciousness—the various concrete perceptions and sensations of conscious awareness—combine with an unobserved or unobservable *aspect* of consciousness. It is the variation in the *content* of consciousness, as it appears within the structure of consciousness, that gives rise to all of the differentiated, particular, relationship pairs of experience and communication (happiness/unhappiness, pleasure/pain, high/low, near/far, etc.).(28)

Attitudes of positivity and negativity in social phenomena.

In the realm of social phenomena, the specific correlated pairs that derive from the fundamental consciousness bicategorical structure universally entail a “positive” element and a “negative” element. The positive element expresses that something is welcome to the actor (something beneficial, pleasing, satisfying, attractive, good, etc.). The negative element expresses that something is unwelcome to the actor (something detrimental, unpleasant, unsatisfying, unattractive, bad, etc.). The positive/negative correlated pairs can take a limitless number of forms. Consider, for example, the pairs: accept/reject, correct/incorrect, important/unimportant, trustworthy/untrustworthy, kind/unkind, inquisitive/uninquisitive, intelligent/unintelligent, etc.

Clarifications.

Before proceeding further, there are two points that may serve to clarify the intended nature and purpose of the framework.

First, in our written theory, we make innumerable distinctions between various entities. We speak of ‘actors’ and of ‘consciousness’ and of ‘perceptions’ and of

‘observations’ and of ‘attempts’ and of ‘happiness,’ etc. We differentiate various correlated pairs, such as ‘perceptions and unobservability,’ ‘perceptions and attempt,’ and the innumerable correlated pairs of social and physical phenomena.

To the extent that we make distinctions between entities, as has been indicated, we are engaged in a *physical* analysis. In our theory, differentiation of entities is the foundation of physical analysis. Our explicit intent is to undertake a *social* analysis. The apparent contradiction might be addressed in conceiving that we are “undertaking a social analysis by means of physical concepts” or some similar conception or formulation.(29) This would be somewhat analogous to our previous discussion about attempting to depict the absence of perception by means of perceptions. Can the attempt to conduct a social analysis by means of physical concepts, or the attempt to depict the absence of perception by means of perceptions, ever produce a satisfactory result? We will propose an answer to this question in a subsequent discussion.

Second, as discussed, the present framework is comprised of two categories, perception and unobservability. In explaining the theory, we have referred to various ‘correlated pairs’ of experience (happiness/unhappiness, good/bad, fair/unfair, etc.) that we assert “derive” from these two fundamental consciousness categories. An important reason for developing this framework is to deepen our understanding of the universal human experience of happiness and unhappiness, especially as these phenomena occur in a social setting. The goal is not merely to better understand what happiness and unhappiness “are,” but also to better understand the relationship between happiness, unhappiness, and human social life.

Happiness and unhappiness.

Given what we have established so far, we will put forth an initial account of the conscious experiences of happiness and unhappiness that is plausible within the framework of the theory. We can then work with and adjust this conception if necessary.

I experience the positive side of the aforementioned correlated pairs (happiness, satisfaction, admiration, acceptance, etc.) to the extent that I experience my perceptions separate or in isolation from my attempt to observe the unobserved aspect of them. Conversely, I experience the

negative side of the correlated pairs (unhappiness, dissatisfaction, contempt, rejection, etc.) to the extent that I experience my 'attempt to observe' separate or in isolation from my perceptions.

The positive element of the pair (happiness) refers to my perceptions when those perceptions are considered separate from the attempt to observe the unobserved aspect of them (are considered separate from the attempt to change those perceptions to something different). The negative element of the pair (unhappiness) refers to my 'attempt to observe' when that attempt is considered separate from my perceptions (when the 'attempt to change' my perceptions to something different is considered separate from those perceptions).

Here it is important to note that, as our theory only has two categories (observed and unobserved), and we are conceiving that the negative element of the pair refers to something separate from my observations, this implies that the negative element of the positive/negative category pair is associated with the unobserved aspect of my consciousness.

Thus, here we have an initial sketch of an important social phenomenon—our recurring conscious experience of happiness and unhappiness—that is consistent with our framework (or at least expressed in terms of our framework) and at least plausible on its face. My perceptions are the source of my experience of happiness, and my attempt to change my perceptions is the source of my experience of unhappiness.

Now we will attempt to apply this initial sketch to our empirical experience. Regarding the experience of happiness, I can accept a definition of happiness (satisfaction, contentment, etc.) wherein I experience my perceptions with no, or very little, attempt to change those perceptions to something else. For example, when I am sitting in a beautiful setting and enjoying my favorite food or favorite drink. In situations such as these, I typically consider myself to be "happy" (satisfied, content, etc.) and I am typically not trying to replace this situation with a different one.

Next, we turn to the definition of unhappiness and its empirical application. Here there is a problem. I want to conceive that unhappiness consists not in my perceptions (the experience of my perceptions), but rather in my *trying to change*

those perceptions. Prior to any formal theorizing, my empirical experience includes the conscious experience of unhappiness. Thus, my empirical experience of unhappiness must be accounted for in the theory. If I “experience” unhappiness, this experience must be some kind of perception or observation (our theory does not have a category of experiences that may be had aside from perceptual or observational experiences). If my experience of unhappiness is perceptual, and if my experience of happiness is also perceptual (as we have just proposed), then I will have differentiated two perceptual entities, and this, by our own definition, constitutes a *physical* phenomenon.

On the other hand, if unhappiness is my “attempt,” and this attempt is considered separate from my perceptions, then this must mean it is unobservable and not perceivable. This is inconsistent with my empirical conscious experience in which I perceive or observe the phenomenon of my own unhappiness.

If we conceive that unhappiness is perceivable, as our empirical experience indicates, we will have a theory that conceives two differentiable, perceivable phenomena (two objects)—happiness and unhappiness—and we will have passed into the physical realm of analysis. If we conceive the experience of unhappiness as the unobservable aspect of consciousness, this may be consistent with the formal categories of our theory, but it contradicts our empirical experience that unhappiness is perceivable.

On the one hand, a theory that conceives both happiness and unhappiness as perceivable phenomena will, in this sense, be empirically accurate, but it will be a physical theory, not a social theory.(30) On the other hand, a theory that conceives either happiness or unhappiness as unperceivable will be able to conceive social phenomena with internal consistency, but at the expense of empirical accuracy.

Traditional social theory.

This theoretical predicament explains the well-documented stagnation in the social sciences. Social theoreticians have been unable to construct a social theory that did not have a physical epistemological foundation. Traditional social theories depict innumerable social phenomena with empirical accuracy or plausibility. They descriptively portray the various phenomena to be related in the theory. Then comes the task of relating the various depicted phenomena with theoretical

consistency. The epistemological foundation of the theory is the epistemological foundation of physical science. Physical science and mathematics have rigorously worked out the various implications of the physical epistemological foundation. The various empirical phenomena of what began as a social theory can only be related to one another according to the well-established relationship rules of advanced physics and mathematics. By logical extension from the epistemological foundation, phenomena such as *thoughts* or *happiness* must occur or exist at specific spatial coordinates or within specific spatial volumes; they must be fast or slow, high or low, here or there, heavy or light, dim or bright, etc.

The likelihood that such a theory, inadvertently employing a physical epistemology as the foundation of a social inquiry, will ultimately attain coherence or consistency, is very low. To attain coherence or consistency the theory will have to be fundamentally altered. The primary elements of the theory are the well-established physical categories and relationship rules on the one hand, and on the other hand, ephemeral and ethereal notions such as *thoughts*, *intentions*, *happiness*, *consciousness*, etc. Our empirical experience shows us that the physical sciences have largely succeeded in attaining success in the physical realm (computers, smartphones, advanced medicine, etc.). By contrast, in the social realm, people appear not to be happier than they were in past ages, and our forms of social organization—aside from those enabled specifically by physical, technological advances—are nearly the same as they were in past ages.(31) In short, there has been vast physical progress but correspondingly little social progress. Therefore, in the alteration of a social theory comprised of both physical and social elements—in which the physical elements are rigorous and well-established while the social elements are ephemeral and ethereal; and in a historical context in which physical science has been spectacularly successful while social science has been largely ineffectual—which elements would it seem reasonable to deemphasize or eliminate, and which elements would it seem reasonable to emphasize and expand?(32)

Brief summary.

The present theory is constructed of only two categories: a category of perceptions, and a category of the unobserved or unperceived. The category pair perception/unobserved is intended to be the most universal category pair, and all

other category pairs are conceived to be specific, concrete, manifestations of the primary category structure.

The constraints imposed by the primary category structure apply identically to any particular manifestation of that category structure. So, for example, in the category pair happiness/unhappiness, we may choose to conceive one of the two as perceivable, and the other not. In the category pair perception/attempt, we may choose to conceive one of the two as perceivable and the other not.

