I.

The meaning economists attach to the label "Austrian" continues to be a great source of contention. The interpretation adopted in this essay will closely follow the standard definition of "Austrian economics" as it has been expounded by Israel Kirzner and Murray N. Rothbard. Austrian economics, in this sense, can be seen as an evolving tradition concerned primarily with market processes and competitive entrepreneurship. This tradition has experienced increasing distinction as a result of several debates that have continued since its inception, the most important of which have been responses to the contributions of Ludwig von Mises. Contemporary Austrians have, in different ways, attempted to crystallize the essential features of Mises' *Human Action* (HA). These efforts have struck me, however, as being a terribly misleading and incomplete guide to the understanding of Mises' ideas. The title of my paper, which I have borrowed from Leijonhufvud's 1967 essay [7], is intended to alert the reader to this important incongruity.

Austrian economics has seen the emergence recently of a major division within its ranks that has engendered much controversy and disagreement. The two groups can be identified very broadly as the "Austrian Orthodoxy" and the "Radical Subjectivists." Both look to Mises favorably as a source of inspiration and guidance, but disagree over the extent to which his message elucidated completely the implications of the market as a process of subjective entrepreneurial discovery and imagination. The extreme orthodox variant attributes to Mises an equilibrating view of the market process that results from the pursuit of purposive choice in the efficient allocation of scarce resources. Prices, in this scheme, are used as a means of appraising the estimated conditions of the future, and, as a consequence, serve to bring the market into greater coordination. The orthodoxy thus sees economics as concerned mainly with the determination of money prices in an open system of exchange between purposive actors. The radical subjectivists, on the other hand, challenge the ability of the market to coordinate, through the determination of market prices, the divergence of expectations concerning the future. The brief outline just presented casts considerable doubt, I think, on the enduring relevance and repute of the orthodox position. Its influence within Austrian economics has steadily declined as interest in knowledge (as opposed to calculation) has come to occupy a
prominent place in the standard Austrian research program, although it does seem to have found a safe retreat in political (normative) theory --- and, of course, in the teaching of the economics of liberty.

The area of common ground between these two groups with regards to their interpretation of Mises consists of two propositions: (1) the argument which Mises advanced against socialism is correct, which is obtained by recognizing the primacy of market prices for economic calculation; and (2) economic calculation informed by prices determined in the market will invariably outperform economic planning conducted in the absence of competitive market conditions. These two propositions have succeeded in creating a coherent and rich body of thought under which many competent scholars have labored. The major themes --- namely, subjectivism, the market process, and competitive entrepreneurship --- have now come to be accepted by all working within "Austrian economics." Mises saw his contribution to economics as comprising a systematic theory of "human action," which for Mises meant *purposive action* aimed at "the employment of means for the attainment of ends" (HA, p. 13). But the common ground between the orthodox- and radical subjectivist Austrians is based on an understanding of his theory of human action that is narrowly interpreted as being *either* conducive or disruptive to market coordination. This interpretation ignores Mises' more systematic theory of human action, and has resulted in what Joseph Salerno has called, for reasons other than those intended here, "Austrian Economics without You Know Who" [14].

II.

That a theory of "human action" which sees competitive markets as an imperfect representation of general equilibrium should become widely accepted as characterizing the essential properties of the market process is one of the more *curious* aspects of the development of Austrian economics, prompted as it is by the importance Austrians attach to the "signaling" function of prices in coordinating market activity. The emphasis on the degree to which the market fails to approximate general equilibrium, which is a subject of paramount interest in the Austrian literature, suggests that not only can the discrepancy be accurately measured, but also, in addition, that the state toward which the economy is presumably tending is desirable. Mises, in contrast, argued that the general equilibrium state is both fictitious and incompatible with his system of human action. It has, after all, been noted that a market economy approximating equilibrium is one that must be tending toward a state without market institutions (e.g., [2]).

