

## Two Praxeological Social Theorists:

### Max Weber and Ludwig von Mises Compared on Method

#### **Abstract:**

This article examines the methodology and metatheory of Max Weber and Ludwig von Mises in their respective approaches to social sciences. By demonstrating topical similarities and six uniting principles in the underlying philosophy of their works, this article aims to affirm a compatibility between the two thinkers and call for a unification so that the Austrian School may once again benefit from the insights of Weber.

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## I. Weber and Mises

By any definition, Max Weber was one of the core founders of sociology, and to this day, his influence on the discipline remains undeniable. Ludwig von Mises, a contemporary of Weber's, was one of the most important economists to ever live, a prominent social philosopher, and the father of the neo-Austrian school of economics. It makes good sense to compare Weber and Mises for several reasons. First, they were not ignorant of one another's work. In fact, they carried out a lively correspondence and indeed a personal friendship, having met while Weber was living in Vienna in 1918. Their encounters resulted in an attitude towards one another that Guido Hülsmann (2007, 288) calls "mutual admiration," recounting how Mises not only praised, but "relentlessly encouraged the study of" Weber's work in the classroom while *professor extraordinarius*. Likewise, Weber himself called Mises's recently published theory of money to be the most acceptable one in existence. Thus, the two thinkers deserve comparison, not only because they both studied rationality, capitalism, and bureaucracy, giving their work topical unity, but also because they themselves admitted the influence of one another on their own thinking.

Weber and Mises are unfortunately viewed by many scholars, both in the disciplines of economics and sociology, to be opposed to each other. This conflict that many perceive between the two, as this article demonstrates, is caused by the two thinkers' application of a single idea to two distinct fields of study. However,

emphasizing the perceived disagreement between the two thinkers, both intellectual giants in their own right, where disagreements were not perceived by Mises and Weber themselves, merely stifles the progress of both economics and sociology. Mises and Weber are, in fact, united in their basic approach to the social sciences and in the philosophical presuppositions that undergird their respective theories. This fundamental similarity and basic unity of method makes the two thinkers much more similar than they are different and enables their theories to be synthesized. Such a synthesis is much needed in order to enable a distinctly liberty-minded, individualistic, and proper approach to the social sciences as a whole, allowing progress to be made and research to be done along both Weberian and Misesian lines, together, and no longer separately.

## **II. Praxeology**

The two aforementioned thinkers are united in their approach to the social sciences by one core idea, namely, a praxeological methodology. Praxeology is the study of the general logic of human action. It asserts that humans are rational actors, and as such, provides a distinct definition of rationality. Rational action refers to a decision-making process that, as Mises puts it in *Human Action* ([1949] 2007, 17-20) the individual enters into in his mind, sometimes instantaneously, almost subconsciously, in which he chooses between options available, opting to pursue the highest valued of these options. All action which is not pure instinctual animal reflex falls into this

category. Since Mises invented praxeology, not as a term, but as a substantive approach to social science, it will be better fleshed out later in this article's discussion of Mises and his ideas about rationality. But praxeology has the power to create a unique approach to the social sciences, one that places the individual rational human actor as the agent of historical change, economic progress, or sociological phenomena, and locates him as the proper subject of study of each of these disciplines. It refutes determinism, progressivism, positivism, historicism, and other such errors and holds the most logical consistency in its assertions and in its approach. Both Mises and Weber agreed on praxeology and that this basic approach united their theories. As such, they will now be compared on the basis of their method of the social sciences and the praxeological character thereof.

### **III. Mises and His Method**

Ludwig von Mises, born to a Jewish family in Lemberg, Austria in 1881, studied law and government science at the University of Vienna, and then economics under the tutelage of Eugen von Bohm-Bawerk of the Austrian school as a post-doctoral student. Later, he penned works as diverse as *Theory and History* (1957), *Epistemological Problems of Economics* (1960), *The Ultimate Foundation of Economic Science: An Essay on Method* (1962), and of course, his magnum opus, *Human Action: A Treatise on Economics* (1949). Mises wrote many other texts on economic theory in which his method is practiced, but these aforementioned texts especially aimed at laying out a method of the social

sciences. His general goal was always to develop and practice social science, particularly economics, according to “the fundamental axiom that individual human beings act purposively to achieve desired goals” (Mises Institute Staff, 2020).

No treatment can be given to the method Mises developed as thorough as the one Mises himself gave in the voluminous body of literature that he wrote to develop and express said method. Nevertheless, this article will attempt here to briefly summarize the relevant portions of the method that Mises developed and the philosophy behind it, in order to give context to the forthcoming comparison of it with that of Max Weber. Firstly, it must be established that while Mises was primarily an economist, and to claim otherwise would be blatantly false, he begins even his own treatise on economics proper with a broader scope. His starting point is to establish a general theory, not of economics, but of the logic of human action more broadly. It is upon this foundation that the edifice of economics is constructed, but also that all social sciences must be constructed. It is precisely this starting point that Max Weber shares with Mises.

Mises (2007, 3) first asserts that economics is only one of the “aspects” of human action, but what is needed is “the general theory of human action, *praxeology*.” He then elaborates what he means by the term *praxeology*, rooting it in a decision-making process, saying:

It is the science of every kind of human action. Choosing determines all human decisions. In making his choice man chooses not only between various material things and services. All human values are offered for option. All ends and all means, both material and ideal issues, the sublime and the base, the noble and the ignoble, are ranged in a single row and subjected to a decision which picks out one thing and sets aside another. Nothing that men aim at or want to avoid remains outside of this arrangement into a unique scale of gradation and preference. The modern theory of value widens the scientific horizon and enlarges the field [of study.] ... [Thus,] economics becomes a part, although the hitherto best elaborated part, of a more universal science, praxeology (Mises 2007, 3).