The goal is to incorporate two distinct conscious experiences in a unified social theory (e.g., those of happiness and unhappiness or those of the present situation and the sought-after situation, etc.). We only have a single category of perceptual content. This means we can't, as a theoretical principle, make distinctions between various parts of the perceptual content (this part *over here* contrasted to that part *over there*, or this part *now* contrasted to that part *later*, etc.). Doing so constitutes the foundation of physical inquiry. Given these constraints, we assign *one* of the phenomena to the category of perception (e.g., happiness, the present situation, etc.) and *one* of the phenomena to the category of unobservability (e.g., unhappiness, the future situation, etc.). The result is that one of the elements that is typically conceived as perceptual in a standard physical description is not conceived as perceptual in the social theory.

The physical theory can conceive each of the phenomena as perceptual (an advantage), but cannot attain coherence or consistency as a social theory (a disadvantage). The social theory can attain coherence and consistency as a social theory (an advantage), but it cannot conceive each of the phenomena as perceptual (a disadvantage).

Visualization and observability versus consistency in physical and social theory.

The quantum-mechanical notion of complementarity is relatively well known. In physical science, in some sense, position and momentum are mutually exclusive. If we know one of them, we cannot know the other. Since this phenomenon was discovered during the course of a physical science inquiry, it is largely assumed that it is a phenomenon of the physical world. Specifically, it is not interpreted as a phenomenon of consciousness, but as a phenomenon of the spatial and temporal universe.

In the present theory, we attempt to show how the fundamental consciousness categories relate to the objects and phenomena of consciousness. We argue that the two fundamental consciousness categories—perceptual content and the unobserved aspect of it—determine the form of, and experience of, every differentiable entity of our conscious field. The varying perceptual content of consciousness gives rise to innumerable variations of this fundamental consciousness structure: happiness/unhappiness, satisfaction/dissatisfaction, pleasure/pain, etc. Importantly, it is due to this fundamental consciousness structure that every object of consciousness must have its “satisfactory” and “unsatisfactory” aspect. And this includes *intellectual objects* such as theories.

The classical physics theory of atomic particles is *aesthetically pleasing* in that it describes nature in a way that is visualizable. However, the classical physics theory of atomic particles is *inconsistent* (it does not correctly predict atomic phenomena). By contrast, the quantum physics theory of atomic particles is *consistent* (it correctly predicts atomic phenomena) but it is aesthetically *unpleasing* (it describes nature in a way that is fundamentally unvisualizable). One theory is aesthetically pleasing but inconsistent while the other theory is consistent but aesthetically unpleasing. The fact that each choice has both a positive aspect and a negative aspect is not an accident of the physical universe but rather indicative of the structure of our consciousness. With regard to any object of consciousness, the fundamental consciousness categories will manifest as a positive and a negative aspect of that object. From the point of view of the present theory, there is no choice or variation possible in this respect. However, choice or variation is possible in the *concrete manifestation* of the positive and negative aspects. And thus, on the one hand, we may have a theory that is pleasing and inconsistent, or on the other hand, we may have a theory that is consistent and unpleasing. And this is the situation physicists encountered upon the discovery of quantum physics. They had reached a fundamental structural consciousness constraint: what Mises referred to as “the praxeological a priori.”(UF-2)

Something similar applies to the present theory. In the present theory, the fact that only one of the elements of the category pair (happiness or unhappiness) can be conceived as perceivable is theoretically unsatisfactory, given that our conscious experience provides perceptual evidence of both happiness and

unhappiness. Notwithstanding this ‘unsatisfactory’ aspect of the theory, we claim the theory is consistent—a ‘positive’ aspect of the theory—since every conscious experience can be explained by its two categories. Thus, the theory has both a positive and a negative aspect, as would be expected. Conversely, we assert that proposed social theories in which the various components are each conceived as perceivable—i.e., the theory is aesthetically pleasing (a positive aspect)—will be inconsistent, incoherent, inaccurate, etc.—(a negative aspect). We don’t have a choice *whether* dissatisfaction will manifest in a theory. We only have a choice in *which part* of the theory it manifests.

A simple sketch.

Let’s return to the example of my sitting in a room with other people. As discussed, there are all of the perceptual aspects of this situation. I see the other people, I see the walls of the room, I see furniture, etc.(33) Next, there are all of the unobservable aspects of this situation. I do not see the thoughts, motives, or intentions of the other people, I do not see the other side of the walls, I do not see the other side or the inside of the furniture, etc. What our theory says is that all of the perceptual/observable aspects of this situation constitute my experience of happiness, and all of the unperceived/unobservable aspects of this situation constitute my experience of unhappiness.

This might be explained in the following way. The unobserved aspect of my consciousness is an “empty placeholder” for the observations I am trying to have (knowingly or not) but have not yet had (for the perceptions I am trying to have but have not yet had). The “existence” of the unobserved aspect of my consciousness is evidence of my “trying” to observe something that is not yet observed.

An illustrative example of this idea might be a situation in which I am in a great deal of pain. What makes this situation “unhappy” or “dissatisfactory” to me is the fact that I am trying to replace my current situation (current perceptions) with a different situation (with different perceptions). The suggestion is that it is not the perception itself (the feeling itself) that is painful, but instead, the attempt to replace the current perception with a different perception (with a different feeling).

Theoretically, if I conceive this “trying” or this “attempt” as perceptually distinct from my current perceptions (i.e., as “perceptually experienceable”), in so doing, I “instantiate” a physical conception, inquiry, or analysis. The conception of the “trying” or the “attempting” in perceptual, experiential, or visualizable terms, is complementary to (is mutually exclusive of) the conception of it in *social* terms.

My attempt to replace my perceptual experience when I am in a great deal of pain is identical, categorially and structurally, to my attempt to replace my perceptual experience when I am in very little pain, which is identical, categorially and structurally, to my attempt to replace my perceptual experience when I haven’t named my current perceptual experience as one of pain (e.g., when looking at a wall). In all cases, I try to bring to observation or to perception something I do not observe or perceive. In the situation in which I am in a great deal of pain, I try to perceive or observe that which I do not now perceive or observe: a situation in which I am not in a great deal of pain. In the situation in which I am looking at the wall, I try to perceive or observe that which I do not now perceive or observe: the unobserved aspect of the wall. In both cases, that which constitutes pain is “there” structurally and categorially. *Pain* is a social phenomenon; *intensity*—this much pain versus that much pain—is a physical phenomenon.

Meaning and application.

The present theory is a phenomenological theory of consciousness; a theory of subjective experience. This theory of subjectivity is based on the distinction between what is observed and what is not observed in conscious experience. As we intend it, “unobserved” does not mean “does not exist.” It only means “is not observed.” (34) Thus, the present theory is not a theory of the denial of objectivity or objective reality or a theory of the denial of other minds. It is not a theory of the denial of physical or spiritual forces. Rather, it is a positive theory of subjectivity. It is a “blueprint” or “diagram” illustrating how consciousness “works.” The theory is based on the structure of *my* mind which I assume is the same structure as the minds of other people. In my belief that other people’s minds exist, I may present to them a written theory that explains the structure of their mind, even if I myself have not observed their mind. It is in this spirit that Mises wrote:

“The a priori sciences—logic, mathematics, and praxeology—aim at a knowledge unconditionally valid for all beings endowed with the logical structure of the human mind.”(HA-57)

In our theory, we maintain that the innumerable correlated pairs of analysis (happiness/unhappiness, high/low, etc.) derive from an underlying bicategorical consciousness structure. The attempt to observe that which is presently unobserved is the more universal expression for what we may also call the attempt to change the current situation to a different situation, a phenomenon historically referred to as *human action*.

Social Interaction

Our common understanding of social interaction is founded on the realistic assumption that other minds similar to our own minds exist. The term *minds* is to be clearly differentiated from the term *brains*. *Mind* is a social-scientific term while *brain* is a physical term. Though I believe other minds exist, I never observe them. I observe bodies and I observe brains, but I do not observe other minds. Other minds are unobservable.

Within my conscious field, as I understand it in daily life, another mind can be “present” or “not present.” For example, when I talk to another person “face-to-face,” I believe that I am in the presence of another mind. I believe that another mind is now experiencing me (the sight of me, the sound of me, etc.) and is now making various *attempts* with regard to me (attempting to understand me, attempting to focus on me, attempting to know what I’m thinking, attempting to communicate with me, attempting to convince me, etc.). The same applies when I speak to someone on the telephone. Here again, I believe that I am in the presence of another mind. When I am in the presence of another mind, this means I have identified, *within my conscious field*, another mind similar to my own, and which I may direct my thoughts and actions towards.

