

**REASON AND REALITY:
The Logical Compatibility of Austrian Economics
& Objectivist Ethics**

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I. The Two Disciplines

The school of Austrian economics is well known for its “realistic” approach to the study of human action. This importance which Austrian economists place on reality is very similar to that which followers of the philosophy of Objectivism adhere to. The two schools of thought are very similar in that they both hold that “certainty is a relation between an individual mind and reality.”¹ The Objectivist ethics make the ethical implications of Austrian economics explicit. Where the Austrian economist focuses on the economic implications of the matter at hand, the Objectivist provides a strong ethical base for the Austrian’s conclusions, a base founded in reality. Austrian economics and Objectivism are two aspects of the same worldview.²

There are several important areas in which Austrian economists and Objectivists agree, including the importance they place on the virtue of rationality and *a priori* logic; their embracing of reality as a standard of action; their adherence to the principle of non-initiation of force; and the fact that each discipline (especially Objectivism) discovered a similar way to bridge the problematic mind-body gap, or dichotomy.

¹ Kelley 70

² There is one major historical conflict between Objectivism and Austrian economics which is worth noting, namely that between Murray Rothbard and what he called “the Ayn Rand cult... which flourished for just ten years in the 1960s.” While the main philosophical difference between Rothbard and Rand was the issue of anarchism (Rand believed that the market for government was a natural monopoly, whereas Rothbard felt that it was a market open to competition like any other and that it was inappropriate to have a coercive government), Rothbard’s 1972 article “The Sociology of the Ayn Rand Cult” is a poorly defended attack on Rand’s personal character and the characters of her closest friends and associates. Rothbard’s claim that “the structure and implicit creed, the actual functioning, of the Randian movement, was in striking and diametric opposition to the official, exoteric creed of individuality, [and] independence” (“The Sociology of the Ayn Rand Cult 8) is most probably correct, but it does not constitute a strong enough difference between Austrian economics and Objectivism for it to be of any note. The behavior of professed followers of a philosophy is hardly an appropriate method by which to judge the philosophy.

II. Austrian Economics Is:

The Austrian school of economics (so called because its early members lived in Austria) was founded in the late nineteenth century by Carl Menger³. It is the school of economists who pride themselves on basing their theories and policy recommendations on the reality of human action. In contrast to the followers of the more mainstream schools of economics, who have a tendency to get caught up in abstract thought experiments (commonly making false recommendations and/or inaccurate predictions as a result), Austrians believe that “economics ought to be relevant to real life.”⁴ Austrians base their work on what Frank Fetter called the “Action Axiom,”⁵ which states very simply that: “Humans act.” Economics as a discipline focuses on observing the regularity of what may be called market phenomena. Austrian economists believe that the most valid way to observe these phenomena and make judgments regarding them is in light of human action. Human action is what causes market phenomena, and the Austrians believe that the best way to study the occurrences of the market is to study their cause; human action in the face of uncertainty. It is this strong base in reality which makes Austrian economics different from the other schools.

III. Objectivism Is:

The philosophy of Objectivism, founded by the twentieth century philosopher Ayn Rand⁶, puts a similar emphasis on reality and human life as a standard of action and value. When Ayn Rand was asked to summarize her philosophy, she answered:

"1. Metaphysics: Objective Reality. ('Nature, to be commanded, must be obeyed.')

³ Callahan 304

⁴ Callahan 12

⁵ **FIND THE REFERENCE FOR THIS!**

⁶ It must be stressed that for the purposes of this paper, I am referring to the philosophy of Objectivism as such, not the actions of Ayn Rand. It is her ideas which are relevant here, not the details of her sensational private life.

2. Epistemology: Reason. ('You can't have your cake and eat it too.')
3. Ethics: Self-Interest ('Man is an end in himself.')
4. Politics: Capitalism ('Give me liberty or give me death.').⁷

Like Austrian economics, Objectivism focuses on the importance of the individual, and the absolute necessity of understanding reality and basing one's rational actions on it.

Objectivism is often falsely accused of being nothing but a new and more complex form of hedonism. It is important that before continuing that we address this question, and show that Objectivism is *not* a form of hedonism.

