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| Can Economics Give Us Knowledge? |
| The Claims of Economics in Light of Modern Epistemological Theory |
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While great quantities of scholarly literature have been written in the academic fields of both epistemology and economics, the overlapping field of economic epistemology is a discipline that has been the recipient of significantly less scholarship. It remains at least partially unclear in the Austrian economic literature what exactly major theorists are saying about the nature of economic knowledge and what they mean when they claim that economics can lead to real knowledge. This paper will set out to examine the problems associated with knowing and certainty as they are encountered in the area of economic epistemology. What becomes clear is that while certainty in the strong Cartesian sense is out of reach for any finite being, and any branch of natural or social science, economics can still make meaningful claims about the cause and effect relationships between human actors. These claims, however, can only be honestly enunciated with the caveat that these conclusions only follow if you accept the definitional and presuppositional framework under which the deductions of economics are being made. The knowledge economics gives us, therefore, is not any kind of propositional certainty, but rather a practical type of knowledge that is still eminently useful in the context of the milieu of human experience.

In order to understand how the Austrian school of economics views economic epistemology, and in order to understand the potential problems with this conception, a basic understanding of epistemology in general must be grasped, along with the foundational problems associated with knowing and certainty. The word epistemology derives itself from the Greek word *episteme*, meaning knowledge or understanding.[[1]](#footnote-1) Epistemology as a branch of philosophy is concerned with addressing the fundamental human questions related to knowledge, especially the question of whether it is possible to have real knowledge of the external world and whether or not it is possible to be certain about the truth of any proposition. Epistemology can be defined as, “a philosophical inquiry into the nature, conditions, and extent of human knowledge”[[2]](#footnote-2). In terms of the theoretical distinctions and terminology, this paper will concern itself with modern (post-Descartes) theory and use modern terminology.

In regards to the study of economics, one epistemological question is especially relevant: can we know reality as it really is or only as it is shaped by our perceptions and interpreted by our minds? There is by no means universal agreement among philosophers as to whether we can know anything about the world *as it is*, as opposed to how we perceive and interpret it. John Greco writes in *The Blackwell Guide to Epistemology* that philosophers who take the position that knowledge, or, to put it in other terms, certainty, is impossible in regards to proper knowledge of objective reality, are generally referred to as skeptics[[3]](#footnote-3). From the skeptic point of view, what we believe is true about the external world or even ourselves is merely subjective interpretation and may or may not correspond to reality. In either case, according to the skeptic, we cannot know nor have any certainty as to whether our perception of reality is indeed objectively accurate.[[4]](#footnote-4) Those who believe, in contradiction to the skeptics, that at least some the external world can be known *as it is* by humans, Greco writes, are referred to as realists.[[5]](#footnote-5) Realists take the position that whatever is objectively true about the world can indeed be correctly perceived and known by human beings, at least sometimes and to some degree.[[6]](#footnote-6) This debate between the realists and skeptics supposes an objective external world, ruling out both idealism (there is no world outside the mind) and perspectivism (what the world is depends on the perspective ‘it’ is being viewed from). This paper, due to a limited scope, and for reasons of relevancy to people’s actual beliefs, will focus mainly on the conflict between realism and skepticism.

Economic theory, if it is conceived as being able to deliver real truths about the world as it is, must deal with the epistemological problems associated with the idea of

certain knowledge. The realist position, which holds that human beings may, at least in some sense, possess correct knowledge about the external world, has numerable problems of great import for an investigation into the possibility of human knowledge.

A foundational objection to the realist position is that it is unclear how human beings could come to have real knowledge about what we call the external world. As the claims of economics deal with external world, other beings, and interactions between actors, this issue is of special importance for understanding the epistemological viability or non-viability of these claims. For this example, it can be assumed that humans can have real knowledge of what can be dubbed ‘the self,’ and are then faced with how this self is able to come to know what exists besides itself. The mind perceives things about the world through sense perception, and the brain (at least it seems this is what happens, although we certainly cannot be sure) interprets sense data, and paints a ‘world picture’ based on the sense data it receives. If this is in fact the case, then how could we know that whatever actually exists is being accurately portrayed by our brain and understood by the ‘self’? It seems that we could never be certain that our beliefs about the external world were actually true. The philosophical problem of solipsism, the idea that all that can be known is the self, presents itself to the realist, and challenges assumptions about the possibility of knowledge of the external world.