Thus, it should be clear to the reader that praxeology and economics are not synonymous, as some scholars seem to assert in order to claim wrongly that a praxeological approach cannot function in other social sciences. Rather, praxeology, as the general logic of action which studies the individual can be applied to many disciplines, since at the heart of economics, sociology, and history is human action. In fact, Mises himself (1957, 159) applied this general logic of human action to other disciplines, stating most emphatically that like economics, “history deals with human action, that is, the actions performed by individuals and groups of individuals.” And even in his definition of sociology, Mises (2007, 30) asserts that, while broader than economics or history, this discipline also “deals with ... phenomena of human action,” and thus, can and must be approached praxeologically. As such, praxeology, defined as the “universally valid science of human action,” not only underlies but actually *is* the theoretical framework for every branch of the social sciences, which of course all deal with human action as their subject (Mises 1976, 12).

What remains in summarizing Mises’s method is to clarify his use of several terms that make up the definition of praxeology. First of all, Mises defines the term

'action' very carefully in all of his works. At the risk of seeming over-emphatic, much attention must be given to this definition, since in Mises's usage, 'action' is a term laden with precise meaning, the misinterpretation of which gives rise to significant concern toward his perceived incompatibility with other thinkers, and a term quite central to this topic. He begins his treatise *Human Action* (Mises [1949] 2007, 11) with the sentence "Human action is purposeful behavior." By action he does not mean simply instinctive behavior or reaction. In every use of the term 'human action' by Mises, the word purposive is also implied, but since he considered it to be redundant, it remains merely implied. However, for readers unfamiliar with his theory of action, it is worth stating explicitly. "Conscious or purposeful behavior is in sharp contrast to unconscious behavior," like instinctively removing one's hand from a hot stove (ibid, 11). Such behavior Mises will refer to as mere animal impulse. Action requires the active interference in events, purposeful reaction to environmental stimuli; it can be passive or sluggish, but it is no less action. This is because "acting man chooses, determines, and tries to reach an end. Of two things both of which he cannot have together he selects one and gives up the other. Action therefore always involves both taking and renunciation" (ibid, 12). Thus, the man that determines not to change what could be changed is also acting. Praxeology refers to this type of action, and this type alone: conscious, purposeful, willful decision-making in pursuit of a given state preferred to another state.

This type of action, with which praxeology is concerned, is necessarily rational. And herein lies where nearly all misinterpretation of Mises, and economic theory as a whole, begins. Rationality for Mises refers to this decision-making process in which the individual engages, even instantaneously. In a sense, all action that is deliberate, is rational. Indeed, "human action is necessarily always rational" (ibid, 19). Mises makes no claims about which ends are rational in the psychological sense, and in fact, expressly states that praxeology can make no such claims (ibid, 19). Rather, the human person acts rationally whenever he pursues his desired end. The person can be misguided by wrongly identifying the end that will make him happy, or he may wrongly identify the means which will achieve that end. But in either case, the person is still acting rationally because he is pursuing what he values. In other words, humans always act in pursuit of what they perceive to be the good. This is rationality for Mises.

Such a definition of rational action requires the exploration of another key term, namely, value. Mises draws on the whole theory of subjective value constructed before him by Carl Menger, but brief selections of Mises's delineation of the idea will serve the purposes of this article. For Mises, as for Menger, value is subjective. In other words, the individual human person determines what they value most highly and acts in pursuit of it. "He arranges his wishes and desires into a scale, [which Mises and Rothbard after him would call a value scale,] he chooses; in short, he acts (ibid, 17). This is the fundamental assertion of Mises's that readers must master to comprehend his method



for the social sciences, since praxeology necessarily contains this idea of human subjective valuation as the basis of the action which it studies.

So, simply put, according to Mises, praxeology studies human action which occurs in this form: a person arranges his ends according to his subjective values and preferences, and then acts rationally in pursuit of these highest valued ends. Mises refers to this as personal economizing, and it is precisely from this that social economizing flows out from via the division of labor the price system. Thus, his basic theory of human action is generalizable and can be aggregated up to study groups. All social sciences must accept the fundamental axiom of personal economizing since they all study this form of action and must be conducted according to the praxeological method. Mises would of course proceed from this starting point, after developing his universal theory of human action, to develop a praxeological procedure for conducting economic science. At the heart of Mises's thought on this topic is his idea of economic calculation, which individuals engage in when interacting in a market setting. Thus, Mises's critiques of socialism, bureaucracy, inflation, and other forms of intervention are usually grounded in the fact that they impede or disrupt economic calculation, a necessary outgrowth of human action in a market economy.

Mises's method also included a distinction between real and ideal types. Real types were "class concepts distinguishing people or institutions according to neatly definable traits ... based on concepts of praxeology and economics ... and of the natural

sciences" (Mises 1957, 315). Since economic laws, for Mises were generalizable and ultimate, behavior that they predicted always occurred in accordance with the law. Real types concerned classes which could be precisely defined and whose behavior could be predicted by economic laws and theory. Ideal types, however, Mises viewed as historical generalizations. By this he meant when a social scientist lumped people into a group because they were likely to act in a certain way, or because they acted similarly in history, but not because any economic theory depicted them as a uniform class of actors or institutions.

The economic concept 'entrepreneur' belongs to a stratum other than the ideal type 'entrepreneur' as used by economic history and descriptive economics. (On a third stratum lies the legal term 'entrepreneur.') The economic term 'entrepreneur' is a precisely defined concept which in the framework of a theory of market economy signifies a clearly integrated function. The historical ideal type 'entrepreneur' does not include the same members. Nobody in using it thinks of shoeshine boys, cab drivers who own their cars, small businessmen, and small farmers. What economics establishes with regard to entrepreneurs is rigidly valid for all members of the class without any regard to temporal and geographical conditions and to the various branches of business. What economic history establishes for its ideal types can differ according to the particular circumstances of various ages, countries, branches of business, and many other conditions (Mises [1949] 2007, 98).