Hedonism is the ethical doctrine which states that "pleasure is the ultimate good for humans."⁸ In practice, hedonism is the doctrine followed by those who base their actions *only* on the idea that each man must do what will bring him the most happiness, as subjectively determined by his own desires. The hedonist does not sacrifice himself for others' welfare, but if he sees fit, he may sacrifice others for his own welfare.

In contrast, Objectivism states explicitly that a man must not sacrifice others for his own welfare.

"Central to Rand's ideal of benevolent egoism are the following two principles:

P1: I should never sacrifice myself for the benefit of others.

P2: I should never sacrifice others for the benefit of myself."⁹

Objectivism is, in fact, a combination of two principles which had seemed to be mutually exclusive until combined in this form. On the one hand, the Objectivist believes (as do most followers of traditional Western Judeo-Christian religions) that he may not prey

⁷ "Introducing Objectivism" 3

⁸ Feinberg 781

⁹ Huemer 1

upon his fellow rational beings for his own benefit. On the other hand, he believes (as does the hedonist) that he must seek his own highest good, and he may not allow his fellow rational beings to prey upon him. This set of rational principles is the base of Objectivism, and as we will see, the cause of Objectivism's close kinship with Austrian economics.

IV. Values as Goals

At first appraisal, there appears to be a conflict between Mises' value-neutrality (or value-subjectivity) and Rand's argument for the importance of objectivity. However, on closer observation it is apparent that the difference is in the respective function of the values in question. While both Rand and Mises focus on the acting man, Mises recommends values for the observer of the action *as an observer* (namely, value-neutrality), whereas Rand recommends values for the actor himself *as an actor* (namely, objective and life-enhancing values). When Mises advocates value-neutrality, he refers to the idea that the good economist refrains from imposing his own subjective preferences on those acting humans whom he observes. The economist may not observe a tribal shaman and conclude that "a rain dance will not work." He may simply watch; he may describe; he may explain the shaman's actions within the scope of economics, saying, "The shaman employs the rain dance as a means to obtain the end of a rainstorm occurring." For the economist, value-neutrality (understanding that each actor's values are subjective and that, as an economist, one may not condemn those individual values) is much like the imaginary construct of the Evenly Rotating Economy; it is a necessary methodological tool for use in economic appraisal. It is not a source of facts; it is not meant as a basis for real-world action; it does not affect reality. Rather, "value freedom

is a methodological device designed to separate and isolate an economist's scientific work from the personal preferences of the given economic researcher."¹⁰

Mises' value-neutrality in the economic realm does not mean that his ideas cannot be integrated with Objectivism's strong value-objectivity. Indeed, his definition of value as "the relation between a thing and the effect it has the capacity to bring about"¹¹ is perfectly complementary to Rand's definition of value as "that which one acts to gain and/or keep."¹² Each school of thought uses the concept of "value" to describe the goals which acting man strives towards. "A value is an object of human action."¹³ Each man's goals are subjective in the sense that they relate to his specific circumstances, and objective in the sense that they relate to concrete reality.

Where Austrian economics is primarily descriptive in nature, Objectivism goes on to prescribe *what* acting humans ought to value. The Objectivist believes that for each man, his own life is the highest value he may strive toward. Each man makes a basic choice: to live or to die. The man who chooses to live, must (to be rationally consistent) also choose those smaller ends which will further the ultimate value which he has chosen, his own life. "The fact that living entities exist and function necessitates the existence of values and of an ultimate value which for any given living entity is its own life."¹⁴ Thus we see that for the Objectivist, as well as for the Austrian economist, the term "value" means "goal pursued by a acting being with volitional consciousness" – values are *goals*, not ethical codes of action.

