



ADAM SMITH

AN INQUIRY INTO THE NATURE  
AND CAUSES OF THE WEALTH  
OF NATIONS (VOLUME TWO)

ECONOMICS

LUDWIG VON MISES

**HUMAN ACTION**

A TREATISE ON ECONOMICS

VOLUME ONE

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## FOREWORD

FROM the fall of 1934 until the summer of 1940 I had the privilege of occupying the chair of International Economic Relations at the Graduate Institute of International Studies in Geneva, Switzerland. In the serene atmosphere of this seat of learning, which two eminent scholars, Paul Mantoux and William E. Rappard, had organized and continued to direct, I set about executing an old plan of mine, to write a comprehensive treatise on economics. The book—*Nationalökonomie, Theorie des Handelns und Wirtschaftens*—was published in Geneva in the gloomy days of May, 1940.

The present volume is not a translation of this earlier book. Although the general structure has been little changed, all parts have been rewritten.

To my friend Henry Hazlitt I wish to offer my very special thanks for his kindness in reading the manuscript and giving me most valuable suggestions about it. I must also gratefully acknowledge my obligations to Mr. Arthur Goddard for linguistic and stylistic advice. I am furthermore deeply indebted to Mr. Eugene A. Davidson, Editor of the Yale University Press, and to Mr. Leonard E. Read, President of the Foundation for Economic Education, for their kind encouragement and support.

I need hardly add that none of these gentlemen is either directly or indirectly responsible for any opinions contained in this work.

LUDWIG VON MISES

New York, February, 1949.

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## INTRODUCTION

### 1. Economics and Praxeology

ECONOMICS is the youngest of all sciences. In the last two hundred years, it is true, many new sciences have emerged from the disciplines familiar to the ancient Greeks. However, what happened here was merely that parts of knowledge which had already found their place in the complex of the old system of learning now became autonomous. The field of study was more nicely subdivided and treated with new methods; hitherto unnoticed provinces were discovered in it, and people began to see things from aspects different from those of their precursors. The field itself was not expanded. But economics opened to human science a domain previously inaccessible and never thought of. The discovery of a regularity in the sequence and interdependence of market phenomena went beyond the limits of the traditional system of learning. It conveyed knowledge which could be regarded neither as logic, mathematics, psychology, physics, nor biology.

Philosophers had long since been eager to ascertain the ends which God or Nature was trying to realize in the course of human history. They searched for the law of mankind's destiny and evolution. But even those thinkers whose inquiry was free from any theological tendency failed utterly in these endeavors because they were committed to a faulty method. They dealt with humanity as a whole or with other holistic concepts like nation, race, or church. They set up quite arbitrarily the ends to which the behavior of such wholes is bound to lead. But they could not satisfactorily answer the question regarding what factors compelled the various acting individuals to behave in such a way that the goal aimed at by the whole's inexorable evolution was attained. They had recourse to desperate shifts: miraculous interference of the Deity either by revelation or by the delegation of God-sent prophets and consecrated leaders, preestablished harmony, predestination, or the operation of a mystic and fabulous "world soul" or "national soul." Others spoke of a "cunning of nature" "hich implanted in man impulses driving him unwittingly along precisely the path Nature wanted him to take.