A wider objection to the realist claim that knowledge of the external world is possible is this: how is certain knowledge of any kind possible for a finite being? If a being, human or otherwise, is finite, then uncertainty seems to be an inevitable aspect of their existence. For a finite being, part of what they do not know (or at least think they know) could always be that they were wrong about everything that they think they know. For a finite being, certainty seems to be something out of reach, no matter the level of assurance a being may have about any proposition. If a being cannot be certain, then it seems it cannot honestly claim to know anything in an absolute sense, as it could always be wrong.[[7]](#footnote-7) If we cannot rule out the possibility that we are brains in a vat, or in the Matrix world, or being deceived by a Cartesian evil demon, then we cannot be certain that any proposition that claims that these scenarios are not true is true. Therefore, knowledge in what can be called the strong Cartesian sense, meaning certain knowledge, is out of the reach of a finite being.

This being said, further explanation of this crucial point is required. Taking the three examples above, it can be demonstrated that a human being could not rule out the possibility that any of these (admittedly grotesque) possibilities might in fact be true. Take the example of the brain in a vat being manipulated by a group of scientists. They could be creating an illusory world, even the illusion of a body, and thus causing the ‘person’ whose brain was in the vat to believe all kinds of things that are not in fact true. The Matrix example is similar. If we were in fact living in the Matrix world, then our experiences would be exactly the same as they are now, but our beliefs stemming from our experiences would be actually false. Everything a person might think that they know about what is real will in this instance be wrong. If a person cannot know that they are not in the Matrix world, then they cannot be certain of anything that presupposes that the world is not the Matrix world. The example used by Descartes himself was that of an evil demon. If there was some type of evil demon deceiving us systematically into believing what we believe, all of our supposed knowledge would be incorrect.[[8]](#footnote-8) Although Descartes thought there might be a way around the evil demon problem, this doesn’t seem to be the case.[[9]](#footnote-9) So if we cannot rule this out, we cannot be certain about the actual world, as it could be the case and we could be wrong about everything we think we know.

An objection to these examples can be anticipated and answered at this point. Many people would likely claim that while these things might be *possible*, they are outlandish and irrelevant to the question of whether or not we can be certain about claims to economic knowledge. Actually, however, these examples are exceptionally relevant to the question at hand, for the following reason. For the same reason we cannot rule these possibilities out in terms of what could actually be true about the real world, we cannot assign probabilities expressing how likely it is that they are true. Precisely because we cannot be certain, we cannot know if our ideas about these seemingly unlikely scenarios are accurate. It could in fact be the case, that one of the examples used was in fact very probable, but regardless, we simply cannot know, and thus cannot say they are unlikely or likely, just that they are possible. These types of scenarios could be conceived for any finite being, and thus any finite being, including humans, cannot reach the point of epistemological certainty.

Another objection to skepticism centered on such analytic a priori ‘truths’ as ‘2+2=4’ or the statement; ‘all triangle shave three sides’ can here be anticipated. These statements are true by definition, (given a particular perspective on the meanings of words/symbols used) so can they not constitute knowledge of reality? Although the discussion of coherentism in the following pages can shed some light on the possible epistemological status of these examples, a quick answer can be given here. Although things can seem to particular people to be a priori knowable, this does not have any necessary import for reality. It simply means that from a particular standpoint, propositional *x* is always true because of its definition *y*. It seems this tells us about how a person thinks about the world, not about the world itself. Mathematical truths are perhaps thus best thought of as bits of a personal framework of understanding, part of a subjective scheme of interpretation, rather than bits of knowledge about the real world.

The issue of certainty can also be addressed in terms of foundationalism, anti-foundationalism, and coherentism. In the terminology of epistemology, foundationalism is the view that there is some type of foundation for knowledge, or justified true belief, and that this makes certain knowledge possible.[[10]](#footnote-10) Anti-foundationalism is the contrary view that there is no foundation for knowledge, and thus nothing can be truly known, as there is no reference point defining what is true.[[11]](#footnote-11) Coherentism attempts to address the issue from a different perspective, claiming that knowledge should be thought of not atomistically, as a collection of facts, but rather as a type of interrelationship between a whole set of beliefs.[[12]](#footnote-12)

