

HUMAN ACTION

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PART ONE

Chapter IV. A First Analysis of the Category of Action

1. Ends and Means

The result sought by an action is called its end, goal, or aim. One uses these terms in ordinary speech also to signify intermediate ends, goals, or aims; these are points which acting man wants to attain only because he believes that he will reach his ultimate end, goal or aim in passing beyond them. Strictly speaking the end, goal, or aim of any action is always the relief from a felt uneasiness.

A means is what serves to the attainment of any end, goal, or aim. Means are not in the given universe; in this universe there exist only things. A thing becomes a means when human reason plans to employ it for the attainment of some end and human action really employs it for this purpose. Thinking man sees the serviceableness of things, i.e., their ability to minister to his ends, and acting man makes them means. It is of primary importance to realize that parts of the external world become means only through the operation of the human mind and its offshoot, human action. External objects are as such only phenomena of the physical universe and the subject matter of the natural sciences. It is human meaning and action which transform them into means. Praxeology does not deal with the external world, but with man's conduct with regard to it. Praxeological reality is not the physical universe, but man's conscious reaction to the given state of this universe. Economics is not about things and tangible material objects; it is about men, their meanings and actions. Goods, commodities, and wealth and all the other notions of conduct are not elements of nature; they are elements of human meaning and conduct. He who wants to deal with them must not look at the external world; he must search for them in the meaning of acting men.

Praxeology and economics do not deal with human meaning and action as they should be or would be if all men were inspired by an absolutely valid philosophy and equipped with a perfect knowledge of technology. For such notions as absolute validity and omniscience there is no room in the frame of a science whose subject matter is erring man. An end is

everything which men aim at. A means is everything which acting men consider as such.

It is the task of scientific technology and therapeutics to explode errors in their respective fields. It is the task of economics to expose erroneous doctrines in the field of social action. But if men do not follow the advice of science, but cling to their fallacious prejudices, these errors are reality and must be dealt with as such. Economists consider foreign exchange control as inappropriate to attain the ends aimed at by those who take recourse to it. However, if public opinion does not abandon its delusions and governments consequently resort to foreign exchange control, the course of events is determined by this attitude. Present-day medicine considers the doctrine of the therapeutic effects of mandrake as a fable. But as long as people took this fable as truth, mandrake was an economic good and prices were paid for its acquisition. In dealing with prices economics does not ask what things are in the eyes of other people, but only what they are in the meaning of those intent upon getting them. For it deals with real prices, paid and received in real transactions, not with prices as they would be if men were different from what they really are.

Means are necessarily always limited, i.e., scarce with regard to the services for which man wants to use them. If this were not the case, there would not be any action with regard to them. Where man is not restrained by the insufficient quantity of things available, there is no need for any action.

It is customary to call the end the ultimate good and the means goods. In applying this terminology economists mainly used to think as technologists and not as praxeologists. They differentiated between *free goods* and *economic goods*. They called free goods those things which, being available in superfluous abundance, do not need to be economized. Such goods are, however, not the object of any action. They are general conditions of human welfare; they are parts of the natural environment in which man lives and acts. Only the economic goods are the substratum of action. They alone are dealt with in economics.

Economic goods which in themselves are fitted to satisfy human wants directly and whose serviceableness does not depend on the cooperation of other economic goods, are called consumers' goods or goods of the first order. Means which can satisfy wants only indirectly when complemented by cooperation of other goods are called producers' goods or factors of production or goods of a remoter or higher order. The services rendered by a producers' good consist in bringing about, by the

cooperation of complementary producers' goods, a product. This product may be a consumers' good; it may be a producers' good which when combined with other producers' goods will finally bring about a consumers' good. It is possible to think of the producers' goods as arranged in orders according to their proximity to the consumers' good for whose production they can be used. Those producers' goods which are nearest to the production of a consumers' good are ranged in the second order, and accordingly those which are used for the production of goods of the second order in the third order and so on.

The purpose of such an arrangement of goods in orders is to provide a basis for the theory of value and prices of the factors of production. It will be shown later how the valuation and the prices of the goods of higher orders are dependent on the valuation and the prices of the goods of lower orders produced by their expenditure. The first and ultimate valuation of external things refers only to consumers' goods. All other things are valued according to the part they play in the production of consumers' goods.

It is therefore not necessary actually to arrange producers' goods in various orders from the second to the n th. It is no less superfluous to enter into pedantic discussions of whether a concrete good has to be called a good of the lowest order or should rather be attributed to one of the higher orders. Whether raw coffee beans or roast coffee beans or ground coffee or coffee prepared for drinking or only coffee prepared and mixed with cream and sugar are to be called a consumers' good ready for consumption is of no importance. It is immaterial which manner of speech we adopt. For with regard to the problem of valuation, all that we say about a consumers' good can be applied to any good of a higher order (except those of the highest order) if we consider it as a product.

An economic good does not necessarily have to be embodied in a tangible thing. Nonmaterial economic goods are called services.

2. The Scale of Value

Acting man chooses between various opportunities offered for choice. He prefers one alternative to others.

It is customary to say that acting man has a scale of wants or values in his mind when he arranges his actions. On the basis of such a scale he satisfies what is of higher value, i.e., his more urgent wants, and leaves unsatisfied what is of lower value, i.e., what is a less urgent want. There is no objection to such a presentation of the state of affairs. However, one

must not forget that the scale of values or wants manifests itself only in the reality of action. These scales have no independent existence apart from the actual behavior of individuals. The only source from which our knowledge concerning these scales is derived is the observation of a man's actions. Every action is always in perfect agreement with the scale of values or wants because these scales are nothing but an instrument for the interpretation of a man's acting.