Mises referred to his rendition of the Austrian method as "praxeology." He argued that the theory of praxeology is true *a priori*. The method of reasoning from "exact laws" that could give us universal and necessary knowledge Mises borrowed from Menger. The difference can be found in Mises' extension of Menger's
understanding of "exact laws" to cover more generally what he identified as the "axiom of action." The force that propels man to action is the existence of some felt uneasiness. Menger's theoretical scheme, which explored the causal connection between "useful things" and "needs" in arriving at economic goods, reveals the importance of human expectation in effecting a temporary alleviation in perceived uneasiness [8]. This approach escapes the traditional strictures of general equilibrium theory only in one, immensely powerful, respect: the "fully satisfied individual" --- i.e., an individual that no longer has incentive to act, think, or behave humanly --- is purposeless. Individuals who succeed in reaching a state of equilibrium, e.g., consistent action, will be reduced to a vegetative existence. This implies the ruin of the desirability of the Walrasian general equilibrium model.

The assumption of a "tendency" toward equilibrium is not necessary to the explanation of this theory of human action. It is sufficient simply to affirm the "apodictically certain" assumption of conscious or purposeful behavior. Markets with changing data will show Mises' *homo agens* to envisage a state of affairs more satisfactory than those existing presently. It is a further departure, moreover, to rely on the discovery process, economic coordination, the dynamic theory of competition, or other Austrian themes of the market process to explain purposeful behavior. Mises, in contrast to many Austrian economists, was singularly unimpressed by theories which explained the behavior of markets in terms of increasing plan coordination. The idea of change and disturbance is analytically inseparable from the science of human action. Dynamic market entrepreneurship does not mean systematic equilibration. This misuse of the equilibrium concept undermines Mises' system of praxeology.

Although Austrian economics has been critical of the neoclassical preoccupation with equilibrium states, it is still not clear whether their dynamic theory of the market process is to be understood as equilibrating or disequilibrating. For Austrians, "ignorance" facilitates entrepreneurship through the exploitation of profit opportunities. As Kirzner points out, "[t]he market process ... is set in motion by the results of the initial market-ignorance of the participants" [4, p.10]. This initial state of ignorance is then gradually reduced as plans are revised in response to the acquisition of new knowledge. This process of increasing coordination is interrupted, however, when knowledge is either ephemeral or delusive. Knowledge is a difficult concept to manage when it is transplanted to the arena of expectations. The inability of the market to "digest" expectations threatens, in the view of some Austrians, the traditional conception of the market process (e.g., [6]). This debate has come to define the character of Austrian economics. The market process is an imperfect representation of general equilibrium which is, depending on how knowledge is understood, either approximating- or growing increasingly distant from this final state of
affairs. Equilibrium is the standard against which the various effects of market adjustments are judged. The conceptual separation of individual and market equilibrium from general equilibrium in no way challenges this analytical scheme.

Mises explicitly jettisoned this mode of reasoning by showing that human action can never bring full satisfaction owing to the implications of general equilibrium for purposeful behavior (HA, chap. 39). Equilibrium is an "imaginary construction" that is used to illustrate the concept of human action. In this sense, it is an inappropriate tool for understanding a world of perpetual change. In the equilibrium model there is in fact "no longer any action," as the world is populated with "soulless unthinking automatons" (HA, pp. 248-249). It is "absurd," moreover, to believe that this model better serves our analysis the more it is held to correspond to the world in which we are actually living. The equilibrium model was never intended by Mises to be used as a vehicle for understanding the actual world. Its usefulness as a heuristic tool ends once we appreciate the purposefulness of human action.

The transition from Austrian economics to Misesian economics is made by dispensing with the assumed desirability of the equilibrium state. The establishment of equilibrium in mainstream neoclassical theory implies that current thinking with regards to the fulfillment of optimality theorems serves no purpose other than defeating the central task of economics, viz. purposeful behavior under conditions of scarcity. This insight is all that is needed in recognizing the limitations of the equilibrium concept. Having abandoned the equilibrium model as the standard for economic reasoning, the science of human action remains in all manner the same: (1) the purpose of all action is the pursuit of some subjectively understood end or goal which is directed always at relief from a felt uneasiness; (2) the means for accomplishing these goals are intelligible only in relation to the thoughts, beliefs, and opinions of those individuals concerned. The outcome of human action is then not to be judged according to its proximity to the equilibrium model, but only in connection to the preservation of the purposefulness of human behavior. To position utility optimization within the parameters of equilibrium models is to violate the axiom of action as Mises understood it. To be a Misesian, one need only admit the logical difficulties of combining human action with notions of equilibrium.

III.