¹⁰ "Can the Ideas of Mises and Rand Be Reconciled?" 3

¹¹ *Human Action* 120

¹² "The Objectivist Ethics" 27

¹³ Merrill 100

¹⁴ "The Objectivist Ethics" 18

Interestingly enough, it is not Mises, but his predecessor Carl Menger who agrees more explicitly with Ayn Rand's value theory. "Menger and Rand agree that the ultimate standard of value is the life of the valuer."¹⁵ Menger specifies in his definition of value that man's life is its source. For Menger, "Man... becomes the ultimate cause as well as the ultimate end in the process of want satisfaction."¹⁶ Without human beings, who are capable of choice and subjective desires, the concept of value is nonsensical. It is the fact that existence exists which makes valuation possible – which makes choice possible – which makes the desire for economic activity and satisfaction of economic wants possible. Without human life there would not be human action; Menger recognizes this and bases his value theory on man much more explicitly than does Mises. It is "life, the process of self-sustaining and self-generated action, which makes the concept of 'value' meaningful."¹⁷ Value is necessarily based on life.

V. The Importance of the Individual and His Volitional Consciousness

Both Austrian economics and Objectivism recognize that only the human individual can hold and act upon the kind of values which are worthy of study.¹⁸ Values cannot be held collectively; neither can the values of two different rational beings be compared to one another. The study of the individual actor is therefore of utmost importance to both the Austrian economist and the Objectivist.

Humans are the only "animals" which are capable of action and rationality; capable of choosing to be or not to be; and capable not only of living, but of choosing *how* to live. Man may, and generally does, choose life. According to Mises, "To live is

¹⁵ "Austrian Economics Can Be Compatible With Objectivist Ethics" 7

¹⁶ "Austrian Economics Can Be Compatible With Objectivist Ethics" 1

¹⁷ "Austrian Economics Can Be Compatible With Objectivist Ethics" 6

¹⁸ When an animal instinctively acts to protect its own life or feed itself it is not, as far as one can observe, acting in a rational manner in the sense that it is choosing between life and death, so it cannot hold values in the sense that a human being can.

for man the outcome of a choice, of a judgment of value;”¹⁹ or, according to Rand, “Man has to be man by choice...”²⁰ It is this unique aspect of mankind which makes the study of human action so fascinating, and so paradoxical.

The economist cannot go about his work in the same way that, for instance, a biologist can, for a very interesting reason. The economist cannot create scientific experiments, in the sense that a biologist can, because humans act, and more specifically, because humans learn in a sense that no other animal does. If the economist were to attempt to create a valid scientific experiment (even disregarding such issues as the morality or immorality of using humans as experimental subjects), it would be impossible for him to study humans as they act “naturally,” since humans act differently when they know they are being observed! The economist could not create a repeatable study, since each human is so drastically different from every other human that the observing economist could never build a controlled experiment. Human action itself prohibits the use of “scientific” methods in the observation of such; the very subject of the economist’s study prevents him from using the methods of the traditional, physical sciences. “There *cannot* be controlled experiments when we confront the real world of human activity.”²¹ Each man is an individual entity, not to be compared with other men too closely; each man has a subjective scale of values (different from that of his neighbor) and a means-end framework for achieving those values (also different from that of his neighbor).

Central to the method of the Austrian economist is the adherence to *methodological individualism*, meaning that this form of economic study “deals with the

¹⁹ *Human Action* 20

²⁰ “The Objectivist Ethics” 21

²¹ Rothbard 58

actions of individual men.”²² Man acts as part of a social whole, and the economist must never forget or ignore that fact, but what the individual actions of individual men are what make up the social whole. Human action cannot be studied in the aggregate; the Austrian economist believes that to make sense of his discipline he must focus on the individual man. “A great deal may be learned about society by studying man; but this process cannot be reversed: nothing can be learned about man by studying society.”²³ The Austrian economist always remembers that man is part of a social whole, but he places the emphasis of his study on the individual actor.

VI. The Importance of Rationality as Tool and Subject of Study

Ludwig von Mises, who was the great champion of Austrian economics in the twentieth century, believed that “the laws of economics are fundamentally logical relationships and not empirical relationships.”²⁴ This means that the uneducated layman, using his natural powers of reason, should be able to deduce the laws of economics from the axiom that “Humans act.” In this sense, economics is more of a philosophical science (akin to mathematics) or social science (akin to psychology) than a physical one (such as biology).

