

Study Guide to *Human Action* by Robert P. Murphy

Chapter X. Exchange Within Society

Chapter Summary

1. Autistic Exchange and Interpersonal Exchange

All action is an exchange, of giving up what is less satisfactory for (the actor hopes) what is more satisfactory. Autistic exchange concerns only one actor, while interpersonal exchange involves cooperation between two or more individuals. Although the emergence of social cooperation occurred gradually in the course of history, the conceptual line between autistic versus interpersonal exchange is sharp.

2. Contractual Bonds and Hegemonic Bonds

People can cooperate either in a contractual or in a hegemonic relationship. In the former, the participants are on an equal footing. In the latter, one person or group is in charge over the subordinates. Even in a hegemonic structure, the subordinate still acts. He simply chooses subjection over the alternative.

The achievements of modern civilization are the result of contractual bonds. The modern state is a hegemonic structure, though some nations enjoy the "rule of law" (i.e., strict and known limits to the sovereign's power) to a greater extent than others. Contractual societies can live in peace, while hegemonic ones cannot coexist because each hegemon will desire to incorporate autonomous neighbors under his rule.

3. Calculative Action

All action uses ordinal numbers, in the sense that possible outcomes must be ranked on the scale of values to determine which action will result in the highest possible satisfaction. The use of cardinal numbers in action requires special conditions. It was in the context of a contractual society that the use of arithmetic as an aid to action developed.

The distinction between calculable and noncalculable action is of the utmost importance. Modern civilization is possible only because people have learned how to apply arithmetic to so many different fields. Economics itself may be described as a theory of that scope of human action that relies on calculation.

Why It Matters

This short chapter provides the link between Part II ("Action Within the Framework of Society") and Part III ("Economic Calculation") of the book. As the book progresses, its scope narrows. Part I focused on human action and thus exchange per se, while Part II dealt with interpersonal exchange. Part III refines the study to interpersonal exchange when calculation is possible, and thus marks the beginning of economics proper in *Human Action*.

Technical Notes

- (1) Mises's discussion of hegemonic relations (pp. 196–199) is quite nuanced, and the modern Austro-libertarian reader should take care in reading this section. Mises does not seem to be merely distinguishing aggression from nonaggression. For example, he classifies the family as a hegemonic institution. He also says that "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." One can certainly imagine socialists using these words as a description of (at least some) types of "wage slavery," in which the workers only choose at the outset to work for a particular employer, but after that are completely subject to the commands of the boss. The immediate retort, namely that the worker under capitalism can always quit, is also true in a hegemonic relation: at any moment the subordinate may choose to renounce his subjection and openly defy the hegemon.
- (2) When Mises discusses calculation (p. 200), he continually uses the word arithmetic rather than mathematics. These terms are not interchangeable, and Mises is properly choosing arithmetic. When he writes that no other distinction is more important than that between calculable and noncalculable action, he doesn't have in mind (say) that engineers couldn't build bridges without knowledge of geometry. No, Mises is making the much more fundamental point that what we know of as "economy" would be impossible if shepherds couldn't number their flocks or merchants couldn't compare different potential trades to see which offered the best price.

Study Questions

1. Autistic Exchange and Interpersonal Exchange

- What is the difference between an autistic and an interpersonal exchange?
- Is exchange a win-win situation?

2. Contractual Bonds and Hegemonic Bonds

- Why does a contract imply mutuality?
- Does a state imply hegemonic organization?
- In what way did contractual relations help to form human civilization?
- What distinguishes a *Rechtsstaat* from a *Wohlfahrtsstaat*?

3. Calculative Action

- What is the relationship between action and nonaction?

Explain: "No other distinction is of greater significance, both for human life and for the study of human action, than that between calculable and noncalculable action."

- Why is economic calculation so fundamental?