The identification of another mind within my conscious field is not a spatial phenomenon. I never actually observe another mind. The identification of another mind is a belief I have that another mind is “present.” As a physical analogy, I might believe another person is behind the wall in front of me, though I do not see, hear, or experience that person in any perceptual way. In this analogy, even though I do not perceive this person, I nonetheless believe I have located this person spatially. Social interaction in the phenomenological or praxeological sense is similar, except that the object being “located” is the other person’s mind, and the domain of location is my conscious field as opposed to a segregated spatial volume.

As I experience things in daily life, another mind is not always present. If I’m planting plants by myself in my garden, my mind may be occupied with various perceptions—plants, flowers, dirt, the blue sky, sunshine, a breeze, nearby trees,

etc. All of these objects, as objects of my consciousness, will have unobserved aspects. However, generally speaking, I do not believe that the unobserved aspect of these objects is another person's mind. And thus, as I experience it and understand it, in this circumstance I am not in the presence of another mind. Another mind is not present.

Interpersonal action.

When another mind is present within my conscious field, we may refer to this as social interaction or, more precisely, *interpersonal action*. Provisionally, we may contrast the phenomenon of interpersonal action with that of *isolated action*. Isolated action is action in which another mind does not enter my conscious field (e.g., the example of gardening provided above).

The positive and negative aspects of interpersonal action.

From what we have established previously, and from the point of view of the present theory, there is no basis for distinguishing between various unobserved entities. That which is not observed cannot be assigned characteristics in the same way that observed entities can be assigned characteristics. We therefore concluded that many things which have historically been thought of as different and distinct entities—time, gravity, physical or spiritual force, concepts, the future, the other side of things, the inside of things, other minds, etc.—can be thought of as a singular entity or phenomenon.

We described this entity or phenomenon as the unobservable aspect of consciousness. Adopting the Spinoza/Jacobi dictum, we arrived at the insight that the assumed observability of an unobserved entity derives from the *attempt to observe* itself. In our theory, an unobserved entity does not first exist as observable, after which we try to observe it. Rather, we call an unobserved thing observable because we try to observe it, and we try to observe it because that is the nature of our consciousness.

In order to understand how the consciousness categories relate to our experience of interpersonal action, we will refer to the most common form of interpersonal action in which the person I interact with is visually present to me. Interpersonal action occurs when another mind is present in my conscious field. In this particular instance of interpersonal action, another mind is present in my

conscious field because I believe that the person I see has a mind similar to my own. From the point of view of our theory, there is no basis for distinguishing between the mind of another person and any other unobservable. However, in everyday life, I make distinctions between various unobservables—the back of the wall, the underside of my desk, other minds, etc. I experience interpersonal action as the identification of another mind within my conscious field.

That aspect of my consciousness that is the attempt to observe an unobserved entity is the derivation source of the negative element of the correlated pair (i.e., unhappiness). The mind of another person, as unobserved, “exists” for me as my attempt to observe an unobserved entity. Therefore, the mind of the other person during interpersonal action is the derivation source of the negative aspect in my conscious experience. Thus, in interpersonal action, I experience the mind of the other person as unhappiness, dissatisfaction, unease, etc. The unobserved mind of the other person in interpersonal action is the “attempt” aspect of my consciousness. With respect to the correlated pairs, the “attempt” is the negative aspect of my conscious experience (unhappiness, dissatisfaction, pain, discomfort, unease, etc.). In order that the theory be consistent, this attempt cannot be conceived as perceivable. It must be conceived as something other than my current perceptions. And this is an ‘unsatisfactory’ aspect of the theory.

Conversely, in interpersonal action, the perceptual aspect of the person I interact with is the derivation source of the positive element in the correlated social pairs. Thus, the sight of that person, the sound of that person, the tactile aspect of that person, the smell of that person, etc., manifest as the positive aspect of my conscious experience (happiness, satisfaction, pleasure, comfort, ease, etc.). In short, in interpersonal action, the observable and perceptual aspects of the person I interact with are experienced as happiness, and the unobservable aspects of the person I interact with are experienced as unhappiness.

Interpersonal action compared to other forms of action.

In daily life, the unobservable that I differentiate in interpersonal action is different, in an important way, from the unobservables that I differentiate in other forms of action. Since I myself have thoughts, intentions, feelings, opinions, etc., when I identify another mind, I believe that this other mind has thoughts, intentions, feelings, opinions, etc. By contrast, when I’m involved in isolated

action, I typically believe that the unobserved aspect of things is “inert,” or just “there.” Typically, I don’t give much thought or attention to these latter unobservables. Consider, for example, the other side of the computer screen I’m currently observing, or the underside of the desk I’m currently observing. Though from the point of view of our theory, all unobservables are the same, I do not experience all unobservables in the same way in my daily life. In interpersonal action, I believe that the unobservable I have identified is unique in ways that may importantly impact me. I wonder, what is this person thinking about? What are this person’s intentions? How does this person feel? What are this person’s opinions? These are all things that I may be concerned about when I engage in interpersonal action. These kinds of questions are largely absent when I engage in isolated action such as gardening or walking or eating.

It is not difficult to interpret these questions—and many other questions that may arise in interpersonal action—as an attempt to observe something. When I try to answer questions such as those above, I try to change a situation in which I do not know something into a situation in which I know something. This knowledge (X), if it arrives, must arrive as some concrete perception; something I can visualize, picture, sense, or otherwise observe.⁽³⁵⁾ X—the knowledge I seek—is not observed now, but in attempting to obtain an answer to my question, I’m attempting to observe X. We have established that the attempt aspect of consciousness is experienced as unhappiness in daily life. This means that in interpersonal action—the identification of another mind; an entity I assume has thoughts, intentions, feelings, opinions, etc.—my various attempts to know what the other person is thinking are all instances of the negative aspect of my consciousness. Stated more simply, the “attempt to know” what’s on another person’s mind is the “attempt to observe” aspect of my consciousness that gives rise to the experience of unhappiness (unease, dissatisfaction, etc.).

While the *attempt to observe* is universally present in every action of mine, in interpersonal action, the particular unobserved entity I differentiate is singularly unique. This particular entity is not simply the back side of a computer or the underside of a desk—things which I regard as relatively inert or passive—but is rather an active and intentional entity, i.e., another mind similar to my own. When I encounter this particular unobserved entity, my attempt to observe it is, generally, not the same as my attempt to observe the back side of my computer or

the underside of my desk. In physical terms, my attempt to observe this particular unobserved entity can be more intense, more focused, more sustained, etc. This means that my experience of the negative element of the correlated pairs can be more intense, more focused, and more sustained; and this means that I may experience a more intense, focused, and sustained feeling of unhappiness, dissatisfaction, unease, etc.(36)

Social Exchange.

Previously, we discussed the difference between social interaction (interpersonal action) and social exchange. By definition, in interpersonal action, another mind is present within my conscious field. In social exchange, another mind may or may not be present within my conscious field. For example, I may exchange with a person face-to-face, or I may make a purchase online. Both are examples of social exchange. However, when I exchange with a person face-to-face, it is highly likely that I will identify another mind within my conscious field during this process. By contrast, when I make a purchase on the internet, I find that it is much less likely that I identify another mind within my conscious field during *this* process. My experience during an internet purchase is more similar to that of isolated action than it is to that of interpersonal action. This is because during a typical internet purchase, I consider the unobserved aspects of the objects I encounter as largely inert, the same way I consider the unobserved aspects of the objects I encounter while gardening. Thus, while my internet purchase is a social exchange, I typically experience it as isolated action or a series of isolated actions.

And thus, what we have pointed out in comparing interpersonal action to isolated action, also applies in the comparison of social exchanges involving interpersonal action to social exchanges that do not involve interpersonal action. In social exchanges involving interpersonal action, the unobserved entity that I try to observe is another mind similar to my own. In social exchanges not involving interpersonal action, the unobserved entity that I try to observe is, as I understand it, an inert entity. And thus, *my attempt to observe* in social exchanges involving interpersonal action may be more intense, focused, and sustained, than *my attempt to observe* in social exchanges not involving interpersonal action. Therefore, I may experience a more intense, more focused, and more sustained feeling of unhappiness (dissatisfaction, unease, etc.) during social exchanges

involving interpersonal action than I do in social exchanges not involving interpersonal action.

The technique of objectifying social exchange.

Given that I may experience the *attempt* aspect of my action more intensely in interpersonal action as compared to other forms of action—the attempt interpreted as the negative aspect of consciousness—and knowing that I may engage in social exchange without engaging in interpersonal action, I may therefore choose, or tend to choose, those forms of social exchange that do not require interpersonal action. If other people in society experience the negative aspect of interpersonal action the same way I do, they may similarly choose, or tend to choose, forms of social exchange that do not require interpersonal action. The repetitive occurrence of these choices on a large scale may be interpreted as an evolutionary process in which forms of social exchange that do not require interpersonal action are developed as an alternative to forms of social exchange that require interpersonal action.