The action axiom “is the fundamental and universal truth that individual men exist and act by making purposive choices among alternatives.”²⁵ Mises believed that the action axiom was an *a priori* truth (meaning, roughly, that it was self-evident and required no sensory evidence to verify it). Not only did Mises believe that this axiom

²² *Human Action* 41

²³ “What Is Capitalism?” 15

²⁴ Ebeling xvi.

²⁵ “Can the Ideas of Mises and Rand Be Reconciled?” 1

was *a priori*, but he felt that all other economic truths were also *a priori*, and could be deduced from this first principle.

For instance: for Mises, *action* implies two important things. First, action implies a values scale; an individual, subjective ranking of values, or goals, which the actor in question desires to reach. Secondly, action implies that a means-end framework is held by the actor. That is, the actor has ends which he wishes to reach, and employs certain means to reach them. These ends (or “values”) are subjective; they depend entirely on the desires and preferences of the actor in question. The means which the actor employs to reach his ends are also subjective; whether or not the means actually will assist the actor in achieving his end, he believes that they will, and he is therefore acting rationally. For Mises, to act means “purposeful behavior... or, aiming at ends and goals...”²⁶ Action is rational choice in the face of scarcity.²⁷

These two truths (that an actor has a values-scale and a means-end framework which he employs to reach those values) are only two of the many things implied by the action axiom. The importance which Mises placed on human rationality is evident, since he believed it to be possible for a man, with nothing but his reason, to deduce the entirety of economic truth from this simple axiom. For Mises, the rational mind is the all-important tool of the economist.

Objectivism places a similar importance on rationality. For the Objectivist, “Rationality is man’s basic virtue, the source of all his other virtues... The virtue of *Rationality* means the recognition and acceptance of reason as one’s only source of knowledge, one’s only judge of values and one’s only guide to action... It means a

²⁶ *Human Action* 11

²⁷ This is not to imply that there is no such thing as “irrational” action; but that is a complex philosophical argument, the scope of which is simply too deep for me to address in this paper.

commitment to the reality of one's own existence.”²⁸ The Austrian economist goes so far as to claim rationality as the appropriate method for discovery of economic truth; the Objectivist goes further, and asserts that rationality is the appropriate method for discovery of all aspects of reality, in ethics as well as intellectual endeavors. The Objectivist recognizes that reason, the use of his rational mind, is man's tool for choosing and striving after his values. “Rationality is a matter of choice – and the alternative [man's] nature offers him is: rational being or suicidal animal.”²⁹ This ability to choose between life and death, rather than blindly following animal instincts, is what sets man apart in the world. “The ingenuity of man is his noblest and most joyous power.”³⁰ Man's individual ability to rationally choose among alternatives, and even create new alternatives when he is unsatisfied with those available, is what makes it necessary, and possible, for him to have values and codes of morality (valid or invalid). It is this ability which makes human action possible. And it is this ability which requires that man discover, and adhere to, a rational code of morality which has a strong foundation in reality and truth.

VII. Reality Is Real – Existence Exists

What Objectivism offers that sets it apart from other philosophical systems is this: Objectivism says that knowledge *is* achievable – that reality is not only knowable but *must* be acknowledged. In short, Objectivism accepts and embraces the reality which mainstream philosophy evades. “Objectivism, with its confident assertion that philosophical problems *can* be solved once and for all – that there are two sides to every question, the right side and the wrong side – is profoundly antithetical to the