Thus, Mises considers the real type 'entrepreneur' to be a class governed by economic laws, but the ideal type 'robber baron' to be a useful generalization for the study of history. Real types functioned as part of the method of economic science while ideal types were a useful tool of social analysis in the discipline of history, including economic history.

#### **IV. Weber and His Method**

Max Weber, born in Erfurt, Germany in 1864, gained a Ph.D. from the University of Berlin in law, but also studied history, economics, and sociology, and held a position as professor of economics. The world today knows him today as one of the greatest sociologists to ever live, author of substantial volumes, but of interest to this topic, namely his magnum opus, *Economy and Society*. Some scholars, among them George Ritzer (2011, 218), and Peter Lassman and Irving Velody (1989, 192), claim that he tended to downplay methodological issues, or even to have “no concern with methodology.” Nonetheless, a statement of his core ideas concerning method will be attempted here. After all, he doubtless had a method which set him apart from so many other sociologists like Karl Marx, Emile Durkheim, and August Comte. Some scholars have proposed that Weber propounded “the method of *Verstehen* as the method of study appropriate to human action” (Lachmann 1971, 17). Doubtless, *Verstehen* was a key part of Weber’s sociology, but not indicative of his entire methodology.

Weber acknowledged that the social sciences deal with human action as their subject. According to Ritzer (2011, 231) like Mises, “he differentiated between action and purely reactive behavior. The concept of behavior is reserved ... for automatic behavior that involves no thought process. ... Such behavior was not of interest in Weber’s sociology.” Weber (2019, 78-79) defines action however, in contrast to behavior, this way:

By 'action' is meant human behavior linked to a subjective meaning on the part of the actor or actors concerned; such action may be either overt, or occur inwardly—whether by positive action, or by refraining from action, or by tolerating a situation. Such behavior is 'social' action where the meaning intended by the actor or actors is related to the behavior of others, and the action is so oriented.

Thus, as revealed by his own words, Weber gives a nearly identical definition of human action in the broad sense to the one provided by Mises, a definition that includes even the choice to tolerate a given situation, and that excludes mere animal behavior. He also narrows the scope of the discipline of sociology to study a particular segment of such action, namely, social action, albeit still grounded in praxeology, the universal science of all human action. Thus, readers will see his method beginning to form.

Weber's methodology is also characterized by his idea of *Verstehen*, usually translated to mean understanding. For Weber, the sociologist has the ability unique to the social scientists to understand social phenomena through a hermeneutical interpretation of social life that mimics interpretational understanding of texts. Such method of interpretation which finds meaning beneath texts or observable events "can just as well be applied to human interaction as to individual actors. From this point of view all history is interaction, which has to be interpreted in terms of the rival plans of various actors" (Lachmann, 20). Thus, *Verstehen* meant that Weber sought to understand actors and their interaction, which he seemed to think could be done both to individuals and macro-level social action. He tried to establish a new method for the social sciences one in which the sociologist uses the skill-set of the historian to fight their way into the

mind of the historical actor and understand how they gave the world around them meaning, while also utilizing the tools of the natural scientist to identify chains of cause and effect. Such interpretive sociology considers the individual and his actions as the basic social unit. Like praxeology however, it not concerned with this individual's psychology, but with his action.

Another key component of Weber's somewhat elusive methodology is his use of ideal types. These concepts are like a measuring rod or template which one can compare reality against. In this way, they are an analytical tool. Just as one can only make judgements about the quality of a thing as compared to one's mental approximation of what the ideal version of that thing would be, so Weber believed ideal types filled this role in the social sciences. Weber (2019, 85) stated that ideal typical constructions "represent the course that a particular sort of human action would follow if its purposive rationality were rigorously formulated, its execution undisturbed by error and affect, and if, moreover, it were quite unambiguously oriented to one objective." Weber felt that although reality never perfectly corresponded to these ideal types, they were necessary parts of sociological method, since they allowed one to see

where real social phenomena deviated from the ideal typical version and then to explain said deviations.<sup>1</sup>

## V. Areas of Compatibility

Although innumerable more pages could be devoted to the distinctive methodologies of each of these two thinkers, and a brief exposition is barely adequate to enable comparison, the reader's attention must now be called to the areas in which their respective methods overlap. These areas are numerous, and indeed, outweigh the areas in which they contrast. Not only were Weber and Mises topically similar, and shared obvious characteristics like contemporality, the German language, military service, and time living and teaching in Vienna, but also more substantial similarities like both being neo-Kantian, and both influenced powerfully by the *Methodenstreit* (discourse on method) raging in the German-speaking world. The following analysis of the two thinkers' other similarities will enable a synthesis of their methods of the social sciences.

### 1) Value-Free

Both Mises and Weber are, in their own words, developing a value-free social theory. This means that the research being done by the sociologist must necessarily be objective, or irrespective of the values held by the sociologist himself. Value must guide

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<sup>1</sup> Ideal types may represent an area of deviation in the method of the social sciences for Mises and Weber. Certainly, they mean different things by the term. However, this deviation need not be overemphasized as will be shown below.

one to a research topic, but once research begins, any effects values have on altering the factual findings constitutes grave error (Hoenisch, 2006). Similarly, Mises developed his method of economic analysis to be “‘value-free’ – in the sense of being irrelevant to values held by economists” (Mises Institute Staff, 2020). Clearly the two have significant overlap in this characteristic of their methods.

