

## Divergence of Austrian from Mengerian tradition

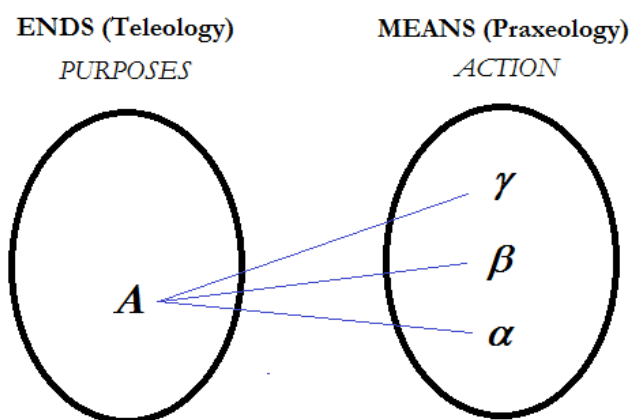


In this essay, we examine the differences in methodology between Menger and his so-called academic descendants, such as Jevons/Mises/Wicksell, for such matters are far from trivial.

It would not be unfair to say that Menger's methodology has been overlooked, some might say *purposefully* ignored, by those who professed to speak in the (Mengerian) Austrian tradition. The points that will be raised here might seem like pedantry to some. But be assured; nothing could be further from the truth; *grammar* isn't pedantry.

To *not* understand the differences in methodology between Menger and his so-called descendants is comparable to not understanding the difference between an 'object that can fly' and an 'aeroplane,' however comical this might seem. The method of analysis and development of the 'scientific' method as practised by the financial community in particular has been grossly mischaracterised. There's a tendency to misrepresent what the analysis can achieve. To be sure, this observation is most noticeable in finance, but effects many varied fields from physics to archaeology.

In one form, the miscomprehension can be described as 'positivism' or 'materialism,' whereby the intent behind a particular action can supposedly be found by looking at the said material action, be that statistical data or charts and interpreting that with *senses*. For example, our understanding of the old adage 'there are many ways to skin a cat' signifies that there is *not just one* way to skin a cat. Similarly, there is *not just one way* to be sedentary (you can sit on a chair or on the floor, etc.) Furthermore, there are *many* reasons *why* one may have needed to be sedentary:



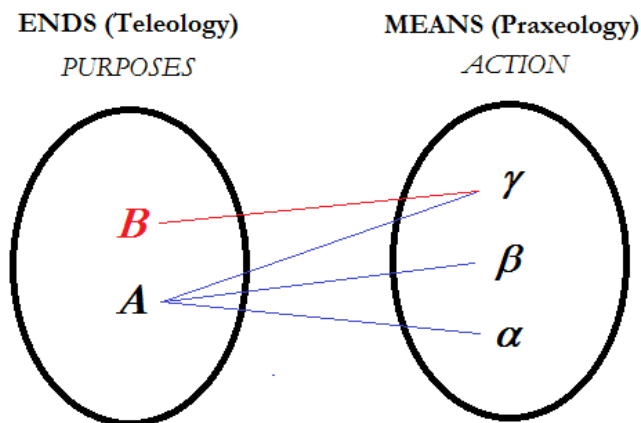
There is no exclusive correspondence between 'a wish to be sedentary' (more broadly, the 'ends' or 'teleological' set) and the 'those ways one is sedentary' (more broadly, the 'means' or 'teleological' set.)

Take 'the wish to be sedentary' (**A** in the teleological set.) There are many ways to be sedentary – specifically here: sitting on the chair **α**, sitting on the floor **β** and sitting on the table **γ**.

What has been elaborated here is nothing more than the overt dichotomy of Misesian praxeology (means) and Mengerian teleology (ends.) There is no objective correspondence *independent of the individual view point* between these 'two' sets.

Menger was never so mistaken as to 'objectify' any particular object; i.e. describe an object as having one purpose and that purpose alone. Indeed, according to Menger "no *essential* differences between the ethical and the natural sciences exist, but at most only one of *degree*." The *value* of any 'object' is purely in the conscience – not 'in the object itself,' which, in and of itself, is purely *coincidental*. The 'object' is *ascribed value* by us in the process of satisfying a human end. Mises introduces a *purposeful dualism* – i.e. a form of objectification/positivism – in order to supposedly progress in the field of economics and fails to acknowledge/use the utterly different Mengerian mode in his works. However, such an erroneous stance isn't limited to Mises but *all* so-called Austrian economists (apart from Menger) with their abstract, mathematical notions of utility coupled with the idea that 'counting things' is somehow a scientifically valid procedure.

Let's return to our example with the person wishing to be sedentary. A wish (end) to be sedentary can be accomplished in many ways (means) as was established. For example, sitting on a table, or sitting on the floor, or sitting on a chair amongst many more. *There is not only one way to be sedentary.* But, is this the end of the matter? Of course not, because any action could have had many purposes. For example, sitting on a table  $\gamma$  could have been not *only* for wishing to be sedentary, but for wishing to escape a wily mouse, say  $B$ .



It should be becoming more evident how statistical analysis is misused in the modern world and especially in finance. *Looking for relationships between objects in the praxeological (action) set could be comparing cross purposes with the original intention in the teleological (purposes) set.* Examining the different ways people have sat (read *statistical analysis*) – can (and most likely will) be comparing cross purposes in the original set. Examining the different ways people *have sat*, for example, can (and most likely will) be comparing cross purposes.

In order to be faithful to the acceptance of our ignorance, an *inductive* form of grasping reality must be our basis – whereby our inductive skills are tested by *very careful* analysis; not by ‘looking’ and then coming up with a list of explanations based on some contrivances from that ‘looking.’

Further reading

Von Mises’ apriorism and Austrian economics: From Menger to Mises, *Maurice Lagneux*.