The technique in which social exchange that does not require interpersonal action is substituted for social exchange that requires interpersonal action may provisionally be called a technique of “objectifying” social exchange. Objectifying social exchange simply means choosing methods of social exchange in which I consider the unobserved aspect of the objects I encounter to be largely inert or passive. For example, in purchasing something from a vending machine, the unobserved entities I encounter during this process—the back of the machine, the back or inside of the products, the back of the posted prices, etc.—I typically consider to be “objective” in the sense that I believe them to be “inert” or just “existing” or just “there.” These unobserved entities are typically of little interest or concern to me. This is different from the unobserved entities I encounter when I engage in social exchange involving interpersonal action. Here, at least one of the unobserved entities—the mind of the other person—I believe to be unique. I believe this entity possesses certain “intentions” or “attitudes” or “opinions.” I believe that this unobserved entity is “active” and that it may impact me in important ways. As such, this particular unobserved entity is of increased interest and concern to me. This “interest” and “concern” may manifest as increased focus and concentration on my part. This focus and concentration is an attempt to

observe what I currently do not observe: the aspects of this unobserved entity that I believe are there (thoughts, motives, intentions, opinions, etc.).

A technique of happiness.

Thus, the technique of substituting “objectified” forms of social exchange for social exchange requiring interpersonal action can be interpreted as a technique for increasing our happiness. It is a technique for obtaining the benefits of social exchange, without, or largely without, identifying another mind within our conscious field. It is a technique for obtaining the benefits of social exchange without engaging in interpersonal action.

The evolution of social exchange.

In the theoretical and formal sense, action is always an attempt to exchange the current, observed situation, for a different, unobserved situation. However, in daily life, in referring to the notion of *exchange*, we typically mean the social process of the exchange of ideas, information, goods, and services, between people. As we have described previously, we may make a distinction between social interaction (interpersonal action) and social exchange. Social exchange may occur during interpersonal action, such as when I make a face-to-face barter exchange. But social exchange may also occur without interpersonal action, such as when I make a purchase from a vending machine. Thus, as we previously concluded, it is possible to obtain the benefits of social exchange without engaging in interpersonal action.

The process by which social exchange becomes possible without interpersonal action may be seen as an evolutionary process. We may begin by thinking of a primitive society in which most social exchange is effectuated by simple commands (“give me that,” “take this,” etc.). Here, interpersonal action is the primary means of guiding the exchange. Next, we may think of a barter society in which differing amounts of various goods are offered and compared, accompanied by some negotiating or haggling. Here, the interpersonal action involved in the exchange may be interspersed with periods of non-interpersonal action, for example, when the parties to the exchange observe and examine the various types and quantities of goods. Next, we may think of a society in which there are small stalls or shops, and in which prices are posted for the goods being offered. Though negotiation entailing interpersonal action may still occur, it may be

significantly reduced, since the posted prices and the corresponding goods may be observed by the buyer to a considerable extent without interpersonal action. Next, we may think of a society of large-scale stores and supermarkets. Most of the shopping activity occurs in shopping aisles consisting of goods and posted prices and may occur largely without the experience of interpersonal action. Even if there is another person at the checkout stand, the interpersonal action that occurs is often reduced to a brief exchange of pleasantries. Next, we may think of a society that introduces vending machines, automated teller machines, self-checkout, and self-service gas stations, etc. Here, social exchange may occur largely without interpersonal action. And finally, we may think of a society in which there is a high degree of electronic communication and electronic commerce (e.g., websites, internet purchases, artificial intelligence, cryptocurrencies, etc.). In this society, the extent to which social exchange may occur without interpersonal action is expanded even further.

Thus, we may conceive an evolutionary social process in which the potential to exchange socially without interpersonal action is expanding.

Libertarian social theories as theories of limited government.

In libertarian social theory, the evolution of human society has typically been portrayed in one of two ways. Libertarian *economic* theory conceives the evolution of human society in terms of economic progress. As the market system expands, this results in increased standards of living.(37) Libertarian advocates of a market economy argue that human well-being is best achieved through the increased living standards that the market society generates.

The market system is essentially a system in which autonomous actors, individually or in groups, produce those goods and services that they want to produce, and offer them for sale at prices they themselves set. These same people, acting as consumers, purchase those goods and services they want to purchase at prices they themselves accept. By definition, and by its nature, the market system is a constraint on the system of government, since in the market system, market participants and not the government decide on what is produced, in what quantities, and at what price. In a “mixed” system in which both the market system and government system operate, when the government decides that the market system isn’t producing what it, the government, wants, or

producing the quantities that it wants, or is not setting the prices that it wants—i.e., the notion of ‘market failure’—the government typically transfers these decisions from the market system to the government system. The result is government-provided goods and services such as public education, public health care, public roads, the postal service, etc. Thus, the market system constitutes an implicit line of demarcation between those decisions that are made by autonomous market participants and those decisions that are made by government. Importantly, the expansion of the market system constitutes an implicit contraction of the government system in the sense that more decision-making is granted to autonomous market participants and correspondingly less decision-making is granted to government officials.

Libertarian moral or ethical theory conceives the evolution of society in terms of moral or ethical conduct.⁽³⁸⁾ What distinguishes the more civilized societies of the modern age from the less civilized societies of past ages is the gradual development of the notion of ‘human rights,’ or in libertarian social philosophy, simply ‘rights.’ In essence, in libertarian social theory, my rights are those things I am entitled to do without the forcible intervention of others. The reasoning and the arguments that determine my rights are *moral* or *ethical* arguments. They are arguments about social relationships that try to determine what people “should” do or “ought to” do, but may not do. The essential argument of libertarian moral or ethical theory is that if I, a social actor, haven’t done anything wrong in the “positive” sense—I haven’t physically harmed anyone, threatened to harm anyone, cheated anyone, damaged anyone’s property, etc.—that I “should not” or “ought not” be forcibly interfered with. The goal of this libertarian moral or ethical imperative, which limits when other people are morally or ethically justified in forcibly intervening with me, is to provide a realm or scope of operation in which I can safely act without encountering violence or the threat of violence. This limitation is intended as absolute. The libertarian prohibition against forcible intervention applies to all individuals whether alone or in groups, and importantly, it applies to the government. Thus, libertarian moral or ethical theory proposes a limitation on government in that it seeks to prevent forcible social intervention except in cases of provable, positive, wrongdoing (assault, murder, fraud, property damage, etc.). In libertarian social theory, an increase in individual rights implies a

corresponding decrease in government intervention, i.e., a decrease in the size and scope of government.

Coercion as a type of trade or exchange.

Coercion is distinct from other types of social harm, such as murder, assault, aggression, theft, fraud, etc. Coercion is a type of trade or exchange. When I coerce someone, I threaten that person with some particular harm, and then I offer to withdraw the threat of harm *in exchange* for something I want from that person.

Coercion is a universally understood method of obtaining something from another person. It is distinct from other methods of obtaining something from another person such as persuasion, suggestion, bargaining, etc. If I, the person employing coercion, want my coercive trade or exchange to be successful, it is important that the harm I threaten to do to the other person be great enough that the person will want the threat of that harm withdrawn, and will therefore agree to the exchange. If the threatened harm is very mild or not of much concern to the other person, they may not care whether or not the threat of that harm is withdrawn, in which case my offer to withdraw the threat may not be important enough to them to exchange for it. The prototypical example of a coercive exchange throughout modern history has been the person who points a gun and commands “Do as I say, or I’ll shoot!” In this command, all of the essential aspects of coercion are present: an exchange between two people in which harm is threatened and the withdrawal of the harm is offered in exchange for something, and in which the threatened harm is deemed great enough that the other person will want the threat of the harm withdrawn, and will therefore agree to the exchange.

Coercion is a near-universally employed method of exchange in the sense that nearly everyone, at some point in time, employs coercion. It is also nearly universal that people try to avoid being the “recipient” of a coercive exchange. That is, almost everyone wishes to avoid being coerced.

Coercion as the essential component of government action.

Modern government is a collective of individuals whose primary task is making people do things they do not want to do voluntarily. Many people would not pay taxes or abide by various laws and regulations were it not for government. To

secure obedience to its laws and regulations, government threatens people with various forms of harm through legislation, and then offers to withdraw or withhold that harm if people obey the laws and regulations. Typically, the harms threatened include penalties such as license revocation, fines, imprisonment, and bodily harm. These threatened harms, and the promise to withhold these harms if people obey, are not incidental aspects of legislation; they are the *foundation of* legislation. In this sense, coercion is the foundation of modern government.

The employment of coercion.