## 2) *Verstehen*

Both Mises and Weber borrowed from German epistemology the concept of *Verstehen* or understanding in the English. This concept was an integral part of Weber’s methodology. However, Mises also adopted the idea into his method, likely due to the influence of Weber’s work on his own thinking. Austrian economist and Mises scholar David Gordon (2003) asserts that “Ludwig von Mises devoted much attention to ... his discussions of the a priori and *verstehen*.” Mises ([1949] 2007, 50) is careful to assert that attempting to understand the logic of a person’s action does not mean empathizing with it, approving of it, justifying, excusing, or enjoying it, but he does find *Verstehen* to be useful, indeed the “most important contribution of modern epistemology” to the social sciences. Mises (ibid.) expresses the role of *Verstehen* in his methodology this way:

The understanding [*Verstehen*] establishes the fact that an individual or a group of individuals have engaged in a definite action emanating from definite value judgments and choices and aiming at definite ends, and that they have applied for the attainment of these ends definite means suggested by definite technological, therapeutical, and praxeological doctrines. It furthermore tries to appreciate the effects and the intensity of the effects brought about by an action; it tries to assign to every action its relevance, i.e., its bearing upon the course of events.

Thus, he seems to suggest the use of *Verstehen* quite similarly to Weber's own usage of the term and its role in social science, for Weber (2019, 80) also suggested "an understanding of the means employed" in "such rational purposive behaviour" and attempting to understand "many of the ultimate 'purposes' and 'values' to which ... human action can be oriented." This commonality in their method should be self-evident.

### 3) Ideal Types

Mises and Weber both utilized the epistemological notion of ideal types in their methods for the social sciences. Their diverging usage of the term has been perhaps overemphasized by some scholars. Guido Huelsmann, in his introduction to *Epistemological Problems* claims Max Weber "argued that economic laws were some sort of generalization from historical experience (ideal types)" (2003, xlix). Thus, Mises faults Weber for thinking that reality never perfectly corresponds to what we might expect from economic theory, or ideal types. However, as with all deviations between Mises and Weber, this departure is easily explained by their respective attempts to apply the same method to different disciplines. Weber performed social science according to a praxeological method in disciplines outside of formal economic science. It is precisely in these contexts that Mises finds ideal types to be of great use, even proposing them as the proper method for understanding human behavior in history and economic history, both fields of which Weber was a practitioner. Indeed, outside of market contexts, such



as in studies of the family or religion or other topics of sociology, Mises does not think that economic laws and methods apply due to the lack of market price systems. So, in these contexts, Weber would not be wrong in noting that human action does not always occur as one might expect if one assumed that people engaged in flawless economic calculation outside of market interactions, and that the social scientist, particularly the economic or historical sociologist, like Weber himself gains great insight by explaining these deviations between the 'real' and the 'ideal.'

Thus, while Weber and Mises seem to talk past each other on the issue of ideal types as a valid method of the social sciences, Mises might not fault Weber for his use of it in historical analysis, where Mises felt it quite appropriate. Their differing usage of the term may explain their divergences on the behavior of bureaucracy, as expounded by Anderson (2004) which Weber likely treated as an ideal typical institution, or bureaucrat as an ideal typical actor, seeking to explain the deviations in their actual behavior from the ideal, while Mises did not. However, Mises might take no issue with Weber's usual application of ideal types as a cultural force like in the case of the ideal typical protestant worker, one who embodied virtues of thrift and industriousness (Weber, 1905). While no such worker may have existed, this ideal type was a cultural value within Calvinist societies which historical actors strove toward. Thus, culture influenced the protestant worker to adjust his action in accordance with the ideal he strove for. Practicing this Weberian approach today, Austrian economist Henry Virgil

Storr (2004) has identified two ideal typical entrepreneurs, essential in the economic development of the Bahamas: the “Enterprising Slave” and the “Master Pirate.” These two Bahamian cultural ideals influenced the economic action of individuals who conformed their behavior to these ideal types, which have proven of great explanatory power in the economic history of the Bahamas. Storr at least represents one voice in the modern Austrian school who finds Mises and Weber compatible to a practical degree, even on the issue of ideal types.<sup>2</sup> In any case, Weber and Mises both include ideal types as a fundamental part of their general methodology of the social sciences with which this paper is concerned.

#### 4) Methodological Individualism

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<sup>2</sup> For more on Storr’s modern work as a practitioner of both Mises and Weber’s method together, demonstrating the supreme practicality of such a synthesis as this article proposes, see also H. V. Storr. *Understanding the Culture of Markets* (London: Routledge, 2012) which, “building on the work of Max Weber, ... outlines and defends an approach to understanding the culture of markets”; V. H. Storr. “The Role of Culture in Economic Action” in *New Thinking in Austrian Political Economy (Advances in Austrian Economics Vol. 19)* eds. Christopher J. Coyne and V. H. Storr (Emerald, 2015) which claims “Austrian economics has an advantage (1) because of its links to Max Weber’s approach to social science”; Peter J. Boettke and V. H. Storr. “Post Classical Political Economy.” *American Journal of Economics and Sociology* 61, No. 1 (2002) 161-191 which “explores the relationship of Max Weber’s social economics to the work of the Austrian School of Economics, and in particular the writings of Ludwig von Mises and F. A. Hayek” and represents perhaps the best compliment to this article; H. V. Storr. “Weber’s Spirit of Capitalism and the Bahamas’ Junkanoo Ethic.” *Review of Austrian Economics* 19, No. 4, 2006 which “argues that Weber’s Protestant Ethic can serve as a model for telling culturally aware economic narratives and uses Weber’s approach to discuss the role that the Junkanoo ethic has played in the economic success of the Bahamas”; V. H. Storr. “Contemporary Austrian Economics and the New Economic Sociology” in *The Oxford Handbook of Austrian Economics*. Peter J. Boettke and Christopher Coyne eds. (London: Oxford University Press, 2015) which expounds upon the field of sociology enabled by a synthesis of Weber and the Austrians which corrects errors of “neoclassical economics [which] tends to advance an undersocialized conception of economic actors and traditional sociology [which] tends to advance an oversocialized conception of economic actors.” Storr currently teaches a class on the New Economic Sociology, cementing his position as one of the few Austrian economists who recognizes Weber’s compatibility and usefulness to the Austrian research agenda.