It is widely believed today that certain weaknesses can be found in Mises' work with regards to his inability to adequately distinguish competitive prices from monopoly prices, a problem first recognized by his student Murray N. Rothbard (e.g., [3, p. 48]; [9, p. 190]). This discussion serves our purposes particularly well in
highlighting the differences in outlook between the Austrians and Mises. The idea that purposeful (voluntary) action must involve some degree of market coordination confuses conscious action with equilibrating action, a mistake that is easily seen if we compare the Austrian framework of equilibrium and process with Mises' own account:

<table>
<thead>
<tr>
<th>Austrian Model</th>
<th>Mises' Model</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. imperfect prices</td>
<td>1. felt uneasiness</td>
</tr>
<tr>
<td>2. informational discovery</td>
<td>2. plain state of rest</td>
</tr>
<tr>
<td>3. market adjustment</td>
<td>3. final state of rest</td>
</tr>
<tr>
<td>4. fleeting equilibrium</td>
<td>4. evenly rotating economy</td>
</tr>
</tbody>
</table>

The existence of imperfect market prices in the standard Austrian model transforms the problem into a search for the elimination of imperfection. Prices embody past errors that can be discovered by "alert" entrepreneurs.

Entrepreneurship is a function of ignorance which causes the market to adjust as new information is acquired through the decentralized actions of individuals. Purposeful action is, indeed, quickly obscured in this model. "Ignorance" is the "prime mover" in this construction, and determines the actions individuals will take given their knowledge of existing market imperfections.

The four-point scheme in Mises' model captures the essential properties of the market process. The plain state of rest permits the cessation of action without assuming the elimination of either imperfection or felt uneasiness (HA, p. 244). The closing of the daily stock market, for example, does not signal the end to all mutually satisfactory exchange. The absence of action is therefore categorically different from the complete removal of all felt uneasiness.

Mises uses the example of money as an institution that facilitates deferred action (HA, pp. 249, 417). The fundamental property which distinguishes the plain state of rest from the final state of rest is the role of expectation. In passing from the execution of exchange to the estimation of its consequences we move from the plain state to the final state. Action is undertaken to achieve some desired end, but the results will never fully bear themselves out in virtue of the fact that action is incessant. The final state of rest refers to the outcome of a single act in the "hypothetical" absence of other activities occurring simultaneously. For Mises, the plain state looks only at "what is going on right now," while the future state predicts "what will happen later" (HA, p. 245). The plain state, in other words, describes the inducement to act while the final state is defined as its necessary, but elusive outcome. The final state must remain an "imaginary construction" since every new instant creates "new facts" which alter permanently the realized course of the initial action.

Mises' alleged failure to distinguish between competitive and monopoly prices is attributed to his adoption of the neoclassical framework in analyzing market phenomena. The literature surrounding this discussion has based
its critique on the assumption that Mises followed neoclassical theory in its description of equilibrium. But in Mises' model, action, whether competitive or monopolistic, loses all force of meaning when confined to the limitations of the standard equilibrium concept. This understanding of equilibrium is wholly at odds with Mises' own account. The evenly rotating economy eliminates change altogether so that the final state can be reached. In this model, a single act performed at one instant can penetrate equilibrium only if all subsequent action is eliminated. It is for this reason that Mises described his equilibrium model as a "limiting notion" that substitutes "automatic reaction" for "the conscious striving of thinking man after the removal of uneasiness" (HA, p. 249). In the Austrian model, however, no distinction of this kind is made between the final state and the evenly rotating economy (e.g., [13, p. 122]). For the Austrians, the evenly rotating economy is yet another extension of the plain state of rest with the final state serving as an intermediary in which change is slowly purged.

In Mises' evenly rotating economy, the market prices of all goods and services "coincide" with the "final prices" (HA, p. 247). Since this is for Mises an "imaginary construct" rather than a result of market forces, it is surprising to find that Austrians relate the final state of rest to their conception of the market process. While Austrians will admit the existence of change, they nonetheless consider human action the force that "drives" the fluctuating market toward equilibrium [5]. But the change engendered by human action precludes in the final state of rest the realization of any "definite numerical value" in either "monetary terms" or "quantities of goods" (HA, p. 246). Austrians in this way have erred in their preoccupation with market processes ---- e.g., if equilibrium can only be understood in reference to the "conditions required for its emergence," then it is impossible to give any "definite" meaning to the equilibrating properties of the market process. It does not seem to have occurred to the Austrians that the vague and uncertain "character" of equilibrium precludes at the outset any discussion of equilibrating tendencies. Thus, Murray N. Rothbard compares "actual life" to the chasing of a "mechanical rabbit" by a dog [12, p. 250]. Similarly, Israel Kirzner has described the "equilibrating process" as a recurring act of arbitrage that "propels" the market toward equilibrium [4, pp. 15, 27, 85]. And although equilibrium is never reached, owing to the constant change that characterizes competitive markets, Austrians remain confident in the ability of entrepreneurs to direct the market toward this "hypothetical" state.