Typically, to employ coercion, I identify another mind within my conscious field, and I direct my threat of harm, and my offer to withdraw that harm in an exchange, to this other mind. The identification of another mind within my conscious field is interpersonal action. To the extent that I engage in interpersonal action, the experiences previously discussed may occur. Having identified this particular and unique unobserved entity within my conscious field, an entity possessing various thoughts, motives, intentions, opinions, etc., my “attempt to observe” these unobserved aspects may be more focused, intense, sustained, etc. I may experience the negative aspect of the correlated pairs (unhappiness, dissatisfaction, unease, etc.) more so than I do when other unobserved entities are present in my conscious field (the other side of the wall, the underside of my desk, the back side of my computer, etc.)

The relationship between coercion and objectified social exchange.

To the extent that coercion requires interpersonal action, and to the extent I engage in “objectified” forms of social exchange in order to diminish instances of interpersonal action and expand my potential for happiness, to this extent do I diminish or eliminate my opportunities for coercion. In other words, to the extent that coercion is a particular form of interpersonal action, when I objectify social exchanges in order to diminish interpersonal action and increase my happiness, I thereby diminish my use of, or potential use of, coercion as a means of social exchange.

The relationship between libertarian social theory and government.

Previously, we discussed how libertarian social theory is an inherently limiting factor with respect to government. In libertarian economic theory, rising living

standards are achieved by means of the market system. The market system entails autonomous individuals making decisions on product types, product quantities, and product prices. To the extent that the market system is in effect, these decisions are made by autonomous individuals and not by government, and thus the size and scope of the market system are inversely related to the size and scope of government. To advocate for an increase in the size and scope of the market system is to advocate for a corresponding decrease in the size and scope of government. To advocate for an increase in the size of government is to advocate for a corresponding decrease in the size of the market system.

The same applies to libertarian moral or ethical theories. The 'rights' possessed by each citizen are those activities a citizen may engage in without forcible intervention by other parties, including government. If the rights of the citizenry expand, the opportunities for forcible government intervention contract. If government expands, the rights of the citizenry—those things they may do without forcible government intervention—contract.

We have also discussed an evolutionary process in which social exchange becomes possible without interpersonal action. We referred to this type of social exchange as "objectified" social exchange. This simply means social exchange in which the unobserved aspect of my conscious field is something other than the mind of another person. An expansion in the employment of objectified social exchange is equivalent to a contraction in social exchange involving interpersonal action. To the extent that coercion requires interpersonal action, a general contraction in social exchange involving interpersonal action implies a general contraction in the occurrence of coercion. In turn, a general contraction in the occurrence of coercion implies a general contraction in government, as coercion is the foundation of modern government. Thus, to advocate for an expansion in the size and scope of objectified social exchange is to advocate for a corresponding contraction in the size and scope of government. Conversely, to advocate for an expansion in the size and scope of government is to advocate for a corresponding contraction in the size and scope of objectified social exchange. Thus, as has been the case historically, libertarian social theory is seen to be an inherently limiting factor with respect to government.

End Notes

1. Searle writes: “If I am going for a walk to Hyde Park, there are any number of things that are happening in the course of my walk, but their descriptions do not describe my intentional actions, because in acting, what I am doing depends in large part on what I think I am doing. So for example, I am also moving in the general direction of Patagonia, shaking the hair on my head up and down, wearing out my shoes, and moving a lot of air molecules. However, none of these other descriptions seems to get at what is essential about this action.”

“A...related feature of actions is that a person is in a special position to know what he is doing. He doesn’t have to observe himself or conduct an investigation to see which action he is performing, or at least is trying to perform. So, if you say to me: ‘Are you trying to walk to Hyde Park or trying to get closer to Patagonia?’ I have no hesitation in giving an answer even though the physical movements that I make might be appropriate for either answer.”(MB-58)

“There is more to types of action than types of physical movements, actions have preferred descriptions, people know what they are doing without observation, and the principles by which we identify and explain action are themselves part of the actions, that is, they are partly *constitutive* of actions.”(MB-59)

“What the person is really doing, or at least what he is trying to do, is entirely, a matter of what the intention is that he is acting with.”(MB-66)

“The explanation of an action must have the same content as was in the person’s head when he performed the action or when he reasoned toward his intention to perform the action.”(MB-67)

Schutz writes: “For it is obvious that an action has only one subjective meaning: that of the actor himself. It is *X* who gives subjective meaning to his action, and the only subjective meanings being given by *F* and *S* in this situation are the subjective meanings they are giving to their own actions, namely, their actions of observing *X*.”(SW-32)

2. Hayek writes: “It is important to remember that the so-called “data,” from which we set out in this sort of analysis, are...all facts given to the person in question, the things as they are known to (or believed by) him to exist, and not, strictly speaking, objective facts. It is only because of this that the propositions we deduce are necessarily a priori valid and that we preserve the consistency of the argument.”(EO-36)

“...the data which formed the starting-point for the tautological transformations of the Pure Logic of Choice. There “data” meant those facts, and only those facts, which were present in the mind of the acting person, and only this subjective interpretation of the term “datum” made those propositions necessary truths. “Datum” meant given, known, to the person under consideration.”(EO-39)

3. “...it is important to note that Pareto immediately lays down the possibility of studying social phenomena from two different points of view which he calls the objective and the subjective, respectively. The objective is first characterized as what the phenomenon “is in reality” and opposed to the way it appears “in the mind of certain persons.” The further development of the distinction, however, especially linking the objective aspect with the way in which action appears “for those who have more extended knowledge” makes it legitimate to infer that the objective point of view is that of the scientific observer, while the subjective is that of the actor.”

“Indeed, this is explicitly included in his definition of logical action: “We designate as ‘logical actions’ those operations which are logically united to their end, not only from the point of view of the subject who performs the operations, but also for those who have more extended knowledge.”(SA-187)

“The subjective end is quite clearly that anticipated (concrete) state of affairs which the actor himself subjectively desires and supposes to be the object of his action...But knowing the subjective end and knowing the means it is proposed actually to employ, it is possible for an observer with a “more extended knowledge of the circumstances” to judge whether the particular operations carried out actually will contribute to the end.”(SA-188/189)

“The means-end relationship must be seen first as it is to the actor—what he thinks the efficacy of his means will be—and then “as it is in reality”—as the

observer's more extended knowledge leads him to believe it will, or would be."(SA-190)

Thus, in this conception of the objective/subjective distinction, the "objective situation" or "objective reality" is that situation or state of affairs as depicted by the hierarchically-elevated person or group, as opposed to the situation or state of affairs as depicted by the hierarchically-subordinate person or group.

4. Menger writes: "The purpose of the theoretical sciences is understanding of the real world, knowledge of it extending beyond immediate experience, and control of it. We understand phenomena by means of theories as we become aware of them in each concrete case merely as exemplifications of a general regularity. We attain knowledge of phenomena extending beyond immediate experience by drawing conclusions, in the concrete case, from certain observed facts about other facts not immediately perceived. We do this based on the laws of coexistence and of the succession of phenomena. We control the real world in that, on the basis of our theoretical knowledge, we set the conditions of a phenomenon which are within our control, and are able in such a way to produce the phenomenon itself."(IM-55/56)

5. Robbins writes: "Economic laws describe inevitable implications. If the data they postulate are given, then the consequences they predict necessarily follow...If, in a given situation, the facts are of a certain order, we are warranted in deducing with complete certainty that other facts which it enables us to describe are also present...If the "given situation" conforms to a certain pattern, certain other features must also be present, for their presence is "deducible" from the pattern originally postulated. The analytic method is simply a way of discovering the necessary consequences of complex collocations of facts—consequences whose counterpart in reality is not so immediately discernible as the counterpart of the original postulates. It is an instrument for "shaking out" all the implications of given suppositions. Granted the correspondence of its original assumptions and the facts, its conclusions are inevitable and inescapable."

"...given the data in a particular situation, [Economic Science] can draw inevitable conclusions as to their implications. And if the data remain

unchanged, these implications will certainly be realized. They must be, for they are implied in the presence of the original data.”(EN-121/122)

Hayek writes: “...the system of tautologies—those series of propositions which are necessarily true because they are merely transformations of the assumptions from which we start...”(EO-34/35)

“...the data which formed the starting-point for the tautological transformations of the Pure Logic of Choice.”(EO-39)

6. Hayek writes: “Questions essentially similar to those mentioned arise in fact as soon as we try to apply the system of tautologies—those series of propositions which are necessarily true because they are merely transformations of the assumptions from which we start and which constitute the main content of equilibrium analysis—to the situation of a society consisting of several independent persons. I have long felt that the concept of equilibrium itself and the methods which we employ in pure analysis have a clear meaning only when confined to the analysis of the action of a single person and that we are really passing into a different sphere and silently introducing a new element of altogether different character when we apply it to the explanation of the interactions of a number of different individuals.”(EO-34/35)

“...the sense in which we use the concept of equilibrium to describe the interdependence of the different actions of one person does not immediately admit of application to the relations between actions of different people.”(EO-37)

7. Here, we are not trying to solve any theoretical problems entailed in Hayek’s conception. We are accepting Hayek’s explanation at face value.