Both Mises and Weber were, definitively methodological individualists in their basic approach. This philosophy, methodological individualism, has been defined by Paul Heyne (1973) as “all social phenomena emerge from the choices of individuals in response to expected benefits and costs to themselves.” Or perhaps more helpfully, methodological individualism states that all collectives can be studied in terms of the individuals that make them up. This is one of the key distinctives of Weber as a sociologist that separates him from Durkheimian sociologists. It is also one of the key distinctives of the Austrian school. Weber asserted that only human individuals are ‘real,’ so one must start there in any study of society. Without individuals there could be no society.

Further, Weber refers to the importance of the individual in his conceptual scheme by referring to the individual as the only unit in which meaningful conduct can possibly reside. ‘The individual is ... the upper limit and the sole carrier of meaningful conduct.’ Concepts designating collectives or categories of reciprocal human action such as clique, association, organization, state, etc. are reducible ‘to understandable’ action, that is, without exception, to the actions of participating individual men (Marianne Weber 1926, 102; Tucker 1965, 159).

Guenther Roth (1976, 306) quotes Weber himself as saying “I became one [a sociologist] in order to put an end to collectivist notions” and claims that he adhered to a strictly “individualist” method. And Lars Udehn (1981, 131) points out that “Weber uses an ‘individualist and subjectivist methodology’. In terms of the latter, Weber is interested in what individuals do and why they do it (their subjective motives). In the former, Weber is interested in reducing collectives to the actions of individuals.” Thus, Weber is clearly a methodological individualist.

And Mises ([1949] 2007, 41) makes his own methodological individualism even more explicit, through an entire section of *Human Action* entitled “The Principle of Methodological Individualism.” Here he attempts to demonstrate the validity of the principle logically and philosophically against its critics. His arguments for methodological individualism do not concern this article, but his assertion of its integral place in praxeology and his practice of it in his method for social theory does. He blatantly asserts that “praxeology deals with the actions of individual men. It is only in the further course of its inquiries that cognition of human cooperation is attained and social action is treated as a special case of the more universal category of human action as such” (ibid.). After extensive argumentation along such lines, Mises (ibid., 43) conclusively demonstrates that he is wholly an individualist and that indeed, the problems faced in studying human action via collectives “can only be solved by methodological individualism.” Thus, it should be immediately apparent to the reader how explicitly identical Mises and Weber are on this core point undergirding their basic approaches to social science.

##### **5) Relationship of the Individual to Society**

This area of overlap between the two thinkers necessarily proceeds from their assertions of methodological individualism and may be the most essential to prove in order to enable a synthesis of Mises and Weber. In fact, it is here that many scholars (William Anderson (2004), Steven Seidman (1983), Ritzer (2011), Udehn (1981),) think

that Mises and Weber diverge irreconcilably. They claim that Weber thought society, culture, and tradition exert forces on the individual which are occasionally coercive. They contrast this with Mises's view which they interpret to say that "people—not "forces"— determine societal development" (Anderson 2004, 12). Most scholars, both in economics and sociology, seem to overemphasize this divide, which is actually reconcilable through Mises's idea of subjective value.

Mises and Weber are much more similar in their ideas about the relation of the individual to society than they seem at first glance, largely because they are both social nominalists. This view says that individuals give rise to social structures, as opposed to Durkheim's social realism, in which social structures have a real existence external to individuals and take on characteristics and needs unrepresentative of the desires of the individuals. In other words, social realism claims that the whole is greater than the sum of the parts, or that  $2+2 = 5$  in some way. Weber and Mises both vigorously deny this in favor of social nominalism, the view that the individual gives rise to society. From it logically follows the major premise of methodological individualism that they also both assert: all collectives can be studied in terms of the individuals that make them up. For Weber, it is human actions that give social structures their reality. Humans act in certain ways, cooperating and creating 'patterns of social action' which give rise to social structures that Durkheim would call social facts. Weber (1968,13) said that social

structures “must be treated as *solely* the resultants and modes of the organization of the particular acts of individual persons.”

Mises likewise saw society and culture as the product of individuals and their cooperative action. In his view, it is the cooperation of individual actors that gives rise to the social orders with which the sociologist is concerned. Mises clearly states that “society does not think any more than it eats or drinks....There is joint action, but no joint thinking” ([1949] 2007, 177). Individual ideas are embodied in language, which Mises (*ibid.*) sees as “a tool of social action.” It is this process that allows individuals to act jointly, creating social realities, which are of course, less real than the flesh and blood actors who make them up.

But the perceived problem arises in how the two thinkers respond to situations where society, culture, or tradition seems to be exerting influence upon the individual, and even coercing his actions to be other than his desires. If the individual truly gives rise to society, as Mises and Weber both seem to claim, why are his or her ideas, valuations, and preferences not represented? Take for example the case of a female who desires to be a scientist in a hyper-traditionalist society which looks unfavorably upon women in STEM fields. Weber solves the problem by saying that social structures, actualized by human action, alter the chances that individuals will act in one way or another. For example, two people who enter into the social reality of marriage, one that they create by their action of getting married and which has less reality than the

individuals who give rise to it are less likely to act in certain ways like promiscuity. The social structure does not determine their action but makes certain choices more or less likely: it influences their action. But some scholars view the coercive effect of society, and countless real-world examples of it, both today and in history, to be a problem for social nominalists, and for Mises especially. They refer to it as a central weakness of Mises and asserts that Mises has no theory of culture or its impact on the action and valuation of individuals, even calling Mises's view hyper-individualistic, or anti-sociological. This article intends to demonstrate that this perceived dichotomy is a false one, and that Mises, in fact, does account for the influence of social structures on individual action, in a very similar way to the solution presented by Weber, further reconciling their two theories into a compatible one.

