



THEORY AND HISTORY

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on Method

Nation, State, and Economy: Contributions to the Politics  
and History of Our Time



LUDWIG VON MISES

# Theory and History

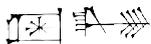
*An Interpretation of Social and  
Economic Evolution*

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LUDWIG VON MISES

Edited by Bettina Bien Greaves



LIBERTY FUND *Indianapolis*

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Originally published by Yale University Press, 1957.

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Frontispiece courtesy of Bettina Bien Greaves

Printed in the United States of America

09 08 07 06 05 C 5 4 3 2 1  
09 08 07 06 05 P 5 4 3 2 1

Library of Congress Cataloging-in-Publication Data  
Von Mises, Ludwig, 1881–1973.

Theory and history: an interpretation of social and economic evolution/  
Ludwig von Mises; edited by Bettina Bien Greaves.

p. cm.—(The Liberty Fund library of Ludwig von Mises)

“Originally published by Yale University Press, 1957.”

Includes bibliographical references and index.

ISBN 0-86597-568-x (alk. paper) ISBN 0-86597-569-8 (pbk.: alk. paper)

1. Economics. 2. History—Philosophy. I. Greaves, Bettina  
Bien. II. Title. III. Series.

HB71.V64 2005

330'.01—dc22

2004064900

Liberty Fund, Inc.  
8335 Allison Pointe Trail, Suite 300  
Indianapolis, Indiana 46250-1684

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## EDITOR'S NOTE

This version of Mises's *Theory and History* is reproduced from the first 1957 Yale edition. To help English-language readers whenever feasible, if English translations of foreign-language works cited are available, the editor has referenced the pertinent pages in the English translation. Also, to aid the reader, foreign phrases that are not comprehensible by context alone have been translated into English. The editor's English translation appears in the text immediately following the phrase and is set off by square brackets.

# Introduction

## 1 Methodological Dualism

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Mortal man does not know how the universe and all that it contains may appear to a superhuman intelligence. Perhaps such an exalted mind is in a position to elaborate a coherent and comprehensive monistic interpretation of all phenomena. Man — up to now, at least — has always gone lamentably amiss in his attempts to bridge the gulf that he sees yawning between mind and matter, between the rider and the horse, between the mason and the stone. It would be preposterous to view this failure as a sufficient demonstration of the soundness of a dualistic philosophy. All that we can infer from it is that science — at least for the time being — must adopt a dualistic approach, less as a philosophical explanation than as a methodological device.

Methodological dualism refrains from any proposition concerning essences and metaphysical constructs. It merely takes into account the fact that we do not know how external events — physical, chemical, and physiological — affect human thoughts, ideas, and judgments of value. This ignorance splits the realm of knowledge into two separate fields, the realm of external events, commonly called nature, and the realm of human thought and action.

Older ages looked upon the issue from a moral or religious point of view. Materialist monism was rejected as incompatible with the Christian dualism of the Creator and the creation, and of the immortal soul and the mortal body. Determinism was rejected as incompatible with the fundamental principles of morality as well as with the penal code. Most of what was advanced in these controversies to support the respective dogmas was unessential and is irrelevant from the methodological point of view of our day. The determinists did little more than repeat their thesis again and again, without trying to substantiate it.

The indeterminists denied their adversaries' statements but were unable to strike at their weak points. The long debates were not very helpful.

The scope of the controversy changed when the new science of economics entered the scene. Political parties which passionately rejected all the practical conclusions to which the results of economic thought inevitably lead, but were unable to raise any tenable objections against their truth and correctness, shifted the argument to the fields of epistemology and methodology. They proclaimed the experimental methods of the natural sciences to be the only adequate mode of research, and induction from sensory experience the only legitimate mode of scientific reasoning. They behaved as if they had never heard about the logical problems involved in induction. Everything that was neither experimentation nor induction was in their eyes metaphysics, a term that they employed as synonymous with nonsense.

## 2 Economics and Metaphysics

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The sciences of human action start from the fact that man purposefully aims at ends he has chosen. It is precisely this that all brands of positivism, behaviorism, and panphysicalism want either to deny altogether or to pass over in silence. Now, it would simply be silly to deny the fact that man manifestly behaves as if he were really aiming at definite ends. Thus the denial of purposefulness in man's attitudes can be sustained only if one assumes that the choosing both of ends and of means is merely apparent and that human behavior is ultimately determined by physiological events which can be fully described in the terminology of physics and chemistry.