²⁸ “The Objectivist Ethics” 20

²⁹ *Atlas Shrugged* 931-932

³⁰ *Atlas Shrugged* 682

philosophical tradition of the twentieth century.”³¹ Objectivism holds reality itself as a philosophical standard of value. Values come from reality, and so are not subjective in a broad sense, but only in an individual one. That is to say: good and evil are objective, but the individual good (or “value”) which each man pursues is a subjective choice which he makes for himself. Man’s choice of values is indeed subjective, but the values which he may choose among are not. Once he has chosen his goal, reality imposes on him a standard which dictates how he may or may not reach that goal. “Since values are determined by the nature of reality, it is reality that serves as men’s ultimate arbiter.”³² Values which a man may strive toward exist in reality before he chooses among them. He may choose to live or to die; life and death exist as possible choices regardless of his decision. He may choose to accept and act upon the choices presented to him by reality or he may choose to deny them and “live” in the non-rational surreality which the philosophers of the twentieth century would have him believe is his only option; insanity and rationality exist as possibilities no matter what he decides. Reality will not change to make way for his subjective whim (if he desires something which is impossible); existence exists. The power of the individual is the power of choice, and of striving towards the chosen values. Reality is necessarily man’s standard of choice as well as his source of values to choose among. It is this unflinching claim on reality as a moral standard which is Objectivism’s distinction in the fields of philosophy and ethics.

It is precisely this adherence to reality which makes Austrian economics unique in its field; the object of economics, for the Austrian, is obtain valid knowledge about the real world and how humans interact with it. As Mises said, “[t]he end of science is to

³¹ Merrill 90

³² *Capitalism: The Unknown Ideal* 24

know reality.”³³ The ultimate aim of the observing economist is to think his way to objective and rational truth, in the form of economic laws and theories. Mises defined the subject matter of economics (rather awkwardly) as follows: “The elucidation and the categorical and formal examination of... the regularity of phenomena with regard to the interconnectedness of means and ends... is the subject matter of economics.”³⁴ In other words, economics is interested in reality; specifically that aspect of reality which is evident in the way that humans use means to achieve ends. Formally observing the regularity of human action in this respect is what the economist does; this is the truth which he searches for. For the economist as well as for the Objectivist, truth “is the recognition of reality; reason, man’s only means of knowledge, is his only means of truth.”³⁵ For the Austrian economist, reason is both his subject of study (specifically, how humans employ reason as one means to achieve their subjectively acquired values) and his means of study (since for Mises, economic thought is aprioristic in nature, and relies solely on the action of reason to reach a logical conclusion or assertion).

Reason and rationality, though, are even more important than this. It is through the proper understanding of reason that both Mises and Rand managed to successfully bridge the so-called mind-body dichotomy which had bothered philosophers for centuries. The relationship between value and reason is what made this possible; value is based implicitly on the relationship between rational man and reality. It is rational valuation which bridges the problematic mind-body gap.

VIII. The Mind-Body Dichotomy and Its Answer

³³ *Human Action* 65

³⁴ *Human Action* 885

³⁵ *For the New Intellectual* 126

The mind-body gap (or dichotomy) is only one of three dichotomies which nineteenth century philosophers grappled with. Ayn Rand argues that all three are invalid. The first is the analytic-synthetic dichotomy, which we will not touch on in this paper; the second is the mind-body dichotomy, which states that man must choose between his mind and/or soul (which serves as the symbol of spiritual things) and his body (which serves as the symbol of material things); and the third is the is-ought problem, which stems directly from the mind-body dichotomy, and which states, essentially, that since one cannot know reality (since there is no connection between the mind and physical reality), then one cannot advocate codes of behavior for oneself or other humans. If, since one cannot prove that the physical world exists, there might not even *be* a physical world, how can one argue that it is “wrong” for a man to kill another man? How can one use an argument based on what ‘is’ to determine what one ‘ought’ to do? So goes the argument based on the mind-body/is-ought argument, which Mises and Rand both solved satisfactorily.

The mind-body dichotomy began, historically, with the French philosopher René Descartes. Famous for arguing that a thing must be true, if he was capable of imagining it, he wrote that

“because, on the one hand, I have a clear and distinct idea of myself, in as far as I am only a thinking and unextended thing, and as, on the other hand, I possess a distinct idea of body, in as far as it is only an extended and unthinking thing, it is certain that ‘I’... that is, my mind, by which I am what I am... is entirely and truly distinct from my body, and may exist without it.”³⁶

³⁶ Descartes 165

Descartes believed that since he had a “clear and distinct idea” of his body and his mind existing separately, then mind and body must indeed be two separate substances; and there we see the source of the unnecessary problem which vexed philosophers for centuries to come.