These three viewpoints in modern epistemological theory can shed light on some of the basic issues having to do with certainty and knowledge. While all three have many subcategories and theorists with specific and slightly differentiated beliefs, grasping the main thrust of each idea is enough for the scope of this paper. It is important to realize that there are no universally accepted exact definitions of what knowledge or justified true belief are, so a degree of flexibility in these concepts helps to explain the following discussion. This being said, the general definition of knowledge is considered to be ‘justified true belief.’ This definition means something close to the following: that in order for some fact to count as being known, that fact must be properly grasped by the human mind, and the human mind must be aware that this belief is ‘justified,’ or has a real basis for being believed to be true. The circumstances of knowledge are difficult to attain, if not impossible, and philosophers disagree as to whether a human being can ever be truly justified in their beliefs, and thus possess real knowledge. This discussion in epistemology reveals that an economist could conceivably approach economics from any of the three positions discussed below.

Foundationalists believe that there exists something, a knowable fact or reality, that is certain and infallibly knowable (at least in the case of classical foundationalism) without reference to other beliefs, that provides an acceptable foundation for epistemological certainty. Descartes is perhaps one of the most notable foundationalists in the history of philosophy and played an important role in the development of modern epistemology.[[13]](#footnote-13) Descartes’ position is helpful to illustrate the position of foundationalism, and how it differs from realism. While Descartes believed that nothing certain about the external world could be known with absolute certainty (he was not a realist, at least in the sense we are concerned with here), he believed that something could be known certainly: his own existence.[[14]](#footnote-14) The famous dictum ‘Cogito ergo sum’ or ‘I think, therefore I am’ illustrates Descartes position that knowledge of the self was the foundation for any other possible knowledge.[[15]](#footnote-15) In this manner, foundationalism seeks to find a solution to the perennially troublesome regress problem and at the same time avoid circular reasoning.

The regress problem can be understood in this way: when attempting to justify the truth of any proposition, an infinite regress of justifications is seemingly needed, as any justification itself needs a justification. This leads to no real knowledge of the thing in question, as no foundation can be found from which to relationally demonstrate its truth. Foundationalists attempt to find a belief that is self-evidently true, without reference to any others beliefs, a belief that does not need a justification, or at least is eminently justifiable. Circular reasoning is problematic in terms of identifying possibly foundational propositions as well, and is also addressed by foundationalist theorists. If someone were to say such and such is true because their reason dictates that it must be so, they can be asked: on what basis do they reason that their reasoning is valid? Thus a person’s reason cannot serve as a foundation for knowledge, as it involves circularity, and is therefore logically fallacious. Taking account of these issues, foundationalists attempt to avoid the epistemological traps of circular reasoning and the regress problem.

In terms of economic epistemology, a foundationalist could make the argument that the axiom ‘humans act’ was self-evidently true and comprehensible without reference to other beliefs. While this argument could be made, it seems that the proposition, ‘humans act,’ does not meet the foundationalist criteria of a truly foundational belief. It encompasses many other beliefs, a particular view of time, for example, or the possibility of change, which in turn is comprised of many other beliefs. So even if foundationalism is correct, and a foundation for knowledge exists, it would seemingly have to be found in something closer to Descartes’ idea of self-knowledge (some epistemologists would also suggest certain mathematical concepts[[16]](#footnote-16)) than in a complex proposition like ‘humans act.’ Anti-foundationalists argue, in contradiction to the foundationalists, that there exists no genuinely justifiable belief, and thus that nothing can be known for certain by human beings.

Notable anti-foundationalists include Friedrich Nietzsche and Jacques Derrida.[[17]](#footnote-17) These philosophers and other anti-foundationalists argue that there is no belief which could be deemed knowable without reference to any other beliefs and that no possible foundation for genuine human knowledge exists. Even self-knowledge presupposes knowledge of the distinctions between being and non-being, which no human mind can possibly claim to know, much less know for certain. Nietzsche argued that the words ‘I’ and ‘think’ conceal man’s ignorance of what man deems to call the ‘self,’ and that there is no such thing as a true world, man’s beliefs about *what is* being necessarily uncertain and limited to his own perspective.[[18]](#footnote-18) Derrida adds to this, arguing that there is no way for a human being to know if whether what they believe to be true is actually true, as human beings only experience a tiny fragment of the whole of reality, and could thus always be wrong about everything they think they know.[[19]](#footnote-19) Every possible foundation for knowledge, in the anti-foundationalist conception, fails to provide a basis for something that could be called a justified true belief. If the anti-foundationalists are right, then certainty is a completely foregone hope, and always will be. If this is indeed the case, human beings cannot possess certain knowledge, even of ourselves, and any certain knowledge about economics is certainly ruled out.