First of all, Mises's idea of value scales is crucial here to understanding how he reconciles the relationship of the individual to society. The individual does choose what he values most highly, but his choice and ideas are not spontaneously generated within the actor himself. Rather, his value scale is determined by his own subjective valuation of things according to what he perceives to be good, which is influenced by what he perceives around him, namely social realities, traditions, and the values of his culture. The actor perceives the human actions around him as social realities, and his value scale is formed accordingly. He then acts rationally in pursuit of his highest valued end and praxeology proceeds accordingly. Boettke and Storr (2002) agree that for Mises, culture

shapes economic action along the lines that Weber suggests, attempting a similar synthesis on this point.

In Mises's own words as expressed in the first paragraph of *Human Action* ([1949] 2007, 11), "action... is the ego's meaningful response to stimuli and to the conditions of its environment, is a person's conscious adjustment to the state of the universe that determines his life." Thus, it seems that most scholars have misread Mises on this point. Mises, here and elsewhere, describes human action, and the valuation and decision making therein, as a response to environmental stimuli and conditions. Human action does not occur in a vacuum, as view so many seem to wrongly foist upon Mises. In fact, Mises (*ibid.*, 177) acknowledges the influence of tradition upon action and valuation in his theory of praxeology, saying "tradition... preserves thoughts and communicates them to others as a stimulus to their thinking. ... Man [engages in] ... appropriating the thoughts of his precursors" which influence his action. Thus, the human action of past individuals creates social structures, namely society, culture, and tradition that give context to individual action by influencing the thinking, the ideas, and the subjective valuations of actors. Thus, in Mises's own theory, action happens in context, and this social, cultural, and temporal context of human action does not determine its outcome, but rather influences it. Dr. Anderson (2004, 14) himself acknowledges that Mises "shows an appreciation of how factors outside of the individual (such as institutions, relationships, and, most importantly, the role of power) guide and color the choices of



actors. Thus, human action is truly social, influenced by power..., and occurs within a cultural and institutional context that shapes its direction.”

The treatment above reconciles these two thinkers on this most significant point of perceived departure. *Human Action* is laden with precise language showing how carefully Mises balances the relationship between the individual and society, which so many sociologists seem to misread, painting him as a hyper-individualist with reductionistic views about subjective valuation. Likewise, many economists misread Weber, characterizing him as more of a social realist than he was and over-emphasizing the deterministic and constraining effect that social realities have on action. Some even go so far as to say that Weber utterly fails at his attempt to do individualistic and subjectivist sociology, claiming that in his “substantive sociology ... individuals’ actions are determined by the structure not their motives” (Ritzer 2011, 230). Careful readings of the seminal works of each scholar however will shatter this seeming dichotomy, revealing it to be a blatant error, as aptly demonstrated by Laura Grube (2015), Boettke and Storr (2002), and now this article. Mises never suggests that human action occurs in a vacuum, but rather, that its context influences it powerfully as actors react to stimuli and traditions shape their valuations. And Weber asserts that social structures are products of social action, not the opposite.

## **6) Rationality**

The last area of overlap which will be examined is that of rationality, a core idea to both of these thinkers, and another where they are often, unhelpfully, seen to differ. As heretofore demonstrated, Mises's idea of rationality refers to a decision-making process that occurs in all human action, that is, purposeful behavior. Weber accused Mises of defining rationality too broadly, and indeed saw subjective value to be too general and insufficient as a tool for social scientific analysis. Thus, Weber subdivided rationality into several types which he found to be useful distinctions in his field of study.

Weber (1968, 24) proposed instead his four types of rationality. (1) Instrumental or means-ends rationality, which is usually thought to line up best with Mises's theory, refers to rational action that is "determined by expectations as to the behavior of objects in the environment and of other human beings; these expectations are used as 'conditions' or 'means' for the attainment of the actor's own rationally pursued and calculated ends." (2) Value-rationality refers to action that is "determined by a conscious belief in the value for its own sake of the ethical, aesthetic, religious, or other form of behavior" (ibid., 24-25). (3) Affectual action referred to action caused by emotion. And (4) traditional action defined by Weber (2019, 101) as "ingrained habituation" and by Ritzer (2011, 232) as action "determined by the actor's habitual and customary ways of behaving."

However, as Anderson (2002) notes, Mises's model for praxeology actually encompasses Weber's four-part theory of rationality. Value-rational action, as Mises asserts in *Epistemological Problems* ([1960] 1976, 83), is not outside of the means-ends structure of Weber's instrumental rationality and "cannot be fundamentally distinguished from 'rational' behavior. This is because of Mises's idea of subjective value. The value does not have to be "a material and carnal" one, as Weber wrongly assumes, but can include what Mises ([1949] 2007, 15) calls "theological, mystical and ... 'higher' and 'nobler' pleasures." Mises ([1960] 1976, 84) goes on to clarify that "[i]t would be more accurate to say that there are men who place the value of duty, honor, beauty, and the like so high that they set aside other goals for their sake... an action directed at their realization must likewise be termed rational." This is the most common mistake regarding Mises's rationality. Many people wrongly interpret it to mean that a person must pursue a profit motive, but in fact, subjective value allows them to pursue whatever end they value most highly as informed by their religious convictions, culture, and tradition. In any case, the person proceeds according to the decision-making process which praxeology proposes.

