

**HUMAN ACTION**  
by **Ludwig von Mises**  
4th edition (1996)

**PART TWO**  
**ACTION WITHIN THE FRAMEWORK OF SOCIETY**

**X. Exchange Within Society**

**1. Autistic Exchange and Interpersonal Exchange**

Action always is essentially the exchange of one state of affairs for another state of affairs. If the action is performed by an individual without any reference to cooperation with other individuals, we may call it autistic exchange. An instance: the isolated hunter who kills an animal for his own consumption; he exchanges leisure and a cartridge for food.

Within society cooperation substitutes interpersonal or social exchange for autistic exchanges. Man gives to other men in order to receive from them. Mutuality emerges. Man serves in order to be served.

The exchange relation is the fundamental social relation. Interpersonal exchange of goods and services weaves the bond which unites men into society. The societal formula is: *do ut des*. Where there is no intentional mutuality, where an action is performed without any design of being benefitted by a concomitant action of other men, there is no interpersonal exchange, but autistic exchange. It does not matter whether the autistic action is beneficial or detrimental to other people or whether it does not concern them at all. A genius may perform his task for himself, not for the crowd; however, he is an outstanding benefactor of mankind. The robber kills the victim for his own advantage; the murdered man is by no

means a partner in this crime, he is merely its object; what is done, is done against him.

Hostile aggression was a practice common to man's nonhuman forebears. Conscious and purposeful cooperation is the outcome of a long evolutionary process. Ethnology and history have provided us with interesting information concerning the beginning and the primitive patterns of interpersonal exchange. Some consider the custom of mutual giving and returning of presents and stipulating a certain return present in advance as a precursory pattern of interpersonal exchange<sup>1</sup>. Others consider dumb barter as the primitive mode of trade. However, to make presents in the expectation of being rewarded by the receiver's return present or in order to acquire the favor of a man whose animosity could be disastrous, is already tantamount to interpersonal exchange. The same applies to dumb barter which is distinguished from other modes of bartering and trading only through the absence of oral discussion.

It is the essential characteristic of the categories of human action that they are apodictic and absolute and do not admit of any gradation. There is action or nonaction, there is exchange or nonexchange; everything which applies to action and exchange as such is given or not given in every individual instance according to whether there is or there is not action and exchange. In the same way the boundaries between autistic exchange and interpersonal exchange are sharply distinct. Making one-sided presents without the aim of being rewarded by any conduct on the part of the receiver or of third persons is autistic exchange. The donor acquires the satisfaction which the better condition of the receiver gives to him. The receiver gets the present as a God-sent gift. But if presents are given in order to influence some people's conduct, they are no longer one-sided, but a variety of interpersonal exchange between the donor and the man whose conduct they are designed to influence. Although the emergence of

---

<sup>1</sup> J. Gustav Cassel, *The Theory of Social Economy*, trans. by S. L. Banon, (new ed. London, 1932), p. 371.

interpersonal exchange was the result of a long evolution, no gradual transition is conceivable between autistic and interpersonal exchange. There were no intermediary modes of exchange between them. The step which leads from autistic to interpersonal exchange was no less a jump into something entirely new and essentially different than was the step from automatic reaction of the cells and nerves to conscious and purposeful behavior, to action.

## **2. Contractual Bonds and Hegemonic Bonds**

There are two different kinds of social cooperation: cooperation by virtue of contract and coordination, and cooperation by virtue of command and subordination or hegemony.

Where and as far as cooperation is based on contract, the logical relation between the cooperating individuals is symmetrical. They are all parties to interpersonal exchange contracts. John has the same relation to Tom as Tom has to John. Where and as far as cooperation is based on command and subordination, there is the man who commands and there are those who obey his orders. The logical relation between these two classes of men is asymmetrical. There is a director and there are people under his care. The director alone chooses and directs; the others--the wards--are mere pawns in his actions.