Economics can still operate on these principles, however. Instead of making claims as to what it certainly true, economics under an anti-foundationalist epistemological conception would simply make the claim that if certain things are accepted as true, then certain conclusions deduced from these presuppositions can be accepted, albeit not with certainty. These conclusions would not have the status of knowledge, but rather belief. Given the seemingly common experience of mankind, it is likely that most people could affirm the presuppositions necessary to do economics, and thus be guided in their beliefs by economics which operates within a presuppositional framework they already accept. Thus, it seems that an economist could be an anti-foundationalist and still do economics, just with consideration as to the epistemological limitations imposed on him by human finitude.

Coherentism provides another epistemological perspective that analyzes the issue of knowledge in a slightly different fashion from the foundationalist and anti-foundationalists. Keeping the definition of knowledge as ‘justified true belief,’ coherentists suggest that it is the concept of justification that should perhaps be modified or understood differently. While there are certainly differences in exactly how this perspective is understood, a basic understanding can shed some light on the question of economic knowledge.

While foundationalism is considered by some philosophers to be the only viable theory that could provide a basis for certainty,[[20]](#footnote-20) coherentists, as noted above, approach the issue from a unique perspective, and one that has potential import for economic epistemology. In terms of truth, coherentists claim that something can be said to be true only if it coheres with certain other beliefs accepted by the person in question.[[21]](#footnote-21) Coherentism looks at the issue of realism versus skepticism from a different perspective distinguishable from the foundationalist and anti-foundationalist dichotomy. For the coherentist, even if all a mind perceived was in fact a virtual reality, or an illusion, certain things could still said to be known even though the beliefs constituting the ‘known’ things were not actually corresponding to reality. For example, a coherentist could claim that if it were the case that the world the observer experienced was not actually real, but rather an illusion, certain things in the illusion that the mind perceives, like a tree or another person, could still said to be known, as long as they cohered with a person’s other beliefs about what was real. So a person could know that their friend was five feet tall, even if their friend was just a part of the virtual reality, because the belief about their friend’s existence would correspond with their beliefs about what was real. This being understood, a critique of coherentism can be put forward, and its relevance to economic epistemology discussed.

The first obvious objection to a coherentist theory of knowledge is that if, using the same example from above, the person’s friend does not actually exist, how can it be said they could have real knowledge that the friend does exist? If the external world perceived by a mind is actually an illusion, then how can any claims about what is true about the real world be considered justified? It does not seem that they can be, if one assumes that an objective world exists ‘behind’ all experience, and thus that knowledge is objective. The debate around foundationalism assumes that things are objectively true or not objectively true, but coherentism may suggest a subjectivist epistemology in which certain things can be true to one person and not true to another. This would imply that certain beliefs would be justified from one perspective, and not from another. This opens up a whole discussion about the nature of truth, and what we mean by the word ‘truth,’ that cannot be given justice here. For the purposes of this paper, the coherentist theory can be seen as offering a different way to view knowledge that may have profound implications for economics.

Coherentism, along with foundationalism and anti-foundationalism, could conceivably supply an epistemological framework for the economist. If the economist was willing to accept the coherentist conception of knowledge, then, especially in the case of Austrian economics, it can easily be seen that the framework of economic law could itself be part of the framework against which things were judged to be coherent or could be said to be known. An economist could hold that the laws of economics, following from the action axiom, were so basic to human experience that they form a part of the coherent framework against the standard of which certain things can said to be known our not known. While this may be conceivable, it seems like an unlikely position. An economist that claimed he knew certain truths about the economy, but that these things were only certainly true in relation to his basic personal set of beliefs, would likely be held in at least some degree of epistemological suspicion. It seems, however, that given the popularity of postmodernism, perspectivism, and subjectivist axiological beliefs in modern philosophy and society that this economist might be deemed wise. If the Austrian school is willing to say that these things are ‘true from our perspective’ but not necessarily ‘true from your perspective,’ this would seem like a possibility.