Although the distinction between instrumental rationality and value-rationality is the most problematic for Mises, he defeats the other two in similar fashion. He says "the situation is no different with regard to traditional behavior" ([1960] 1976, 84). The old farmer suck in his ways who chooses to continue using an old technique when

presented with a more modern and more productive substitute still acts rationally. He simply values the old ways of doing things higher than the new. He makes a rational choice to preserve tradition “because he regards it as the better method” (ibid.). Better here of course meaning not inherently better in some utilitarian sense, but subjectively valued higher, or perceived by the actor to be better. Likewise, with affective action Mises ([1949] 2007, 16) gave a sufficient response in his initial definition of action: “he who acts under emotional impulse also acts.” The reader will remember that the term “acts” here implies the term rationally but is eschewed since Mises found it redundant, carried, as it was, in the definition of human action. Emotional states alter a person’s value scales and may cause him to take action differently than if he was unaffected by his passion, but he is no less rational. In that moment, inflamed by emotion, he placed value on something and acted rationally to pursue it (Mises [1960] 1976, 85).

Weber appears to feel the need to depart from Mises’s view of rationality because he misinterpreted Mises’s idea of economic calculation. According to Anderson (2004, 2-3), Weber seems to fear that Mises might think that the rational actor always engages in economic calculation to determine the choice he wants to make. “The theory of marginal utility,” says Weber (1922, 370), “treats ... human action as if it took place from A to Z under the control of a businesslike calculation: calculation based on knowledge of all the relevant conditions.” David Gordon (2003) calls this the fallacy of “value calculus,” a mistake not found in Mises, but in the neo-classical schools of

economic theory which reduces the human person to a calculator of utility, as if the utility (satisfaction) received from a given action had units with which to calculate. The author is joined by Jeffery Herbener, David Gordon, and other scholars of Mises in asserting that Mises thought no such way about rationality. In fact, Mises ([1960] 1976, 93) himself responds to Weber's critique of calculation saying that "this is precisely the procedure of classical economics, but in no way that of modern economics." Economic calculation was an extension of human rationality but for Mises it only applied to economic interactions, or human action in the context of a market. Mises never relegates all rational human action to mere economic calculation. In fact, he proposes several situations in which rational action occurs, but economic calculation cannot, namely, socialist economies, primitive tribes, non-profit organizations, and family units. In each of these examples, there are no money prices to enable economic calculation, and so, other types of rationality apply. This is why Mises begins by establishing a general logic of human action, to show how human decision-making occurs outside of specifically economic interactions, and only develops economic calculation later in his theory as one way that rational action occurs in certain contexts, namely, the free market.

Anderson (2004, 2) identifies three schools of thought among sociologists and economists concerning the relation between the general logic of action and the logic of economic actions. He claims that the first camp, Durkheim and others, deny any form of economic rationality and replace the claims of economic theorists with social realities

that govern action. He places Weber in a second camp which considers that people act rationally in the context of institutions and culture and utilize economic rationality (Mises's economic calculation) in those social interactions which are specifically economic in character. "The third tradition, as advanced through Ludwig von Mises's early work, ... applied marginal utility theory to non-economic questions" and thus, claimed that all rational action consisted of economic calculation (Anderson 2004, 2-3). Vilfredo Pareto and Friedrich von Weiser are certainly guilty of such logic, but Dr. Anderson seems mistaken to locate Mises in this camp. After all, Mises ([1949] 2007, 3) himself calls it a grave mistake of the Classical School Economists to treat "human action only to the extent that it is actuated by what was-very unsatisfactorily described as the profit motive" or to view human rationality as "a theory of wealth and selfishness." If Mises truly believed that economic calculation applied in all cases, the view Weber seems to react against, then he would not have needed to develop his "general theory of human choice," namely, praxeology (Mises [1949] 2007, 3). In reality however, as Herbener rightly notes, Mises does develop both the general logic of action in order to explain human behavior in non-economic interactions, and economic calculation in order to explain market interactions. Thus, it is mistaken to locate Mises in this third approach to sociology. He must fall closer to the second category, where Weber also resides, once again drawing them much nearer to each other and enabling a synthesis.

Thus, Mises's general logic of action, praxeology, is in fact broad enough to properly encompass Weber's categories of rationality and was likely developed by Mises to do just that. Ultimately, Weber draws the distinctions how he does because they are useful sub-divisions of Mises's broader category of rationality to make when one is attempting a praxeological approach to sociology. Mises need only develop one specific sub-set of rationality, namely economic calculation, since his work was largely confined to that field. One should not, and indeed cannot fault Weber for his mistaken reaction against Mises's theory of rationality. Scholars know from studying Weber that it cannot have been motivated by ignorance, genius as he was, nor by malice, due to his close personal relationship with Mises. Rather, it was likely because Weber had been dead for twenty-five years when Mises's thought was laid out in a mature and systematic way in *Human Action*. As such, Weber's treatment of Mises's thought is understandably limited and unfair to praxeology as it would later be expressed.

#### **IV. Conclusions**

This article has demonstrated above that Mises and Weber are not only similar but indeed reconcilable in at least six major areas, value-freedom, *Versetehen*, ideal types, methodological individualism, the relationship of the individual to society, and rationality, all of which are key to the methods for the social sciences proposed and practiced by both thinkers. Such a synthesis has been attempted, opening the door to further research in this area. There is, in fact, more uniting these two thinkers in terms

of their basic approaches to their disciplines than that which separates them.

