



Foundational Economic Laws

Economic Laws of Human Action by Ludwig Von Mises

1. Choice determines all human action.
2. When man chooses, he chooses between material things, services and values.
3. Human action is purposeful behavior.
4. Action always involves both taking and renunciation or giving up.
5. Action is the attempt to change one state of being for a state that is more satisfactory.
6. Action always involves incentive or a good reason.
7. Only the individual can define what gives him satisfaction.
8. No person will act unless he thinks it will increase his satisfaction.
9. Human action is always rational.¹
10. Man is able to act because he sees cause and effect (causality). Man has only two principles available to grasp reality - causality or teleology.²
11. Man's nature is made up of a priori and a posteriori learning.³
12. Man is born with a basic human nature, the key element of which is his ability to reason.
13. All human institutions are made up of individuals.
14. No two people are identical; therefore no two people will act identically.
15. All human beings choose and act according to laws.
16. Man has a scale of value by which he prioritizes all choices.
17. The scale is different for each individual and changes over time.
18. Man has a scale of need with which he prioritizes needs and value.
19. Most men's scales of needs are similar but not identical.
20. When needs or values differ between people it is likely they will engage in an exchange.
21. Everything human changes over time.
22. All action is future orientated.
23. Humans are always constant rational beings, and sometimes logical but only by coincidence.
24. Mathematics is useless in predicting human behavior.

25. The Law of Marginal Utility: each individual portion of an item yields less satisfaction.
26. The Law of Diminishing Returns: each additional portion of an item yields less satisfaction.
27. Society occurs naturally when individuals seek satisfaction from or with each other; and cooperation occurs only when society seeks satisfaction from or with each other.
28. Society formed by any other means will cause dissatisfaction and humans will seek to improve satisfaction by improving society.
29. Individuals seek cooperation naturally because they are different, therefore division of labor, specialization and trade are natural and allow men to seek greater satisfaction.
30. Ideas are the greatest factor of influence in human action.
31. The only way to measure the success of human action is how well it attains the end thought or satisfaction.
32. Ideas come from morality (truth).
33. The lasting place and level of any person in society is determined by his or her conduct.
34. There are only two possible social arrangements, (1) voluntary cooperation and (2) forceful manipulation.
35. Only imaginary constructions based on laws can accurately predict the future.
36. All action moves toward a final rest or inaction.
37. Action continues until a final state of rest is achieved.
38. All actions affect others.
39. Every action has a result.
40. Entrepreneurs drive the economy and nothing can take their place.
41. Consumer wants are the greatest influencing factor on entrepreneurs.
42. The only factors affecting the market are the purposeful acts of mankind.
43. Actions designed to increase the satisfaction of one tend to increase the satisfaction of all.
44. The only way to deter the actions that decrease the satisfaction of others is to make it painful.
45. Human beings naturally organize into factions and factions naturally compete and have conflict with each other.
46. Human beings want to be different, and unequal, and to gain more than others if they do more.
47. Human conflict is caused by opposition or by human conflict between factions.
48. Government intervention causes this conflict to be violent; if government only protects property then all other conflicts will tend to be equal.
49. Laws only work in a society if supported by public opinion.
50. Human action never brings full satisfaction, as soon as one want is satisfied another springs up.

Economic Laws of Fredric Bastiat

51. There are natural laws, which are above man.
52. There is a natural order in the universe, which is the sum of all natural laws.
53. Man's law is only as effective as it is based on Natural Law.
54. Man acts only when he thinks it will increase satisfaction.
55. There are certain wants of nearly all men.
56. Man's wants are progressive, as soon as he gains one desire he has others.
57. Utility comes: (1) sometimes from nature; (2) sometimes from effort (voluntary action); (3) usually from both.
58. There are natural consequences to all actions.
59. If a person knows the natural consequences, he knows the future.
60. Exchange lessens the amount of effort for satisfaction.
61. Exchange makes one man's prosperity beneficial to all.
62. The more prosperous are those near us, the more prosperous for us.
[11-12: The profit of one is the profit of all]
63. Value is determined by each individual's ranking of items, every person's ranking is different.
64. Economic laws act in accordance with the same principle, whether they apply to one person, two people, or the entire mass.
65. Land, labor, capital, and knowledge are worth as much as the buyer will pay.
66. Anything acquired only from nature is a public good, held in common, free for all.
67. Anything acquired partly by human effort becomes private property.
68. Property is not a privilege; it is a right gained only by effort; and the one who puts forth the effort is the owner.
69. All humans have an inner motive force which impels us to repel evil and seek good; all humans have an intellect to help us distinguish between bad and good.
70. When property is protected, and people are otherwise totally free, self-interested actions harmonize society.
71. Scarcity is real but limited and artificial.
72. Scarcity creates high prices. Abundance creates low prices.
73. Suppliers desire scarcity, consumers desire abundance.
74. Free trade is good for both consumers and suppliers.
75. Human labor is never unemployed.
76. Humans always do that which they think will increase their satisfaction the most.
77. Only government actions, which increase incentive, are those which protect property rights.
78. There are obstacles to our wants. Labor is the action of overcoming these obstacles.