8. “Apodictic certainty is only within the orbit of the deductive system of aprioristic theory. The most that can be attained with regard to reality is probability.”(HA-105) In this brief passage, Mises explicitly states that aprioristic theory does not predict the outcome of various modes of action with apodictic certainty, *in reality*.

9. “The starting point of experimental knowledge is the cognition that an *A* is uniformly followed by a *B*. The utilization of this knowledge either for the

production of *B* or for the avoidance of the emergence of *B* is called action. The primary objective of action is either to bring about *B* or to prevent its happening.”(UF-20)(Note: Mises possibly intended to use the phrase *experiential knowledge* as opposed to *experimental knowledge* and this may be a typographical error. In Mises’s system of thought, experiments are clearly procedures of physical science.)

10. Hume writes: “When we look about us towards external objects, and consider the operation of causes, we are never able, in a single instance, to discover any power or necessary connection; any quality, which binds the effect to the cause, and renders the one an infallible consequence of the other. We only find, that the one does actually, in fact, follow the other....There is not, in any single particular instance of cause and effect, any thing which can suggest the idea of power or necessary connection.”(HP-316)

11. Definition from: Stanford Encyclopedia of Philosophy, online, 7/26/24.

12. *Phenomenology* as we employ this term is a method of analysis used to attain knowledge. We do not employ this term as an ontological commitment to deny the existence of other minds or objective reality.

13. This is not intended as an exhaustive study or catalog of forms of knowledge. It is intended to highlight two *historically important* forms of knowledge.

13a. In this sense, one could say that the process and results were based on *social* considerations, i.e., making assumptions and establishing norms that are reasonable, i.e., socially acceptable.

14. If we try to understand unobservability by means of visualizable analogies, these analogies inevitably fail. For example, if we compare unobservability to a void space, or a space without light, we end up visualizing something like a space proximate to some observable space or object, or a space that is visually dark. But then, these visualizations depict something that has either a visualizable border or a visualizable color. Try as we may, we can’t fully capture, or “get at,” what we mean by the total absence of observability when we try to explain it in terms of words (perceptual objects) or visualizations (mental perceptions).

- 15.** Our interpretation of the mathematical conception “0” is that it is the consciousness category of unobservability *objectified*.
- 16.** This is our theoretical interpretation of what these dictums and passages imply.
- 17.** “If we qualify a concept or proposition as a priori, we want to say: first, that the negation of what it asserts is unthinkable for the human mind and appears to it as nonsense; secondly, that this a priori concept or proposition is necessarily implied in our mental approach to all the problems concerned, i.e., in our thinking and acting concerning these problems.”(UF-18)
- 18.** In previous writings, we have referred to the conscious experience of action as a “reference phenomenon.” A reference phenomenon is a phenomenon that is continually referred to in a contemplative attempt to understand and delineate the nature or structure of something.
- 19.** Understanding Mises’s conception of “category” is made more difficult by the fact that Mises conceives many other subsidiary categories of consciousness such as: causality, finality, (UF-35) regularity, time, value, (UF-36) means/ends, success/failure, profit/loss, costs, (UF-45).
- 20.** Remembering that praxeology is a *phenomenological* discipline. In referring to *my situation*, we mean my situation as *I* experience it. We are not referring to my situation as viewed by an *observer*.
- 21.** This conception may be difficult for some to understand. One might reason: “It is obvious that in action, I do not try to change the entirety of my present situation. When I write something on my computer screen, I try to change the present situation with respect to my computer screen, but I do not try to change anything about my desk, the wall in front of me, etc.” However, this misses our meaning. My entire situation right now includes everything I can perceive, including my computer screen in state X. After I write something on my computer screen, my entire situation will be everything I can perceive, including my computer screen in state Y. These are two different situations. In our conception of action, I try to change my current situation (which includes my computer in state X), to a new situation (which includes my computer in state Y).

22. Here, we're using the term *category* as Mises used it.

23. This leads to the hypothesis (in the sense of a proposed explanation for a phenomenon) that all of the fundamental concept pairs of social and physical analysis derive from the fundamental consciousness categories (good/bad, just/unjust, happiness/unhappiness, fair/unfair, high/low, fast/slow, sooner/later, heavy/light, etc.).

24. The attempt to observe is identical to the attempt to change the current 'perceived situation' to a different 'perceived situation' which is identical to the attempt to change the current situation to a different situation.

25. The following passage are relevant: "Every judgment of value allows of a formulation in which the more highly valued thing or state is logically expressed in both a **positive** and a **negative** way..."

"Action necessarily involves the renunciation of something to which a **lower** value is assigned in order to attain or to preserve something to which a **higher** value is assigned."(TH-24)(emphasis added)

In these passages, Mises is thinking about the nature of action and inadvertently providing evidence supporting our conception of a bi-categorical consciousness structure.

26. Our hypothesis (in the sense of a proposed explanation for a phenomenon) is that the *physical* correlated pairs (high/low, fast/slow, up/down, etc.) are concrete manifestations of the fundamental bicategorical consciousness structure derived by objectifying the category of perception and the category of unobservability; i.e., the conception of these categories of consciousness as independent of conscious activity.

27. If there were a number of different correlated pairs inherent to consciousness, the differentiation of them by means of contrasting their different characteristics would constitute a physical science inquiry. In dealing with several objects or entities possessing different characteristics one would be dealing with *physical* objects.

28. Again, differentiation implies/entails/requires two entities. This constitutes the basis of *physical* objects, the ultimate foundation of physical science.

29. Heisenberg writes: “Any experiment in physics, whether it refers to the phenomena of daily life or to atomic events, is to be described in the terms of classical physics. The concepts of classical physics form the language by which we describe the arrangement of our experiments and state the results. We cannot and should not replace these concepts by any others. Still the application of these concepts is limited by the relations of uncertainty. We must keep in mind this limited range of applicability of the classical concepts while using them, but we cannot and should not try to replace them.”(PP-44) The analogy in our current argument is that we must use physical concepts to explain social phenomena.

30. As an example, we will consider John Searle’s theory of Biological Naturalism. Searle’s goal is a theory of consciousness in which consciousness is described or defined entirely in terms of physical processes:

...consciousness is part of the natural world along with other biological phenomena such as photosynthesis, digestion or mitosis, and the explanatory apparatus we need to explain it we need anyway to explain other parts of nature.(BN-7)

Consciousness is entirely caused by neuronal behavior,...(BN-11)

...consciousness exists, it is caused by neuronal processes, it exists in the brain, and it has causal functions in the life of the organism...(BN-14)

As has been argued, physical science consists of at least two observations. Here we will assume that the first observation is of a medical patient who is hooked up to advanced monitoring equipment. The second observation will be that of the readings of the monitoring equipment after the patient has been hooked up to it. We may also refer to the hooking up of the patient to the monitoring equipment as the *experiment* and we may refer to the reading of the monitoring equipment after the patient has been hooked up to it as the *result* of the experiment. According to Searle, the following is the kind of

experimental result that could be obtained and that would demonstrate the correctness or success of his theory of Biological Naturalism:

We could, and if we knew enough, for certain purposes, say medical purposes, we might. We could then say, “This guy is in pain, even though he **does not feel it yet**. The thalamocortical system definitely shows the presence of pain, though it **is unfelt**.”(BN-11)(italics and bold added)

However, Searle provides the following definition of pain in earlier pages of his essay:

Some things, such as **pains** and tickles and itches, **only exist when experienced** by a human or animal subject, and they have a *subjective* or first person ontology.(BN-3)(underlined italics added)

As we are arguing, in Searle’s theory, both of the primary elements are perceivable, observable, or visualizable. We can satisfactorily visualize the patient being hooked up to the monitoring equipment, and we can satisfactorily visualize the reading of the monitoring equipment showing the presence of pain in the patient’s thalamocortical system. Thus, Searle’s theory, in its fundamental aspects, is *empirically accurate*. He outlines a procedure in which the various elements will be, in principle, observable.

However, as one can see, Searle’s theory contains a glaring inconsistency. On the one hand, Searle claims that if his theory is successful, we will observe an indication that **pain is present, though unexperienced** (unfelt) by the patient. On the other hand, Searle claims that **pain only exists when experienced** by a human subject (by the patient). Thus, Searle’s theory is *internally inconsistent*.