The discussion of praxeology found in Human Action serves, in one sense, as an introduction to Mises' more carefully focused explanation of this concept in his later book The Ultimate Foundation of Economic Science (UF). In the opening pages of this book, Mises contrasts acting man with that of a deity in order to show that
purposeful behavior implies a state of dissatisfaction. Man acts only because he "lacks the power to render conditions fully satisfactory" and must therefore "resort to appropriate means" in making his condition more tolerable (UF, p. 3). This problem does not apply to deities, e.g., "The Almighty," since their powers of omnipotence obviate any distinction between ends and means. The persistent neglect of the concept of praxeology is due, apart from "theological considerations," to the "passionate longing" for a "utopia." Man as homo agens is confronted with a reality that resists his efforts in arriving at a utopia. Mises referred to this idea as "the ultimate given" (HA, p. 18; UF, pp. 36, 54; HA, pp. 28, 95). Advances in the improvement of the state of affairs in which man acts is impeded forever by a "stopping point" in the provisional possession of knowledge between the appropriate means and the valued ends. It is on this point that Mises laid the groundwork for what later would become his theory of human action. Human action is purposeful to the extent that man is imperfectible. To believe that man should be moving in the direction of equilibrium, e.g., utopia, is to destroy the purpose he has for acting in the first place by assigning to him features that resemble those of deities. Mises saw clearly that equilibrium destroys man's reason for living.

The common Austrian interpretation focuses on the passages in which Mises argued that the "main formula for designing of imaginary constructions is to abstract from the operation of some conditions present in actual action" (HA, p. 237). In this way we can better understand the consequences of the absence of certain actions while simultaneously studying the effects of their presence [1, p. 23]. In my opinion, this interpretation misconstrues the essence of Mises' message. Mises employed the imaginary construct to illustrate the importance of human action so that its impact on economic phenomena could be appreciated. Consequently, without human action there would be no economics and thus no reason for using the imaginary construct.

In a similar way Rothbard has shown, by using the example of money, how the "laws" of praxeology can be used in connection to historical events in understanding the "a priori" character of this theoretic approach [11, pp., 944-945]. Rothbard reasons that if the supply of money increases while demand for it remains the same, then the purchasing power of money will decline. This, for Rothbard, is a "praxeological law" deduced from the principles of logic. Historical records documenting this proof are used "as illustrations of the workings of praxeological laws." This "law" can then be used to account for changes in either the supply of- or demand for money.

This brings our discussion of Mises' system into deeper waters. Mises expounded a theory of a world in which the actions of man are directed at removing felt uneasiness. In this world, human action must, if it is to retain purpose, avoid any assimilation with traditional notions of equilibrium. The danger of living a "vegetative existence"
is closely connected to the problem of what defines appropriate action. But the laws of praxeology establish the necessary conditions of human action (UF, pp. 18, 45), and are thus destined to counterpoise action between purpose and determinacy. This is the basis for the belief in the coordinating abilities of the market process.

Mises' system of praxeology is concerned mainly with preserving purpose in human action. This implies an uncertain future since action is impossible in a world without choice (HA, p. 105). Human acts of choice must therefore leave the science of economics quantitatively undetermined. In the absence of constancy in the sphere of economics, the exact outcome a single act can at best only be arrived at with the assistance of the science of probability. The ambiguous and open-ended character of economics is what makes human action purposive. Praxeology states that man acts to improve his condition; it does not posit universal laws that succeed one another with absolute certainty (UF, p. 66). The question why human action should imply uncertainty in decision making is, after all, not so different from the old question why omniscience should ever be denied to man in matters involving rationality. Mises is correct in arguing that common sense reveals the dark and enigmatic forces that operate on man's knowledge: "With regard to these forces all human planning is vain. This is what religion has in mind when it refers to the unfathomable decrees of Heaven and turns to prayer" (UF, p. 67).

IV.