The dichotomy continued to perplex philosophers because they failed to recognize the close relationship between human life and reality. Mises wrote that, in his time, “the relation between reason and experience has long been one of the fundamental philosophical problems.”³⁷ The advocates of philosophies which are not based on the connection between reason and reality took this distinction to its logical conclusion when, over the centuries, they advocated that man either totally abandon himself to the pursuits of physical pleasure (as, for instance, hedonism recommends) or completely give himself over to the activities of the mind and spirit (it is this last which many forms of spiritual aestheticism occupied themselves with). The mind-body dichotomy “cut man in two, setting one half against the other. [It has] taught him that his body and his consciousness are two enemies engaged in deadly conflict, two antagonists of opposite natures, contradictory claims, incompatible needs, that to benefit one is to injure the other, that his soul belongs to a supernatural realm, but his body is an evil prison holding it in bondage to this earth – and that the good is to defeat his body, to undermine it by years of patient struggle, digging his way to that glorious jail-break which leads into the freedom of the grave.”³⁸ Rand, as we can see from this quote, was most concerned about the tendency to reject the body in favor of the mind (since, at the time when she wrote, the alternative – rejecting the mind/soul in favor of material excess – was not a common *philosophical*

³⁷ *Human Action* 39

³⁸ “This Is John Galt Speaking” 138

stand, however common it may have been in everyday life). If the mind and body are divided in this way, there is indeed a conflict between them. There is only one way to overcome the mind-body problem: the acceptance of a synthesis of rational and empirical fact and the re-acknowledgement of the inseparability of reason and reality.

The Objectivist understands that there is no gap between mind and body, or between reason and experience, because it is not possible to consider the one out of the context of the other. It is irrational to drop the context of the argument (or the situation at hand). Man is “an indivisible entity of matter and consciousness.”³⁹ It is simply nonsensical to try to consider a choice between the material world and the world of the mind. “Ideas divorced from consequent action are fraudulent, and that action divorced from ideas is suicidal.”⁴⁰ Rationality is the tool which man uses to value; values are what guide human action. The empirical world and the intellectual world are simply not divisible. Without one, the other has no purpose.

The Austrian economist, too, understands the necessary relationship between reason and reality. As early as Menger, the first Austrian economist, this dichotomy was resolved: “Menger’s theory explains the inextricable ontological connection between the realm of cognition and the sphere of objective causal processes that results from valuation and economizing.”⁴¹ Since Austrian economics and Objectivism have a similar understanding of the relationship between value, rationality, and reality, it is only to be expected that philosophers in both disciplines would reach a solution for the mind-body gap, and consequently, the is-ought problem.

³⁹ *For the New Intellectual* 142

⁴⁰ *For The New Intellectual* 51

⁴¹ “Austrian Economics Can Be Compatible With Objectivism” 3

Objectivism holds that there *are* moral absolutes, and that they are based on the relationship of man to reality. Man's nature as a human being in the abstract determines what these moral absolutes are – each man, to achieve the goal of happiness, must act in favor of his own rational self-interest, in accordance with these moral principles.

“[Rand's] theory of rational egoism eliminates the breach between interest and idealism: our happiness is to be achieved by fidelity to moral absolutes that are grounded in man's nature as a living being.”⁴² The mind-body dichotomy is proven false by the relationship of man's consciousness to reality. Man needs reality to determine what actions are morally appropriate for him to undertake; his soul cannot survive without his body. “A body with out a soul is a corpse, a soul without a body is a ghost...”⁴³ Man is neither corpse nor ghost – man is an acting being of volitional consciousness, existing in a reality which is concrete and necessary.

If, as Mises and Rand argue, it is possible to maintain the connection between the human mind and reality, then it is also possible to specify what political-economic system is demanded by reality; if man's mind can know reality, then it can identify how he ought to live. By solving the mind-body problem, Mises and Rand discovered how to determine the 'ought' from the 'is.'