Even the most fanatical champions of the "Unified Science" sect shrink from unambiguously espousing this blunt formulation of their fundamental thesis. There are good reasons for this reticence. So long as no definite relation is discovered between ideas and physical or chemical events of which they would occur as the regular sequel, the positivist thesis remains an epistemological postulate derived not from scientifically established experience but from a metaphysical world view.

The positivists tell us that one day a new scientific discipline will emerge which will make good their promises and will describe in every detail the physical and chemical processes that produce in the body of man definite ideas. Let us not quarrel today about such issues of the

future. But it is evident that such a metaphysical proposition can in no way invalidate the results of the discursive reasoning of the sciences of human action. The positivists for emotional reasons do not like the conclusions that acting man must necessarily draw from the teachings of economics. As they are not in a position to find any flaw either in the reasoning of economics or in the inferences derived from it, they resort to metaphysical schemes in order to discredit the epistemological foundations and the methodological approach of economics.

There is nothing vicious about metaphysics. Man cannot do without it. The positivists are lamentably wrong in employing the term “metaphysics” as a synonym for nonsense. But no metaphysical proposition must contradict any of the findings of discursive reasoning. Metaphysics is not science, and the appeal to metaphysical notions is vain in the context of a logical examination of scientific problems. This is true also of the metaphysics of positivism, to which its supporters have given the name of antimetaphysics.

### 3 Regularity and Prediction

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Epistemologically the distinctive mark of what we call nature is to be seen in the ascertainable and inevitable regularity in the concatenation and sequence of phenomena. On the other hand the distinctive mark of what we call the human sphere of history or, better, the realm of human action is the absence of such a universally prevailing regularity. Under identical conditions stones always react to the same stimuli in the same way; we can learn something about these regular patterns of reacting, and we can make use of this knowledge in directing our actions toward definite goals. Our classification of natural objects and our assigning names to these classes is an outcome of this cognition. A stone is a thing that reacts in a definite way. Men react to the same stimuli in different ways, and the same man at different instants of time may react in ways different from his previous or later conduct. It is impossible to group men into classes whose members always react in the same way.

This is not to say that future human actions are totally unpredictable. They can, in a certain way, be anticipated to some extent. But the methods applied in such anticipations, and their scope, are logically and epistemologically entirely different from those applied in anticipating natural events, and from their scope.

## 4 The Concept of the Laws of Nature

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Experience is always experience of past happenings. It refers to what has been and is no longer, to events sunk forever in the flux of time.

The awareness of regularity in the concatenation and sequence of many phenomena does not affect this reference of experience to something that occurred once in the past at a definite place and time under the circumstances prevailing there and then. The cognition of regularity too refers exclusively to past events. The most experience can teach us is: in all cases observed in the past there was an ascertainable regularity.

From time immemorial all men of all races and civilizations have taken it for granted that the regularity observed in the past will also prevail in the future. The category of causality and the idea that natural events will in the future follow the same pattern they showed in the past are fundamental principles of human thought as well as of human action. Our material civilization is the product of conduct guided by them. Any doubt concerning their validity within the sphere of past human action is dispelled by the results of technological designing. History teaches us irrefutably that our forefathers and we ourselves up to this very moment have acted wisely in adopting them. They are true in the sense that pragmatism attaches to the concept of truth. They work, or, more precisely, they have worked in the past.

Leaving aside the problem of causality with its metaphysical implications, we have to realize that the natural sciences are based entirely on the assumption that a regular conjunction of phenomena prevails in the realm they investigate. They do not search merely for frequent conjunction but for a regularity that prevailed without exception in all cases observed in the past and is expected to prevail in the same way in all cases to be observed in the future. Where they can discover only a frequent conjunction — as is often the case in biology, for example — they assume that it is solely the inadequacy of our methods of inquiry that prevents us temporarily from discovering strict regularity.