Coherentist epistemological conceptions of economics are certainly possible in the wider world of economics. Bayesian probability theory, as it is applied to economics, might be an existing school of thought within economics that could potentially find at least some common ground with coherentism.[[22]](#footnote-22) The Bayesian ideas of probabilistic coherence and degrees of belief/confidence could very well find their place within a coherentist epistemological framework.

It is worth noting that the coherentist position is not substantially different on the practical level from the claims about economic knowledge that arise from a skeptical or anti-foundationalist economist. The difference is really a matter of terminology and perspective. The anti-foundationalist might claim that people have good reason to believe the Austrian theoretical construct is true, as long as they accept certain unprovable assumptions as being true. On the other hand, the coherentist economist might claim that given his beliefs, this theoretical construct is true. But it is implied that to anyone else his basic beliefs or presuppositions might not be accepted as true. So these positions are very similar in substance, if not in their use of the word ‘true.’

Where does this leave the economist? Can economics be justified is claiming certain things are true about human action and interaction when it cannot even be certainly known or proven that anything besides the self (if that) exists? Economics, like all other areas of human inquiry into the nature of things, cannot, it seems, if they wish to be epistemologically honest, make absolute claims to knowledge. Economists can, however, be perfectly justified in saying that as long as certain presuppositions are accepted as true, the conclusions of economics follow from the acceptance of these presuppositions. For example, the following presuppositions that 1) non-arbitrary distinctions can be made about reality, 2) that other minds exist other than the self, and 3) that the external world exists roughly as we perceive it to exist, are assumed by most Western people. The economist can then say, assuming that these things are true, along with some other assumptions that people will be likely to affirm, that certain conclusions about human action and markets follow logically from an acceptance of these presuppositions. The economist can then claim that the law of supply or law of demand is always binding on every instance of human interaction in markets, if the accepted presuppositions are held as true.

At this point, the main contention of this paper has been that while knowledge in the strong Cartesian sense is out of reach of any finite being, economics can still be done, although with the caveat that the conclusions offered by economic theory only follow if certain unprovable presuppositions are accepted as true. This does not make economics useless or less important; it just makes its propositional claims uncertain in the context of an objective world conception. Even though they are genuinely uncertain in the epistemological sense, they are easily acceptable, as the fundamental presuppositions of economics are widely believed.

This being noted, other problems related to the epistemological status of economic claims can be examined, and dealt with in light of the conclusions arrived at thus far. The specific claims of Austrian economics are open to some other criticisms, which shed some further light on the question of certainty in regards to the conclusions made by economic theory. One problem is that of free will. Austrian theory presupposes that humans act purposefully, according to ordinally ranked subjective preferences, with the goal of attaining certain ends given the means available to them.[[23]](#footnote-23) While any particular economist may have no reason, based on their own worldview and experiences, to doubt the reality of free will, there are some considerations that should be taken into account. First, if every thought-state has a cause, then where does choice come into equation? Is it possible that we are not actually acting, but really experiencing the illusion of choice because of how our brains perceive the causal chain leading to any particular action? It seems that whether or not this is the case, we certainly experience action as if genuine choice were taken place. Secondly, is there a possibility that free will can exist because of the enormous complexity of the human mind? While a proper and exhaustive understanding of how the human mind works would be helpful here, this understanding does not currently exist. Ludwig von Mises notes that even if some day science were to show persuasively that in actuality there is no free will, and that the ‘actions’ of human beings are the result of a deterministic process, for the time being, economics can give us real insight into understanding human society.[[24]](#footnote-24) So even if we cannot be sure about the existence of free will and genuine choice on the part of human beings, economics, and the economics of the Austrian school in particular, remains a useful guide for understanding the implications of human interactions. Given the current state of understanding the workings of the human mind, it seems perfectly reasonable to conclude that economics can be useful and helpful in understanding our world, once certain basic metaphysical assumptions, like free will, are affirmed.