IX. *Laissez-nous faire!*

The 'ought' which both Mises and Rand determined was appropriate for the life of a rational, acting being, is capitalism. According to modern Austrian economist and Objectivist George Reisman, “capitalism is a social system based on private ownership of the means of production. It is characterized by the pursuit of material self-interest under

⁴² Kelley 75

⁴³ “This Is John Galt Speaking” 138

freedom and it rests on a foundation of the cultural influence of reason.”⁴⁴ Under this setup, the ideal economic system is one without unnecessary government interference of any kind, where the free market treats each individual in the same manner – it judges him by what he brings to market. Capitalism is an inherently peaceful system (since war is punished by economic disincentives), and it rewards citizens of the system for fair interaction with one another. Under capitalism, each citizen’s cry is simply: *Laissez-nous faire!*⁴⁵

Economics is value-neutral in the sense that the economist does not force his personal, subjective value scale on the acting men he observes. This does not mean, however, that Austrian economics is value-neutral when it comes to recommending a governmental system. Indeed, precisely because the Austrian economist respects each individual’s right to his own preferences, the Austrian finds himself compelled to recommend a governmental system which also respects this right.⁴⁶ Only a government focused on protecting individual liberty and property rights is such a system. Mises tells us that “As far as the government... confines the exercise of its violence and the threat of such violence to the suppression and prevention of anti-social action, there prevails what reasonably and meaningfully can be called liberty.”⁴⁷ Liberty is a very simple concept: when a man is free from the *initiation of force* against him by others, he exists in a state of liberty. “The task of the state consists solely and exclusively in guaranteeing the protection of life, health, liberty, and private property against violent attacks. Everything

⁴⁴ Reisman 19

⁴⁵ The expression “*laissez-faire* capitalism” reputedly comes from an incident at an overly regulated French factory, when a government official asked the factory workers how else the government could assist them, and they replied: “*Laissez-nous faire!*” (“Leave us alone!”)

⁴⁶ While there are definite exceptions to the assertion that Austrians are in favor of capitalism and free markets, notably in such economists as Hans Meyer, it is reasonable for my purposes here to make the generalization that, in a broad sense, Austrians advocate governments based on the principle of non-initiation of force.

⁴⁷ *Human Action* 281

that goes beyond this is an evil.”⁴⁸ A free society, for Mises, is one in which no man may lawfully initiate the use of force against others.

Objectivism even more explicitly advocates capitalism and a free society based on the principle of non-initiation of force. In order for a moral society to exist, it is necessary to have a system wherein “no man may *initiate* the use of physical force against others.”⁴⁹ Rand’s solution to the mind-body dichotomy makes it possible for Objectivism to derive “ought” from “is” – that is, to take empirically valid facts about the reality which is, and determine from those facts a moral code for how men should act. This moral code is what the Objectivist bases his argument for a capitalistic free market government on. “The Objectivist ethical code constitutes a valid, verifiable morality, in which the distinction between ‘good’ and ‘bad’ is not arbitrary or intuitive but logically derivable from the facts of reality.”⁵⁰ The only good/bad distinction which Objectivism makes that is relevant to the appropriate-ness of a governmental system is the principle of non-initiation of force.

Capitalism is the only type of society in history which has been based upon this principle. Thus, it is capitalism which is the social incarnation of the Objectivist ethics. “The free market represents the *social* application of an objective theory of values.”⁵¹ Capitalism, and the principle of non-initiation of force, are the logical conclusion (in a societal sense) of the common principles which Objectivism and Austrian economics share.

X. The Simple Synthesis

⁴⁸ *Liberalism* 52

⁴⁹ “The Objectivist Ethics” 36, emphasis in original.

⁵⁰ Merrill 106

⁵¹ *Capitalism: The Unknown Ideal* 24

It is these shared values which make Objectivism and Austrian economics compatible: their respect for rationality; free choice; subjective *and* objective values, in their appropriate contexts; reality; and most important in a practical sense, a governmental system which allows for and protects a capitalistic free market. Both Objectivists and Austrian economists understand that human action is the driving force of the universe; that “every day human acts shape the world anew.”⁵²

(5022 words)

⁵² Lachman 29

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