

# Introduction

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Mises' epistemological analysis is central, forming the foundation of two important areas: not only his own theories but more especially the entire neo-Austrian tradition. He produced it as a reaction to social thinking dominated by ideas of inductivism and historicism developed in late 19th century Austria and Germany which aimed to apply empirical approaches of the natural sciences to the social sphere. Mises emphatically rejected these methods (Chapter 1).

Both Mises' and Menger's epistemological projects were intended to found an economics theory. But Mises opposed a deductive approach to Menger's inductivism, claiming that the founding of universal theoretical laws must spring from theorems, in turn based on a series of axioms defined in an *a priori* way, independently of any empirical reference. Mises' insistence on the social field's needs for a specific approach resulted in Praxeology being formed as the defining science of human action, studying its characteristics, conditions and consequences. We shall see how economic theory is grounded in Praxeology (Chapter 2).

Praxeological theorems were accepted as valid by all the neo-Austrian authors but their ability to fully account for the whole of social interaction were not. Hayek in particular felt the need for subsidiary hypotheses to analyse the field of interpersonal exchange. We consider a reflection on these as crucial; it is by their formulation that cognitive and epistemological foundations of the market will be made (Chapter 3).

