

Human Action: A Treatise on Economics

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FOREWORD TO FOURTH EDITION

Mises' contribution was very simple, yet at the same time extremely profound. He pointed out that the whole economy is the result of what individuals do. Individuals act, choose, cooperate, compete, and trade with one another. In this way Mises explained how complex market phenomena develop. Mises did not simply describe economic phenomena — prices, wages, interest rates, money, monopoly and even the trade cycle — he explained them as the outcomes of countless conscious, purposive actions, choices, and preferences of individuals, each of whom was trying as best as he or she could under the circumstances to attain various wants and ends and to avoid undesired consequences. Hence the title Mises chose for his economic treatise, *Human Action*. Thus also, in Mises' view, Adam Smith's "invisible hand" was explainable on the basis of logic and utilitarian principles as the outcome of the countless actions of individuals.

Sprinkled throughout Mises' scholarly and erudite explanations of market operations are many colorful descriptions of economic phenomena. For instance, on the difference between economic and political power: "A 'chocolate king' has no power over the consumers, his patrons. He provides them with chocolate of the best quality and at the cheapest price. He does not rule the consumers, he serves them. The consumers ... are free to stop patronizing his shops. He loses his 'kingdom' if the consumers prefer to spend their pennies elsewhere." (p. 272) On why people trade: "The inhabitants of the Swiss Jura prefer to manufacture watches instead of growing wheat. Watchmaking is for them the cheapest way to acquire wheat. On the other hand the growing of wheat is the cheapest way for the Canadian farmer to acquire watches." (p. 395) For Mises a price is a ratio arrived at on the market by the competitive bids of consumers for money on the one hand and some particular good or service on the other. A government may issue decrees, but "A government can no more determine prices than a goose can lay hen's eggs." (p. 397)

In Mises' view, the inequality of men was the beginning of peaceful interpersonal social cooperation and the source of all the advantages it brings: "The liberal champions of equality under the law were fully aware of the fact that men are born unequal and that it is precisely their inequality that generates social cooperation and civilization. Equality under the law was in their opinion not designed to correct the

inexorable facts of the universe and to make natural inequality disappear. It was, on the contrary, the device to secure for the whole of mankind the maximum of benefits it can derive from it. . . . Equality under the law is in their eyes good because it best serves the interests of all. It leaves it to the voters to decide who should hold public office and to the consumers to decide who should direct production activities.” (pp. 841-842)

Mises’ 1949 comments on Social Security and government debt read as if they had been written yesterday: “Paul in the year 1940 saves by paying one hundred dollars to the national social security institution. He receives in exchange a claim which is virtually an unconditional government IOU. If the government spends the hundred dollars for current expenditures, no additional capital comes into existence, and no increase in the productivity of labor results. The government’s IOU is a check drawn upon the future taxpayer. In 1970 a certain Peter may have to fulfill the government’s promise although he himself does not derive any benefit from the fact that. Paul in 1940 saved one hundred dollars.... The trumpery argument that the public debt is no burden because ‘we owe it to ourselves’ is delusive. The Pauls of 1940 do not owe it to themselves. It is the Peters of 1970 who owe it to the Pauls of 1940.... The statesmen of 1940 solve their problems by shifting them to the statesmen of 1970. On that date the statesmen of 1940 will be either dead or elder statesmen glorying in their wonderful achievement, social security.” (pp. 847- 848)

In the “Foreword to the Third Edition” of *Human Action* Mises mentioned the Italian and Spanish translations of this book. Since then it has been translated by Tao-Ping Hsia into Chinese (1976/7), by Raoul Audouin into French (1985), by Donald Stewart, Jr., into Portuguese (1990), and by Toshio Murata into Japanese (1991). Its German-language precursor, *Nationalökonomie* (1940) has also been republished (1980).

The publishers of this new edition of *Human Action* have tried to correct the typos that inevitably creep into almost any book, especially one of this size. They have also included a completely new index, which they hope will help make the ideas in this book more readily accessible to readers.

Bettina Bien Greaves

Irvington-on-Hudson, New York
February 1996

FOREWORD TO THE THIRD EDITION

IT GIVES me great satisfaction to see this book, handsomely printed by a distinguished publishing house, appear in its third revised edition.

Two terminological remarks may be in order.

First, I employ the term “liberal” in the sense attached to it every-where in the nineteenth century and still today in the countries of continental Europe. This usage is imperative because there is simply no other term available to signify the great political and intellectual movement that substituted free enterprise and the market economy for the precapitalistic methods of production; constitutional representative government for the absolutism of kings or oligarchies; and freedom of all individuals for slavery, serfdom, and other forms of bondage.

Secondly, in the last decades the meaning of the term “psychology” has been more and more restricted to the field of experimental psychology, a discipline that resorts to the research methods of the natural sciences. On the other hand, it has become usual to dismiss those studies that previously had been called psychological as “literary psychology” and as an unscientific way of reasoning. Whenever reference is made to “psychology” in economic studies, one has in mind precisely this literary psychology, and therefore it seems advisable to introduce a special term for it. I suggested in my book *Theory and History* (New Haven, 1957, pp. 264-274) the term “thymology,” and I used this term also in my recently published essay *The Ultimate Foundation of Economic Science* (Princeton, 1962). However, my suggestion was not meant to be retroactive and to alter the use of the term “psychology” in books previously published, and so I continue in this new edition to use the term “psychology” in the same way I used it in the first edition.

Two translations of the first edition of *Human Action* have come out: an Italian translation by Mr. Tuilio Bagiotti, Professor at the Università Bocconi in Milano, under the title *L' Azione Umana, Trattato di economia*, published by the Unione Tipografico-Editrice Torinese in 1959; and a Spanish-language translation by Mr. Joaquin Reig Albiol under the title *La Accion Humana (Tratado de Economia)*, published in two volumes by Fundacion Ignacio Villalonga in Valencia (Spain) in 1960.

I feel indebted to many good friends for help and advice in the preparation of this book.

First of all I want to remember two deceased scholars, Paul Mantoux and William E. Rappard, who by giving me the opportunity of teaching at the famous Graduate Institute of International Studies in Geneva, Switzerland, provided me with the time and the incentive to start work upon a long-projected plan.

I want to express my thanks for very valuable and helpful suggestions to Mr. Arthur Goddard, Mr. Percy Greaves, Doctor Henry Hazlitt, Professor Israel M. Kirzner, Mr. Leonard E. Read, Mr. Joaquin Reig Albiot and Doctor George Reisman.

But most of all I want to thank my wife for her steady encouragement and help.

LUDWIG VON MISES

New York
March, 1966

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