Another possible objection to the Austrian conception of economics involves the universal applicability of economic laws. Can we know that these laws are really true in every case of action? While recognizing that economists cannot be certain about this question, it again makes sense to realize that once certain assumptions are made, seemingly strong conclusions can be made as to the universal nature of economic law. If these basic assumptions are affirmed (the action axiom, the existence of free will, time, ordinal preference rankings) it seems that the corpus of economic theory, as far as it is directly deducible from the basic axioms, can be confidently asserted to be true (at least within the unprovable presuppositional framework). The Austrian school has a solid argument for why, for example, the law of supply applies in every imaginable instance of human interaction in markets. Economic laws, like the law of supply, law of demand, or law of diminishing marginal utility, are true by definition if the basic axioms of praxeological economics are accepted. So if the framework of assumptions behind economic theory is affirmed, the Austrian school can make strong claims about the universal nature of economic law, as it seems that these laws are true by definition, once the presuppositions of the system are accepted. The Austrian methodology, therefore, seems to be legitimate, and its conclusions valid. The real question, it seems, is whether people accept the operational framework in which the Austrian methodology is drawing these conclusions.

These important points being understood, some clarification as to the topic of economic epistemology and how it is characterized in the Austrian economic literature can be examined. With the above problems associated with certain knowledge taken into consideration, it seems that a foundationalist and realist epistemology that claims certainty for the deductions of economics faces serious problems of believability. Here the distinction between foundational epistemology and methodology must be made. In this context, foundational epistemology deals with how anything can be known at all, and on what basis anything can be said to be known. Methodology deals with how the process of discovering specific elements of economic theory is undertaken, once an epistemological framework has been established. So the phrases ‘realist’ and ‘foundationalist’ here refer to the foundational epistemology of the Austrian school, while the term ‘apriorist’ can be thought of as dealing with methodology.

Mises uses the term ‘a priori’ to describe the methodological position of the Austrian school, and the means by which it comes to understand the subsidiary elements of economic theory.[[25]](#footnote-25) To Mises, based on the a priori categories of thought he believes exist in the human mind, things can be known about human action without experiencing every particular instance. Whether Mises believes that particular facts about reality can be known for certain, in the sense of foundationalism, can be elucidated with the following statement from *Human Action*; “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.”[[26]](#footnote-26) With the previous discussion of certainty and the undeniably difficult epistemological position of the realist in mind, this quote from Mises seems to make the important point that while we cannot know anything for certain about the real world (or in Kantian terms, the world of experience, or phenomenal world) we can be confident in the truth of the deductive theoretical system of economics. While it is important to realize that the presuppositions of the system itself cannot be proven as true, if the presuppositions of the system are accepted, then the corpus of economic theory follows. If Mises has been interpreted correctly, then it seems that he held that the claims of economics were only certain within the presuppositional framework of economics and that certainty in the absolute sense in out of the reach of man (at least in regard to the phenomenal/empirical world). While Mises acknowledges the uncertainty that inevitably besets man in regards to the world of experience, he makes the point that economics still has meaning and usefulness within the human framework in which it is set.

With Mises’ position taken into account, the epistemology of the Austrian school, generally termed aprioristic, can be critically examined. As Rothbard notes, in his article “In Defense of Extreme Apriorism,” the foundational epistemology of Austrian school, in his conception, is actually empiricist, in terms of how the truth of the action axiom is derived.[[27]](#footnote-27) This is because the basic axioms of economics still presuppose some type of experience with categories and human action in order to come to aprioristic conclusions. While the distinction between empiricist and apriorist epistemological positions is not the purpose of this paper, this point is worth making, as it relates to the following. The methodology of the Austrian school, which can be accurately described as aprioristic, is mostly unaffected by the epistemological clarifications and questions discussed above. The method set forth by the Austrian school as being the proper method of economics, the method of deducing universally-applicable economic laws from that self-evident axiom of human action, is a conclusion separate from the basic epistemological questions facing economists. It deals with how economics should be done, not about how it can claim to know anything at all. So someone can easily criticize the foundational epistemological claims to certainty, while still adhering to the Austrian method of doing economics. As long as the economist admits that the fundamental presuppositions of economics cannot be known, but are rather believed on the basis of fallible sense experience and reasoning, then the arguments for the Austrian method in economics are easily acceptable.

The foundational epistemology of the Austrian school, if it makes claims of absolute certainty, which it does not necessary have to do, seemingly is faced with real problems of its believability in light of many critical epistemological considerations. On the other hand, the methodology of the Austrian school, while not the focus of this paper, seems to remain intact after a close epistemological investigation. Rothbard’s position on the issue of whether economics can provide certain knowledge is important for understanding the epistemological basis for Austrian economics. Rothbard writes that the action axiom is absolutely true and that it could not conceivably be false.[[28]](#footnote-28) If he means by this that man can indeed be certain, or come to undoubtedly true knowledge, about the external world, his position is subject to the very powerful critiques offered by skeptical and anti-foundationalist epistemologists. Realism’s claims seem to be without justification, while foundationalism rests on still uncertain, but much more believable ground. If Rothbard holds that certain knowledge of reality beyond the self is possible, then he is aligning himself with a seemingly tenuous epistemological framework.