To address this internal inconsistency, Searle could modify his theory and eliminate any reference to the subjective (social) aspect of pain. He could eliminate those passages in his theory that refer to the subjective experience of pain, such as the notion that pain only exists when experienced by a human subject. His theory would then essentially reduce to observation #1 (the hooking up of the patient to the monitoring equipment) and observation #2 (the reading of the monitoring equipment). However, this would be purely a

physical theory; it wouldn't explain or account for the subjective or social experience of pain.

In the present essay we will argue that, assuming that a given theory *does* account for the subjective (social) experience of pain, there will be two choices: the theory can be empirically accurate but internally inconsistent (as Searle's theory of Biological Naturalism), or the theory can be internally consistent but empirically inaccurate (as the present bicategorical theory of consciousness).

31. For example, forced wealth appropriation is still the primary foundation of modern government both in practice and in theory.

32. Which explains John Searle's theory of Biological Naturalism.

33. Regarding observations or perceptions aside from visual observations or perceptions. In the present theory, the terms *observation*, *perception*, and *sensation*, are considered equivalent. They refer to any impression that occurs within the conscious field of the actor (visual impressions, tactile impressions, aural impressions, olfactory impressions, gustatory impressions, mental impressions). The fundamental definition of the unobserved is something which the actor believes "exists" or "is present" as part of what the actor observes, but which the actor does not observe. So, for example, if I hear a sound, from past experience, I know what the source of that sound is likely to be, even if I do not observe that source (a bird, an airplane, lightning, shattered glass, etc.). I hear the sound, and I believe that the bird, the airplane, the lightning, and the shattered glass, are "there now" as part of the sound I hear, even though I may not observe these objects. Similarly, when I'm sitting on a chair, I may feel the sensation of the back side and the underside of my body in contact with the chair, though I do not observe the chair in contact with those parts of my body. What I observe (perceive, sense, etc.) is a tactile sensation. I believe that under my legs and behind my back, the chair is "there now" as part of my tactile sensation, even though I do not observe those parts of the chair.

34. Assuming one wanted to use the term *existence*, the two classifications in the theory might be expressed as "exists *to me* as an observation" and "exists

to me as an unobserved.” I.e., the term *existence* would be translated from its objective meaning to a subjective meaning.

35. The indication to me that something I sought has been attained is some perceptual “occurrence” or “evidence” that the attainment of that thing is the present situation. If I am trying to hike to the top of a mountain, the indication that I am now at the top of the mountain comes in the form of certain perceptual occurrences or evidences that I am now at the top of the mountain. Similarly, if I’m trying to obtain some specific knowledge, the indication that I have obtained the sought-after knowledge is some perceptual evidence of that. Something, perceivable to me, indicates that I have attained or obtained the sought-after knowledge.

36. It is important to note that I “may” experience the attempt to observe more strongly in interpersonal action than in isolated action, not that I “must” experience it more strongly. What is important in the context of the present theory is not whether the dissatisfaction or unease associated with interpersonal action is stronger or weaker in intensity than other occurrences of dissatisfaction or unease. What is important is whether or not I and other people associate interpersonal action with dissatisfaction or unease such that we may opt for methods of social exchange that obviate the need for interpersonal action.

37. A recurring theme of libertarian social theory is the relationship between the self-interested actions of individuals, the expansion of market phenomena, and the improvement in mankind’s condition.

Consider Adam Smith’s “invisible hand” metaphor:

As every individual, therefore, endeavors as much as he can both to employ his capital in the support of domestic industry, and so to direct that industry that its produce may be of the greatest value; every individual necessarily labors to render the annual revenue of the society as great as he can. He generally, indeed, neither intends to promote the public interest, nor knows how much he is promoting it. By preferring the support of domestic to that of foreign industry, he intends only his own security; and by directing that industry in such a manner as its produce may be of the greatest value, he intends only

his own gain, and he is in this, as in many other cases, led by an invisible hand to promote an end which was no part of his intention. Nor is it always the worse for the society that it was no part of it. By pursuing his own interest he frequently promotes that of the society more effectually than when he really intends to promote it.(WN-456)

The individual, pursuing only his own gain, unintentionally also “promotes the public interest.” If we consider Carl Menger’s explanation of the origin of money, the same notion is present:

As *each* economizing individual becomes increasingly more aware of his economic interest, he is led by this *interest*, *without any agreement, without legislative compulsion, and even without regard to the public interest*, to give his commodities in exchange for other, more saleable, commodities, even if he does not need them for any immediate consumption purpose. With economic progress, therefore, we can everywhere observe the phenomenon of a certain number of goods, especially those that are most easily saleable at a given time and place, becoming, under the powerful influence of *custom*, acceptable to everyone in trade, and thus capable of being given in exchange for any other commodity. These goods were called “*Geld*” by our ancestors, a term derived from “*gelten*” which means to compensate or pay. Hence the term “*Geld*” in our language designates the means of payment as such.(PE-260)

Both of these passages conceive a relationship between self-interested individual action and some economic or market-related benefit to society. In Smith’s case, the benefit is the increase in the revenue or capital of society, and in Menger’s case, the benefit resulting from self-interested individual action is the emergence and evolution of money. The two essential components of this kind of theory are (1) the concept of individual, self-interested action, and (2) a social benefit that results from this self-interested action but which was not the intention of the actor performing the action. Mises too provides an account of social evolution based on self-interested action:

The task with which science is faced in respect of the origins of society can only consist in the demonstration of those factors which can and must result in association and its progressive intensification. Praxeology solves the problem. If and as far as labor under the division of labor is more productive than isolated labor, and if and as far as man is able to realize this fact, human action itself tends toward cooperation and association; man becomes a social being not in sacrificing his own concerns for the sake of a mythical Moloch, society, but in aiming at an improvement in his own welfare. Experience teaches that this condition—higher productivity achieved under the division of labor—is present because its cause—the inborn inequality of men and the inequality in the geographical distribution of the natural factors of production—is real. Thus we are in a position to comprehend the course of social evolution.(HA-160)

For Smith, the individual, in increasing the value of his capital, unintentionally increases the revenue of society. For Menger, the individual, in trading for more marketable goods, unintentionally fosters the development of money. For Mises, the individual, in recognizing the higher productivity of his labor under the division of labor, is led to intensify association and social cooperation. Thus, an important focus of libertarian social theory is the relationship between individual action and the evolution of society. The present theory provides an interpretation of this relationship that is independent of both libertarian ethics theory and libertarian economic theory.

38. Rand writes: “The basic political principle of Objectivist ethics is: no man may *initiate* the use of physical force against others...The ethical principle involved is simple and clear-cut: no man may obtain any values from others by resorting to physical force.” “The only proper, *moral* purpose of a government is to protect man’s rights, which means: to protect him from physical violence—to protect his right to his own life, to his own liberty, to his own *property* and to the pursuit of his own happiness.”(VS-36)

39. In the terms of the present theory, Eddington is suggesting that physical science is the result of regarding unobserved things as observed things. This is what we were explaining in the section “An analysis of the categories of

observation.” “...the conclusions I will reach after this process will be based on my prior agreement to state the results in terms of two categories of observation and to assume that the back of the mountain has at least *some* characteristics. If the back of the mountain, by prior agreement, must have *some* characteristics, and if the result of my process must be stated in terms of a two-category structure built to express those characteristics, then the result of my process will express a comparison of two observations, even if two observations have not taken place. I will be logically compelled to reach the conclusion that the back of the mountain is taller than me and in front of me based on my original agreements, even though I have made no observations of the back of the mountain. On the one hand, I have only made one observation, the observation of myself. On the other hand, the form in which I express my conclusion, as it entails two categories representing two observations, will imply that two observations have taken place. Thus, we conclude that the knowledge expressed in the first process (in which I made two observations) is fundamentally different from the knowledge expressed in the second process (in which I made only one observation), though the form in which they are presented is the same, implying that both forms of knowledge are the same.”

40. On the notion of “full empirical reality” in relation to theory, see Menger (IM-54-65).

The Epistemological Foundation of Physical Science

To understand the epistemological foundation of physical science, we will refer to key passages in Arthur Eddington's *The Philosophy of Physical Science*. In these passages, Eddington is explaining how the raw material of consciousness (the content of consciousness) is interpreted in order to form the basis of physical science. A large part of our social theory has consisted in the classification of the content of consciousness in order to arrive at an epistemological foundation of social science. Eddington is doing the same thing here for physical science.

"When I examine the totality of my knowledge, I find that part of it consists of direct awareness of my feelings, but a great deal more consists of memory of my feelings. The memory is something of which I am directly aware; but, as an object of direct awareness, it is quite different from the feeling itself. No one can mistake the memory of a toothache for a toothache."

"It is therefore incorrect to say that I have direct awareness of my own sensations, unless the term "sensation" is confined to sensations occurring at the present moment—a limitation contrary to common usage."