The power that calls into life and animates any social body is always ideological might, and the fact that makes an individual a member of any social compound is always his own conduct. This is no less valid with regard to a hegemonic societal bond. It is true, people are as a rule born into the most important hegemonic bonds, into the family and into the state, and this was also the case with the hegemonic bonds of older days, slavery and serfdom, which disappeared in the realm of Western

civilization. But no physical violence and compulsion can possibly force a man against his will to remain in the status of the ward of a hegemonic order. What violence or the threat of violence brings about is a state of affairs in which subjection as a rule is considered more desirable than rebellion. Faced with the choice between the consequences of obedience and of disobedience, the ward prefers the former and thus integrates himself into the hegemonic bond. Every new command places this choice before him again. In yielding again and again he himself contributes his share to the continuous existence of the hegemonic societal body. Even as a ward in such a system he is an acting human being, i.e., a being not simply yielding to blind impulses, but using his reason in choosing between alternatives.

What differentiates the hegemonic bond from the contractual bond is the scope in which the choices of the individuals determine the course of events. As soon as a man has decided in favor of his subjection to a hegemonic system, he becomes, within the margin of this system's activities and for the time of his subjection, a pawn of the director's actions. Within the hegemonic societal body and as far as it directs its subordinates' conduct, only the director acts. The wards act only in choosing subordination; having once chosen subordination they no longer act for themselves, they are taken care of.

In the frame of a contractual society the individual members exchange definite quantities of goods and services of a definite quality. In choosing subjection in a hegemonic body a man neither gives nor receives anything that is definite. He integrates himself into a system in which he has to render indefinite services and will receive what the director is willing to assign to him. He is at the mercy of the director. The director alone is free to choose. Whether the director is an individual or an organized group of individuals, a directorate, and whether the director is a selfish maniacal

tyrant or a benevolent paternal despot is of no relevance for the structure of the whole system.

The distinction between these two kinds of social cooperation is common to all theories of society. Ferguson described it as the contrast between warlike nations and commercial nations<sup>2</sup>; Saint Simon as the contrast between pugnacious nations and peaceful or industrial nations; Herbert Spencer as the contrast between societies of individual freedom and those of a militant structure<sup>3</sup>; Sombart as the contrast between heroes and peddlers<sup>4</sup>. The Marxians distinguish between the "gentile organization" of a fabulous state of primitive society and the eternal bliss of socialism on the one hand and the unspeakable degradation of capitalism on the other hand<sup>5</sup>. The Nazi philosophers distinguish the counterfeit system of bourgeois security from the heroic system of authoritarian *Fuhrertum*. The valuation of both systems is different with the various sociologists. But they fully agree in the establishment of the contrast and no less in recognizing that no third principle is thinkable and feasible.

Western civilization as well as the civilization of the more advanced Eastern peoples are achievements of men who have cooperated according to the pattern of contractual coordination. These civilizations, it is true, have adopted in some respects bonds of hegemonic structure. The state as an apparatus of compulsion and coercion is by necessity a hegemonic organization. So is the family and its household community. However, the characteristic feature of these civilizations is the contractual structure proper to the cooperation of the individual families. There once prevailed almost complete autarky and economic isolation of the individual household units. When interfamilial exchange of goods and services was

---

<sup>2</sup> Cf. Adam Ferguson, *An Essay on the History of Civil Society* (new ed. Basel, 1789), p. 208.

<sup>3</sup> Cf. Herbert Spencer, *The Principles of Sociology* (New York, 1914), III, 575-611.

<sup>4</sup> Cf. Werner Sombart, *Haendler und Helden* (Munich, 1915).

<sup>5</sup> Cf. Frederick Engels, *The Origin of the Family, Private Property and the State* (New York, 1942), p. 144.

substituted for each family's economic self-sufficiency, it was, in all nations commonly considered civilized, a cooperation based on contract. Human civilization as it has been hitherto known to historical experience is preponderantly a product of contractual relations.