The two concepts of invariable and of frequent conjunction must not be confused. In referring to invariable conjunction people mean that no deviation from the regular pattern — the law — of conjunction has ever been observed and that they are certain, as far as men can be certain about anything, that no such deviation is possible and will ever

happen. The best elucidation of the idea of inexorable regularity in the concatenation of natural phenomena is provided by the concept of miracles. A miraculous event is something that simply cannot happen in the normal course of world affairs as we know it, because its happening could not be accounted for by the laws of nature. If nonetheless the occurrence of such an event is reported, two different interpretations are provided, both of which, however, fully agree in taking for granted the inexorability of the laws of nature. The devout say: "This could not happen in the normal course of affairs. It came to pass only because the Lord has the power to act without being restricted by the laws of nature. It is an event incomprehensible and inexplicable for the human mind, it is a mystery, a miracle." The rationalists say: "It could not happen and therefore it did not happen. The reporters were either liars or victims of a delusion." If the concept of laws of nature were to mean not inexorable regularity but merely frequent connection, the notion of miracles would never have been conceived. One would simply say: A is frequently followed by B, but in some instances this effect failed to appear.

Nobody says that stones thrown into the air at an angle of 45 degrees will *frequently* fall down to earth or that a human limb lost by an accident *frequently* does not grow again. All our thinking and all our actions are guided by the knowledge that in such cases we are not faced with frequent repetition of the same connection, but with regular repetition.

## 5 The Limitations of Human Knowledge

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Human knowledge is conditioned by the power of the human mind and by the extent of the sphere in which objects evoke human sensations. Perhaps there are in the universe things that our senses cannot perceive and relations that our minds cannot comprehend. There may also exist outside of the orbit we call the universe other systems of things about which we cannot learn anything because, for the time being, no traces of their existence penetrate into our sphere in a way that can modify our sensations. It may also be that the regularity in the conjunction of natural phenomena we are observing is not eternal but only passing, that it prevails only in the present stage (which may last millions of years) of the history of the universe and may one day be replaced by another arrangement.

Such and similar thoughts may induce in a conscientious scientist the utmost caution in formulating the results of his studies. It behooves the philosopher to be still more restrained in dealing with the apriori categories of causality and the regularity in the sequence of natural phenomena.

The apriori forms and categories of human thinking and reasoning cannot be traced back to something of which they would appear as the logically necessary conclusion. It is contradictory to expect that logic could be of any service in demonstrating the correctness or validity of the fundamental logical principles. All that can be said about them is that to deny their correctness or validity appears to the human mind nonsensical and that thinking, guided by them, has led to modes of successful acting.

Hume's skepticism was the reaction to a postulate of absolute certainty that is forever unattainable to man. Those divines who saw that nothing but revelation could provide man with perfect certainty were right. Human scientific inquiry cannot proceed beyond the limits drawn by the insufficiency of man's senses and the narrowness of his mind. There is no deductive demonstration possible of the principle of causality and of the ampliative inference of imperfect induction; there is only recourse to the no less indemonstrable statement that there is a strict regularity in the conjunction of all natural phenomena. If we were not to refer to this uniformity, all the statements of the natural sciences would appear to be hasty generalizations.

## 6 Regularity and Choosing

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The main fact about human action is that in regard to it there is no such regularity in the conjunction of phenomena. It is not a shortcoming of the sciences of human action that they have not succeeded in discovering determinate stimulus-response patterns. What does not exist cannot be discovered.

If there were no regularity in nature, it would be impossible to assert anything with regard to the behavior of classes of objects. One would have to study the individual cases and to combine what one has learned about them into a historical account.

Let us, for the sake of argument, assume that all those physical quantities that we call constants are in fact continually changing and that

the inadequacy of our methods of inquiry alone prevents us from becoming aware of these slow changes. We do not take account of them because they have no perceptible influence upon our conditions and do not noticeably affect the outcome of our actions. Therefore one could say that these quantities established by the experimental natural sciences may fairly be looked upon as constants since they remain unchanged during a period of time that by far exceeds the ages for which we may plan to provide.

But it is not permissible to argue in an analogous way with regard to the quantities we observe in the field of human action. These quantities are manifestly variable. Changes occurring in them plainly affect the result of our actions. Every quantity that we can observe is a historical event, a fact which cannot be fully described without specifying the time and geographical point.