79. Societies form because people have more wants than they can satisfy alone.
80. Division of labor and exchange occurs automatically as people seek their wants.
81. Results are determined by effectiveness not effort.
82. Any government action beyond the protection of property increases the obstacles to our wants.
83. Free trade increases wealth even if its one sided.
84. There are two ways to gain our wants: produce or plunder.
85. Man will choose the one with fewer obstacles.
86. Government action to protect property creates great obstacles for plundering.
87. Any other government action or inaction creates great obstacles to production.
88. In destructive action, the stronger overcomes the weaker.
89. In constructive actions, stronger always gives to the weak, making weaker stronger.
90. Government can only destroy, it cannot construct.

Endnotes

¹ If human action always aims at a purpose, which by definition it does, then human action must be rational, that is, consistent with reason or guided by one's will and intellect. It can never be termed irrational.

In making this point, Mises in *Human Action* (p. 19) writes "Human action is necessarily always rational. The term 'rational action' is therefore pleonastic and must be rejected as such. When applied to the ultimate ends of action, the terms rational and irrational are inappropriate and meaningless. The ultimate end of action is always the satisfaction of some desires of the acting man."

Seemingly irrational action is rational, that is, has an aim. To appraise it as irrational, the appraiser merely imposes some other external source of value. Mises writes (p. 104): "However one twists things, one will never succeed in formulating the notion of 'irrational' action whose 'irrationality' is not founded upon an arbitrary judgment of value."

Nor does irrationality characterize the means selected to achieve ends. Erroneous judgments that involve badly chosen means are not irrational in Mises' analysis: "When applied to the means chosen for the attainment of ends, the terms rational and irrational imply a judgment about the expediency and adequacy of the procedure employed ... It is a fact that human reason is not infallible and that man very often errs in selecting and applying means. An action unsuited to the end sought falls short of expectation. It is contrary to purpose, but it is rational, i.e., the outcome of a reasonable — although faulty — deliberation and an attempt — although an ineffectual attempt — to attain a definite goal."

What then is irrationality? According to Mises, irrationality is not the opposite of action or purposeful behavior, that is, it is not willed behavior without a purpose. All willed behavior has a purpose. Irrational behavior is behavior induced by response to stimuli, behavior that lies beyond the control of a person's will or volition. Furthermore, Mises uses the term "irrational" to describe facts or situations that lie beyond reason (p. 21): "The ultimate given may be called an irrational fact."

<http://mises.org/daily/2249>

² 1. A **teleology** is any [philosophical](#) account, which holds that [final causes](#) exist in [nature](#), meaning that design and purpose analogous to that found in human actions are inherent also in the rest of nature. The word comes from the [Greek τέλος](#), *telos*; root: τελε-, "end, purpose (not to be confused with [τήλε](#), "at a distance, far from"). The adjective "teleological" has a broader usage, for example in discussions where [particular ethical theories](#) or types of computer programs are sometimes described as teleological because they involve aiming at goals.

Teleology was explored by [Plato](#) and [Aristotle](#), by [Saint Anselm](#) around 1000 AD, and later by [Immanuel Kant](#) in his [Critique of Judgment](#). It was fundamental to the speculative philosophy of [Hegel](#).

A thing, process or action is teleological when it is for the sake of an end, i.e., a *telos* or [final cause](#). In general it may be said that there are two types of final causes, which may be called [intrinsic finality](#) and [extrinsic finality](#).

- A thing or action has an [extrinsic finality](#) when it is for the sake of something external to itself. For example, Aristotle argued that animals are for the sake of man, a thing external to them. Humans also exhibit extrinsic finality when they seek something external to themselves (e.g., the happiness of a child). If the external thing had not existed that action would not display finality.
- A thing or action has an [intrinsic finality](#) when it is for the sake of something not external to itself. For example, one might try to be happy simply for the sake of being happy, and not for the sake of anything outside of that. (Wiki)

2. Action is a category that the natural sciences do not take into account. The scientist acts in embarking upon his research work, but in the orbit of natural events of the external world, which he explores, there is no such thing as action. There is agitation, there is stimulus and response, and, whatever some philosophers may object, there is cause and effect. There is what appears to be an inexorable regularity in the concatenation and sequence of phenomena. There are constant relations between entities that enable the scientist to establish the process called measurement. But there is nothing that would suggest aiming at ends sought; there is no ascertainable purpose.

The natural sciences are causality research; the sciences of human action are teleological. In establishing this distinction between the two fields of human knowledge, we do not express any opinion concerning the question whether the course of all cosmic events is or is not ultimately determined by a superhuman being's design. The treatment of this great problem transcends the range of man's reason and is outside the domain of any human science. It is in the realm that metaphysics and theology claim for themselves.

The purpose to which the sciences of human action refer is not the plans and ways of God, but the ends sought by acting men in the pursuit of their own designs.

<http://mises.org/books/ufofes/prelim6.aspx>

³ The terms ***a priori*** ("from the earlier") and ***a posteriori*** ("from the later") are used in [philosophy \(epistemology\)](#) to distinguish two types of [knowledge](#), justifications or [arguments](#). *A priori* knowledge or justification is independent of [experience](#) (for example 'All bachelors are unmarried'); *a posteriori* knowledge or justification is dependent on [experience](#) or [empirical evidence](#) (for example 'Some bachelors are very happy'). *A posteriori* justification makes reference to experience; but the issue concerns how one knows the proposition or claim in question—what justifies or grounds one's belief in it. [Galen Strawson](#) wrote that an *a priori* argument is one in which "you can see that it is [true](#) just lying on your couch. You don't have to get up off your couch and go outside and examine the way things are in the physical world. You don't have to do any science." There are many points of view on these two types of assertions, and their relationship is one of the oldest problems in modern philosophy. (wiki)