Any kind of human cooperation and social mutuality is essentially an order of peace and conciliatory settlement of disputes. In the domestic relations of any societal unit, be it a contractual or a hegemonic bond, there must be peace. Where there are violent conflicts and as far as there are such conflicts, there is neither cooperation nor societal bonds. Those political parties which in their eagerness to substitute the hegemonic system for the contractual system point at the rottenness of peace and of bourgeois security, extol the moral nobility of violence and bloodshed and praise war and revolution as the eminently natural methods of interhuman relations, contradict themselves. For their own utopias are designed as realms of peace. The Reich of the Nazis and the commonwealth of the Marxians are planned as societies of undisturbed peace. They are to be created by pacification, i.e., the violent subjection of all those not ready to yield without resistance. In a contractual world various states can quietly coexist. In a hegemonic world there can only be one Reich or commonwealth and only one dictator. Socialism must choose between a renunciation of the advantages of division of labor encompassing the whole earth and all peoples and the establishment of a world-embracing hegemonic order. It is this fact that made Russian Bolshevism, German Nazism, and Italian Fascism "dynamic," i.e., aggressive. Under contractual conditions empires are dissolved into a loose league of autonomous member nations. The hegemonic system is bound to strive after annexation of all independent states.

The contractual order of society is an order of right and law. It is a government under the rule of law (*Rechtsstaat*) as differentiated from the

welfare state (*Wohlfahrtsstaat*) or paternal state. Right or law is the complex of rules determining the orbit in which individuals are free to act. No such orbit is left to wards of a hegemonic society. In the hegemonic state there is neither right nor law; there are only directives and regulations which the director may change daily and apply with what discrimination he pleases and which the wards must obey. The wards have one freedom only: to obey without asking questions.

### **3. Calculative Action**

All the praxeological categories are eternal and unchangeable as they are uniquely determined by the logical structure of the human mind and by the natural conditions of man's existence. Both in acting and in theorizing about acting, man can neither free himself from these categories nor go beyond them. A kind of acting categorially different from that determined by these categories is neither possible nor conceivable for man. Man can never comprehend something which would be neither action nor nonaction. There is no history of acting; there is no evolution which would lead from nonaction to action; there are no transitory stages between action and nonaction. There is only acting and nonacting. And for every concrete action all that is rigorously valid which is categorially established with regard to action in general.

Every action can make use of ordinal numbers. For the application of cardinal numbers and for the arithmetical computation based on them special conditions are required. These conditions emerged in the historical evolution of the contractual society. Thus the way was opened for computation and calculation in the planning of future action and in establishing the effects achieved by past action. Cardinal numbers and their use in arithmetical operations are also eternal and immutable categories of the human mind. But their applicability to premeditation

and the recording of action depends on certain conditions which were not given in the early state of human affairs, which appeared only later, and which could possibly disappear again.

It was cognition of what is going on within a world in which action is computable and calculable that led men to the elaboration of the sciences of praxeology and economics. Economics is essentially a theory of that scope of action in which calculation is applied or can be applied if certain conditions are realized. No other distinction is of greater significance, both for human life and for the study of human action, than that between calculable action and noncalculable action. Modern civilization is above all characterized by the fact that it has elaborated a method which makes the use of arithmetic possible in a broad field of activities. This is what people have in mind when attributing to it the --not very expedient and often misleading--epithet of rationality.

The mental grasp and analysis of the problems present in a calculating market system were the starting point of economic thinking which finally led to general praxeological cognition. However, it is not the consideration of this historical fact that makes it necessary to start exposition of a comprehensive system of economics by an analysis of the market economy and to place before this analysis an examination of the problem of economic calculation. Neither historical nor heuristic aspects enjoin such a procedure, but the requirements of logical and systematic rigor. The problems concerned are apparent and practical only within the sphere of the calculating market economy. It is only a hypothetical and figurative transfer which makes them utilizable for the scrutiny of other systems of society's economic organization which do not allow of any calculation. Economic calculation is the fundamental issue in the comprehension of all problems commonly called economic.