Ethical doctrines are intent upon establishing scales of value according to which man should act but does not necessarily always act. They claim for themselves the vocation of telling right from wrong and of advising man concerning what he should aim at as the supreme good. They are normative disciplines aiming at the cognition of what ought to be. They are not neutral with regard to facts; they judge them from the point of view of freely adopted standards.

This is not the attitude of praxeology and economics. They are fully aware of the fact that the ultimate ends of human action are not open to examination from any absolute standard. Ultimate ends are ultimately given, they are purely subjective, they differ with various people and with the same people at various moments in their lives. Praxeology and economics deal with the means for the attainment of ends chosen by the acting individuals. They do not express any opinion with regard to such problems as whether or not sybaritism is better than asceticism. They apply to the means only one yardstick, viz., whether or not they are suitable to attain the ends at which the acting individuals aim.

The notions of abnormality and perversity therefore have no place in economics. It does not say that a man is perverse because he prefers the disagreeable, the detrimental, and the painful to the agreeable, the beneficial, and the pleasant. It says only that he is different from other people; that he likes what others detest; that he considers useful what others want to avoid; that he takes pleasure in enduring pain which others avoid because it hurts them. The polar notions normal and perverse can be used anthropologically for the distinction between those who behave as most people do and outsiders and atypical exceptions; they can be applied biologically for the distinction between those whose behavior preserves the vital forces and those whose behavior is self-destructive; they can be applied in an ethical sense for the distinction between those who behave correctly and those who act otherwise than they should. However, in the frame of a theoretical science of human action, there is no room for such a distinction. Any examination of ultimate ends turns out to be purely subjective and therefore arbitrary.

Value is the importance that acting man attaches to ultimate ends. Only to ultimate ends is primary and original value assigned. Means are valued derivatively according to their serviceableness in contributing to the attainment of ultimate ends. Their valuation is derived from the valuation of the respective ends. They are important for man only as far as they make it possible for him to attain some ends.

Value is not intrinsic, it is not in things. It is within us; it is the way in which man reacts to the conditions of his environment.

Neither is value in words and doctrines. It is reflected in human conduct. It is not what a man or groups of men say about value that counts, but how they act. The oratory of moralists and the pompousness of party programs are significant as such. But they influence the course of human events only as far as they really determine the actions of men.

3. The Scale of Needs

Notwithstanding all declarations to the contrary, the immense majority of men aim first of all at an improvement of the material conditions of well-being. They want more and better food, better homes and clothes, and a thousand other amenities. They strive after abundance and health. Taking these goals as given, applied physiology tries to determine what means are best suited to provide as much satisfaction as possible. It distinguishes, from this point of view, between man's "real" needs and imaginary and spurious appetites. It teaches people how they should act and what they should aim at as a means.

The importance of such doctrines is obvious. From his point of view the physiologist is right in distinguishing between sensible action and action contrary to purpose. He is right in contrasting judicious methods of nourishment from unwise methods. He may condemn certain modes of behavior as absurd and opposed to "real" needs. However, such judgments are beside the point for a science dealing with the reality of human action. Not what a man should do, but what he does, counts for praxeology and economics. Hygiene may be right or wrong in calling alcohol and nicotine poisons. But economics must explain the prices of tobacco and liquor as they are, not as they would be under different conditions.

There is no room left in the field of economics for a scale of needs different from the scale of values as reflected in man's actual behavior. Economics deals with real man, weak and subject to error as he is, not with ideal beings, omniscient and perfect as only gods could be.

4. Action as an Exchange

Action is an attempt to substitute a more satisfactory state of affairs for a less satisfactory one. We call such a willfully induced alteration an exchange. A less desirable condition is bartered for a more desirable. What gratifies less is abandoned in order to attain something that pleases more. That which is abandoned is called the price paid for the attainment of the end sought. The value of the price paid is called costs. Costs are equal to the value attached to the satisfaction which one must forego in order to attain the end aimed at.

The difference between the value of the price paid (the costs incurred) and that of the goal attained is called gain or profit or net yield. Profit in this primary sense is purely subjective, it is an increase in the acting man's happiness, it is a psychical phenomenon that can be neither measured nor weighed. There is a more and a less in the removal of uneasiness felt; but how much one satisfaction surpasses another one can only be felt; it cannot be established and determined in an objective way. A judgment of value does not measure, it arranges in a scale of degrees, it grades. It is expressive of an order of preference and sequence, but not expressive of measure and weight. Only the ordinal numbers can be applied to it, but not the cardinal numbers.

It is vain to speak of any calculation of values. Calculation is possible only with cardinal numbers. The difference between the valuation of two states of affairs is entirely psychical and personal. It is not open to any projection into the external world. It can be sensed only by the individual. It cannot be communicated or imparted to any fellow man. It is an intensive magnitude.

Physiology and psychology have developed various methods by means of which they pretend to have attained a substitute for the unfeasible measurement of intensive magnitudes. There is no need for economics to enter into an examination of these rather questionable makeshifts. Their supporters themselves realize that they are not applicable to value judgments. But even if they were, they would not have any bearing on economic problems. For economics deals with action as such, and not with the psychical facts that result in definite actions.

It happens again and again that an action does not attain the end sought. Sometimes the result, although inferior to the end aimed at, is still an improvement when compared with the previous state of affairs; then there is still a profit, although a smaller one than that expected. But it can happen that the action produces a state of affairs less desirable than the

previous state it was intended to alter. Then the difference between the valuation of the result and the costs incurred is called loss.