Having examined Mises' theory of human action and praxeology, we are now in a position to consider the more positive aspects of his system: "Action Within the Framework of Society" (HA, p. 143). This is the central theme in Misesian economics.

"The market is not a place, a thing, or a collective entity. The market is a process, actuated by the interplay of the actions of the various individuals cooperating under the division of labor" (HA, p. 257). By "process" is meant cooperative action for the purposes of increasing satisfaction through material production. Man is a social being. His actions in this world require active engagement with the rest of society. Social cooperation is the organizing principle in Mises' system of human action.

Mises regarded "exchange" as the "fundamental" social relation. Social cooperation acquires meaning through the recurring acts of interpersonal (symmetrical) exchange (HA, chap. 10). The preservation of this institutional framework requires the presence of a governing body powerful enough to curb all "antisocial elements." To Mises, the "essential implement of a social system is the operation of such an apparatus commonly called government" (HA, p. 280). This system of governance, while responsible for maintaining peaceful cooperation and
exchange, is chiefly concerned with defining the sphere of personal action within which an individual may be free to act. Government is therefore an important force that bears directly on the meaning and character of human action. This understanding of freedom as human action within a "framework of society" subjects the scope of choice to the "popular political doctrines" (UF, p. 132) of the moment which, through the abolition of certain individual rights, could very well eliminate purposive choice altogether. "A man is free as far as he shapes his life according to his own plans" (HA, p. 287).

Whereas Mises had spoken of government in connection to the "real actions of real men," in the Austrian literature the term has been used for normative purposes in advancing the libertarian ideology. Contemporary Austrian economists have developed a peculiarly nuanced view of government that is understood only in comparison to the operation of the free market economy (e.g., [12, chap. 12]; [10]). But it is the purposefulness of human action that complicates the exercise of state power and not its oppositional effects on market processes. Mises argued that both the government and the market can never be "perfect" because "they owe their raison d'etre to the imperfection of man" (UF, p. 99). A perfect system of social cooperation is "fallacious" and "self-contradictory." In the Austrian model, with its belief in the benefits of the free market, there is no reason why markets should not clear in the absence of government intervention. In Mises' model, however, the laws of praxeology prevent markets from moving toward equilibrium. The distortion caused by government is not solely responsible for market imperfections. The persistence of imperfectly formed and developed social relations owes its existence instead to human action. To stress "imperfection" in this way does not mean that one can speak of "Austrian-style" movements away from equilibrium. With imperfect men no conception of equilibrium can be consistently articulated.

There has arisen in the literature a vast commentary on the meaning of freedom in the market economy, and most Austrians in this discussion have invoked the writings of Mises in support of their political views. Mises urged that social cooperation without a market must proceed in the absence of economic calculation (HA, p. 700). This was doubtless seen by many as an assertion of the relative superiority of institutions permitting the free exchange of goods and services under the division of labor. A market without private property in the means of production cannot confront the economic problem, e.g., scarcity, "rationally." This interpretation fails to appreciate Mises' original point: that although planning schemes do not "take into account the necessity of altering this structure in order to adjust it to changes in conditions" (HA, p. 707), the source of the trouble lies actually in the "unrestricted
centralization" and "unification" of the disparate actions of men under a single authority. The real question is whether other people would like or dislike what the planner has in store for them. It is because people differ widely in their "appraisal" of the situation that centralized planning is impossible. "What integrates the individual's actions into the whole of the social system of production is the pursuit of his own purposes" (HA, p. 725, emphasis mine).

V.

This paper has attempted to show how Austrian economics has developed in ways that contravene Mises' system of human action. I have argued that, in Mises' theory: (1) individuals in equilibrium are purposeless and therefore do not act; (2) human action is irreconcilable with traditional notions of equilibrium; (3) equilibrium, even if it were attainable, is simply not desirable.

The most important theme in Mises' economics is his rejection of the desirability of the equilibrium concept. The "phantom" of the "fabulous economic man," ---- i.e. homo oeconomicus ---- is the man without purpose, the man who, through various machinations, has transformed himself into a plant with the fateful consequence of pursuing hereafter a simple vegetative existence.

Why, then, has Austrian economics directed its efforts at developing a more "dynamic" theory of market equilibrium? Is it not obvious that by substituting "process" for "end-state" Austrians have eroded the power of Mises' message?

REFERENCES