Continuing to over-emphasize their contrast, as so many economists and sociologists do, and to under-emphasize their compatibility is a mistake that only stagnates the social sciences and the development of a truly praxeological approach. Boettke and Storr (2002) claim that Austrian school thinkers compliment and extend Weber's work and that Weber does the same for economics in turn, and this article asserts with them that "the sophisticated form of methodological individualism found in Weber, Mises and Hayek overcomes the shortcomings of traditional economic and sociological analysis and could provide the analytical structure for a post-classical political economy." Grube and Storr (2015) go on to suggest that a synthesis of Mises and Weber is required to extend the Austrian research agenda and to provide a praxeological approach to cultural studies, economic sociology saying:

A Weber-inspired Austrian economics that stresses meaning, we argue, brings a focus on culture to the fore of economic analysis and opens the door for a progressive research program within cultural economics. Austrian economists can and have made significant contributions to our understanding of the relationship between culture and economic action. Moreover, we argue, explorations of the connection between culture and economic action can be a fruitful field of study within Austrian economics.

Boettke (2012), Peter Berger (1963), and others join in stressing the needfulness of such a synthesis, especially considering the state of sociology in America today, collapsing as it is under what Boettke (2012, 176) terms its "inferiority complex in relation to natural sciences." A praxeological method of the social sciences is needed then, now more than



ever, to solve this methodological quagmire and escape the grasping jaws of empiricism, positivism, determinism, and similar fallacies.

This article seeks here to briefly gesture toward just one of the many ways that incorporating Max Weber's insights could advance Austrian economic theory as Boettke, Storr, Grube, and others have lately suggested. Austrians frequently acknowledge the shortcomings of the standard of living metric currently used in the field of economics, since the theory of subjective value renders the metric incoherent, yet they fail to provide their own alternative. Sadly, they have left this problem to the field of Happiness Studies for emotional psychologists and some neoclassical economists to solve. Standard of living combines a person's annual income with the monetary worth of their assets to estimate how "well-off" they are. However, this measurement ignores anyone whose goals in life cannot be achieved through financial means, or whose circumstances are not wholly represented by their monetary situation. Standard of living asserts a theory of objective value: he who has more money is better off. However, economic theory has long championed the opposing theory of subjective value ever since the marginal revolution of Jevons, Walras, and Menger in the 19<sup>th</sup> century. The value of a good is not inherent in the good itself but is determined by the acting individual and the ranking of his desired ends. The effects of this revolution have been felt in every subfield of economic disciplines, beginning with utility theory and radiating outward to all areas except one: the standard of living. The measurement tool

must be updated to acknowledge subjective value or else remain incoherent and of limited use to economists or politicians.

Because the theory of subjective value has aptly demonstrated that different people can place different values on a given good depending on its usefulness to them in achieving their respective ends, it becomes clear that different people have different ends or goals in life. Thus, a truly Austrian metric of well-being would estimate the opportunities people had to achieve the largest amount of their highest valued ends. Max Weber referred to this concept as “life-chances.” According to the tenants of praxeological action theory and subjective value, these individuals would be the most “well-off” or have the highest standard of living. Even money is attributed a high value by people in part because it is a medium of exchange, meaning it can be used to achieve many different ends. Thus, it is true that a large income and many financial assets are a key or shortcut to achieving many of a person’s desired ends, but there are outliers in society: individuals whose desires or goals are not represented by merely estimating a person’s net worth.

These include the medieval monk who takes a vow of poverty, for according to his subjective value scale, a life of voluntary religious poverty is more valuable than any amount of money. According to the standard of living metric, he would appear not very well-off, indeed, among the lowest ranking in society. And yet, by achieving his highest valued ends, he may be much happier than the richest man on earth, and the metric

economists use to measure people's condition should reflect as much. Additionally, the woman mentioned above who desires to pursue a STEM field in a discriminatory society is less well-off than a man of equivalent income and financial assets due to non-material factors, namely power, which are wholly unrepresented by current metrics. Her "life-chances" are lower, because something prevents her from achieving her highest valued end or makes it more difficult for her. Fortunately for Austrians, Max Weber has a very robust theory for assessing well-being, and due to his methodological compatibility with Mises and the Austrians, his theory takes into account subjective value and non-material factors.

In Weber's landmark essay "Class, Status, and Power" he propounds the usefulness of his "three-component theory of stratification" (Weber, 1978). Of the three components, standard of living, the existing metric, only measures one, and poorly. Class (or wealth), status (fame and reputation), and party (or power) all determine someone's "life-chances" and their capability of achieving their highest valued ends. A metric based around someone's subjective values which incorporates the potentially restrictive influence of their culture or society upon them in estimating their well-being would have much more use value both to the social scientist and in the public sphere, sharpening the real levels of inequality and individuality which are lost with our current metric.

Public Choice economists have not remained ignorant of the usefulness of other factors beyond wealth in assessing well-being, incorporating both Status and Power along Weberian lines. “Public choice describes those mechanisms [by which elites exercise their power over masses] with its theories of rent seeking, regulatory capture, and interest-group politics” (Holcombe, 2018). They have utilized theories of transaction costs to explore factors beyond income and assets that generate the differences in status and party between individuals, separating elites from masses. An elite having lower transaction costs gives them a higher standard of living in a way that current metrics simply cannot capture, but that a Weberian metric could. An improved metric for people’s well-being could drastically shape policy reform, making data more useful and policies more precise. And Weber’s “three-component theory of stratification” used to measure “life-chances” provides Austrians the tool set necessary to provide such an alternative to the current flawed metric on praxeological grounds. This is but one of the many ways that incorporating the insights of Weber, since his method and philosophy seems fully compatible with Mises’ own, would advance Austrian theories. Others include the role of culture in human action (see Storr, 2014; 2015; 2018; etc), and Austrian theories of bureaucracy to name but a few.

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