The positions of Mises and Rothbard aside, it seems that the Austrian school can only increase the believability of its claims by being upfront and honest about the epistemological limitations faced by economics, and all of human inquiry. In order to spread its influence in both academia and the wider society, the Austrian school would do well to bring the best current thinking from modern philosophy to bear on the epistemological status of economic propositions. Three approaches for presenting the epistemological claims of economics seem to stand out, although these approaches are not exhaustive, after an investigation of current epistemological theory. These three basic approaches can be discussed in terms of the contrast between skepticism and realism, and the differences between foundationalism, anti-foundationalism, and coherentism.

The first approach would be from a foundationalist perspective. An economist could choose to accept Descartes’ argument for the absolute nature of self-knowledge, and use the existence of the self as the foundation for economic knowledge. This would be a skeptical approach in terms of knowledge of the external world. While this perspective would rule out the possibility of certain knowledge of the external world, and thus of the existence of other minds, it would approach the issue from a foundational belief in the existence of the self. Thus, the economist taking this position could hold that a conception of personal action could be deduced from the belief in the self, and this argument extrapolated out to apply to the other beings perceived as part of the external world. Assuming that these other beings were the same type of being as the observer, the economist could then deduce the laws of economics from the axiom that humans act, as understood through his own conception of self, free will, scarcity, and time. While this framework could not absolutely prove that economic theory was true, it could claim that if the external world as perceived is accepted as real, then economics can be deduced from our foundational knowledge of the self. While this position would have to face all of the arguments against foundationalism, it would probably be considered a believable theory to at least some epistemologists.

Another way of looking at the epistemological claims of economics could be from a skeptical anti-foundationalist perspective. In this view, nothing can be known for certain, not even the self. An economist taking this position would have to argue that while economics cannot claim to be the possessor of any kind of certain knowledge about reality, it can be a helpful tool for understanding the world if certain basic assumptions about the nature of reality are made. For those, like the majority of people in the Western world, who believe in the basic presuppositions of economics (that the external world exists at least generally in the same way as we perceive it, other minds exist, choice exists, etc…) economics can be held as a useful interpretive tool for understanding the world. All of the conclusions of economics, in this view, are not certainties, but rather posited concepts acceptable and helpful to those adhering to the presuppositional framework in which economics is done.

Lastly, an economist could address the issue from the coherentist perspective. The epistemological claims of economics in this case would involve economic propositions being presented as true and knowable if part of a coherent system, as judged by each individual. So with a subjectivist perspective on the idea of truth, the coherentist would claim that economic claims were not a priori true from every imaginable perspective, but rather that they are true as part of a coherent system of beliefs which the believer accepts as ‘true,’ and as correctly representing their conception of reality.

A realist view was not included in any of these three examples for the following reason. It seems that a realist conception of economic epistemology is faced by what at least looks like insurmountable difficulties. In so far as a realist claims that certain knowledge can be had about the real world, the claims of realism seem to be on dubious ground. It is possible, however, that someone could refer to themselves as a realist, but not actually assert that certain knowledge can be had about the real world, but rather a type of practical knowledge that would be itself uncertain. According to the definitions used in this paper, which have been used to attempt and approximate the actual definitions of modern epistemological theory, this person would actually be a skeptic. So as far as certainty is claimed for human beings, other than claims to genuine knowledge of the self, it seems a realist conception of economic epistemology has to be rejected.

Austrian economics can surely benefit from thinking in terms of modern epistemological theory and applying it to the epistemological claims of economics. While certainty in the strong Cartesian sense is out of reach for any finite being, and any branch of natural or social science, economics can still make meaningful claims about the cause and effect relationships between human actors. These claims, however, can only be honestly presented with the caveat that these conclusions only follow if the presuppositional framework under which the deductions of economics are being made is accepted. Understanding that certainty is something out of reach for finite human beings, the study of human action still is a useful interpretive tool that can play an important role in developing an intellectual framework to explain our world.

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