"I am directly aware of remembered sensations; but it is a universal form of thought that a remembered sensation is to be regarded, not as a constituent of knowledge important in itself, but as an indirect apprehension of a past sensation of which I have not direct awareness. It is, in short, sympathetic knowledge of the past sensation."

"If we deny all sympathetic knowledge, our outlook becomes not merely solipsistic but ultra-solipsistic. We contemplate a world in which only the momentary self exists; for we deny *all* knowledge of a self preceding it. The earlier self, of which memory tells us, is dismissed as a construct of the supposed sympathetic understanding which persuades us we have a knowledge of which we have not."(PS-191/192)

In the passages above, Eddington is making a singular and crucial argument. First, he makes a clear distinction between a toothache and the memory of a

toothache. My memory of a toothache, and an “actual” toothache, are not the same thing. In the language of our theory, the memory of a toothache and a toothache are two separate perceptions. Eddington agrees in principle. Next, Eddington agrees that upon examining the content of his consciousness, he finds that the memory of the toothache (the memory itself) is a thing of which he is directly aware (“I am directly aware of remembered sensations”). The memory itself is a “direct perception,” or in our language, a “current perception” or simply a “perception.”

Next, Eddington distinguishes two potential interpretations of his current perception, the memory of the toothache. 1) The memory of the toothache could be regarded as a constituent of knowledge important in itself. 2) The memory of the toothache could be regarded as an indirect apprehension of a past sensation of which I have not direct awareness. As we can read, Eddington chooses interpretation #2 as the epistemological foundation of physical science. What he is arguing in this short paragraph is very subtle, and very important, so let’s try to make it clearer.

As I sit here at my desk, I’m aware of many different ‘direct’ perceptions. I see my desk and computer, I feel my body in contact with the chair, I hear noises on the other side of the window, etc. As I sit here, I have additional direct perceptions as well. I have mental perceptions such as thoughts and memories. I remember having a toothache, I remember going to the dentist, and I remember many other things. However, an important question is, as I sit here now with various ‘direct’ perceptions, where is the actual toothache that I remember having? In other words, where is the toothache perception itself, or feeling of pain itself, *now*?

No one can mistake the memory of a toothache for a toothache. As I sit here now, I’m clearly experiencing a memory of a toothache and not a toothache. So then, what is the status of the toothache itself, of which I have a memory?

One obvious answer is that I don’t know. I know, or at least I seem to know, that I’m having a memory of a toothache. But where the actual feeling of having a toothache has gone or what its status is, I simply don’t know. I only know that I have this memory; this direct perception. That is the most obvious and simple answer.

Eddington is saying that, at least as far as physical science is concerned, this is wrong. If we conceive that, 1) I'm directly aware of my memory of a toothache and, 2) I don't actually know the relationship between this memory of the toothache and the actual toothache, this would be to "regard the memory as a constituent of knowledge important in itself." This would be to consider my current memory as the "primary fact" or "foundational fact" or "certain fact" (i.e., to consider my current memory as what is "real," for lack of a better term) as opposed to the toothache that I'm not experiencing and whose present status is unknown to me. Eddington is saying, at least as it concerns physical science, we shouldn't do this. Instead, Eddington suggests that we should consider the memory of the toothache "as an indirect apprehension of a past sensation of which I have not direct awareness."

"Alongside the sensations of which I am directly aware, I admit also two kinds of sensations of which I am not directly aware, (1) the sensations which I remember to have had in the past, and (2) the sensations which other people tell me they have or have had. It is an axiom of physical science that, as raw material for knowledge, these are all on the same footing."(PS-198)

"Our direct awareness of certain aural and visual sensations (words heard and read) is postulated to be an indirect knowledge of quite different sensations (described by the words heard and read) occurring elsewhere than in our own consciousness. Solipsism would deny this; and it is by accepting this postulate that physics declares itself anti-solipsistic."(PS-198)

What Eddington is saying or suggesting is that physical science is the result of regarding *indirect* sensations as *direct* sensations ("It is an axiom of physical science that, as raw material for knowledge, these are all on the same footing.").(39) To reach a clear picture of what Eddington is saying, let's make a simple classification chart that distinguishes between Eddington's "direct sensations" and "indirect sensations." The memory I have of a toothache is a direct sensation (See above: "The memory is something of which I am directly aware" "I am directly aware of remembered sensations"), and the words I hear from other people and read in books are direct sensations ("Our direct awareness of certain aural and visual sensations, words heard and read"). On the other hand,

there are sensations of which I am not directly aware (“the sensations which I remember to have had in the past” and “the sensations which other people tell me they have or have had”). Thus, in a simple classification chart, we will have:

Chart 1

Direct Sensation 1

Memory of toothache

Indirect Sensation 1

Toothache I had

Direct Sensation 2

Words heard and read
about a toothache

Indirect Sensation 2

Toothache other people
have or had

What Eddington is saying is that physical science is based on regarding indirect sensations *as* direct sensations (“It is an axiom of physical science that, as raw material for knowledge, these are all on the same footing”). This is equivalent in the present theory to the proposition that physical science is based on regarding unobserved entities *as* observed entities. Eddington’s conception of the foundation of physical science might be represented in a classification chart as:

Chart 2

Direct Sensation 1

Memory of toothache

Direct Sensation 2

Words heard and read
about a toothache

Direct Sensation 3

Toothache I had

Direct Sensation 4

Toothache other people
have or had

What is most important for our current purpose is that Chart 1 is of the same essential structure as the classification system we’re proposing as the

epistemological foundation of social science. What Eddington is referring to as a *direct sensation*, we are referring to as a *perception* or *observation*. What Eddington is referring to as an *indirect sensation*, we are referring to as “not observed.” I “directly” observe my memory of the toothache, and I “directly” observe the words spoken and written by other people about their toothache. But I do not “directly” observe my past toothache, and I do not “directly” observe other people’s toothaches. Eddington has arrived at a classification of two fundamentally different types of consciousness content. We propose to construct a social theory that recognizes and incorporates this fundamental divide, whereas Eddington argues that the enterprise of physical science requires us to overlook it.

The critique of solipsism.

In the essay “An Epistemology of Praxeology,” our argument is that something like Chart 1 is the beginning point of the epistemology of social science. By contrast, Eddington indicates that something like Chart 2 is the beginning point of the epistemology of physical science. Putting aside the theoretical challenges involved in either conception, in the course of his discussion and analysis, Eddington makes an important and, unfortunately, common mistake. Eddington believes that in order to conduct a phenomenological analysis of consciousness in which our perceptions are treated as constituents of knowledge important in themselves, one must deny the objective existence of the past, of the past self, and of other minds. However, phenomenological inquiry does not require a commitment to deny the existence of things that are not directly observed or perceived. The belief that it does is Eddington’s mistaken assumption.

To better understand the pattern or structure in which the world appears in my consciousness, I am not forced to deny the way the world is “in reality” any more than a person working with mathematical equations is forced to deny the “empirical fullness” of reality.(40) If I classify the back of the mountain as something unobserved in my conscious experience, I do not have to draw the conclusion that therefore the back of the mountain “does not exist.” Phenomenology and solipsism are not identical. The following insight made by Hayek is instructive:

“Though all the social phenomena with which we can possibly deal may have physical attributes, they need not be physical facts for our purpose.

That depends on how we shall find it convenient to classify them for the discussion of our problems.”(EO-59)

Eddington errs in holding that our theoretical alternatives are those of *physical science* and *solipsism*. The more correct formulation is that our theoretical alternatives are those of *physical science* and *social science*. And thus, what Eddington is arguing against, perhaps inadvertently, is not solipsism, but in fact, *social science*.

According to Eddington, valid physical knowledge:

“must be such that we can specify an observational procedure which would decide whether it is true or not.”

“Every item of physical knowledge must therefore be an assertion of what has been or would be the result of carrying out a specified observational procedure.”

“knowledge which has not been or could not be obtained by observation is not admitted into physical science.”(PS-9,10,12,14,16)

As I look at the front of the mountain, I do not observe the back of the mountain. Then how do I know, or how do I validate, that the mountain has a back side? Since knowledge which cannot be obtained by a specified observational procedure is not admitted into physical science, we must specify an observational procedure for deciding whether the mountain has a back side. The specified observational procedure is to walk or drive to the other side of the mountain to see if a perception of the other side of the mountain occurs in my consciousness. And thus, as we have argued, essentially, physical science conceives unobserved entities as *future observations*. As I look at the front of the mountain now, I do not observe the back of the mountain. In physical science, we conceive the back of the mountain to be a future observation or future perception. In social science, we conceive the back of the mountain to be a *consciousness category*; the aforementioned category of unobservability. In physical science, there are two observations: the current observation of the front of the mountain and the future observation of the back of the mountain. In social science, there is the observed front of the mountain and the unobserved back of the mountain.

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