The econometrician is unable to disprove this fact, which cuts the ground from under his reasoning. He cannot help admitting that there are no “behavior constants.” Nonetheless he wants to introduce some numbers, arbitrarily chosen on the basis of a historical fact, as “unknown *behavior constants*.” The sole excuse he advances is that his hypotheses are “saying only that these unknown numbers remain reasonably constant through a period of years.”<sup>1</sup> Now whether such a period of supposed constancy of a definite number is still lasting or whether a change in the number has already occurred can only be established later on. In retrospect it may be possible, although in rare cases only, to declare that over a (probably rather short) period an approximately stable ratio — which the econometrician chooses to call a “reasonably” constant ratio — prevailed between the numerical values of two factors. But this is something fundamentally different from the constants of physics. It is the assertion of a historical fact, not of a constant that can be resorted to in attempts to predict future events.

Leaving aside for the present any reference to the problem of the human will or free will, we may say: Nonhuman entities react according to regular patterns; man chooses. Man chooses first ultimate ends and then the means to attain them. These acts of choosing are determined by thoughts and ideas about which, at least for the time being, the natural sciences do not know how to give us any information.

<sup>1</sup> See the Cowles Commission for Research in Economics, *Report for Period, January 1, 1948–June 30, 1949* (University of Chicago), p. 7.

In the mathematical treatment of physics the distinction between constants and variables makes sense; it is essential in every instance of technological computation. In economics there are no constant relations between various magnitudes. Consequently all ascertainable data are variables, or what amounts to the same thing, *historical* data. The mathematical economists reiterate that the plight of mathematical economics consists in the fact that there are a great number of variables. The truth is that there are only variables and no constants. It is pointless to talk of variables where there are no invariables.

## 7 Means and Ends

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To choose is to pick one out of two or more possible modes of conduct and to set aside the alternatives. Whenever a human being is in a situation in which various modes of behavior, precluding one another, are open to him, he chooses. Thus life implies an endless sequence of acts of choosing. Action is conduct directed by choices.

The mental acts that determine the content of a choice refer either to ultimate ends or to the means to attain ultimate ends. The former are called judgments of value. The latter are technical decisions derived from factual propositions.

In the strict sense of the term, acting man aims only at one ultimate end, at the attainment of a state of affairs that suits him better than the alternatives. Philosophers and economists describe this undeniable fact by declaring that man prefers what makes him happier to what makes him less happy, that he aims at happiness.<sup>1</sup> Happiness—in the purely formal sense in which ethical theory applies the term—is the only ultimate end, and all other things and states of affairs sought are merely means to the realization of the supreme ultimate end. It is customary, however, to employ a less precise mode of expression, frequently assigning the name of ultimate ends to all those means that are fit to produce satisfaction directly and immediately.

<sup>1</sup> There is no need to refute anew the arguments advanced for more than two thousand years against the principles of eudaemonism, hedonism, and utilitarianism. For an exposition of the formal and subjectivistic character of the concepts “pleasure” and “pain” as employed in the context of these doctrines, see Mises, *Human Action* (New Haven, Yale University Press, 1st ed. 1949; 4th ed. 1996, pp. 14–15), and Ludwig Feuerbach, *Eudämonismus*, in *Sämtliche Werke*, ed. Bolin and Jodl (Stuttgart, 1907), 10, 230–93. Of course, those who recognize no “happiness” but that given by the orgasm, alcohol, and so forth continue to repeat the old errors and distortions.

The characteristic mark of ultimate ends is that they depend entirely on each individual's personal and subjective judgment, which cannot be examined, measured, still less corrected by any other person. Each individual is the only and final arbiter in matters concerning his own satisfaction and happiness.

As this fundamental cognition is often considered to be incompatible with the Christian doctrine, it may be proper to illustrate its truth by examples drawn from the early history of the Christian creed. The martyrs rejected what others considered supreme delights, in order to win salvation and eternal bliss. They did not heed their well-meaning fellows who exhorted them to save their lives by bowing to the statue of the divine emperor, but chose to die for their cause rather than to preserve their lives by forfeiting everlasting happiness in heaven. What arguments could a man bring forward who wanted to dissuade his fellow from martyrdom? He could try to undermine the spiritual foundations of his faith in the message of the Gospels and their interpretation by the Church. This would have been an attempt to shake the Christian's confidence in the efficacy of his religion as a means to attain salvation and bliss. If this failed, further argument could avail nothing, for what remained was the decision between two ultimate ends, the choice between eternal bliss and eternal damnation. Then martyrdom appeared the means to attain an end which in the martyr's opinion warranted supreme and everlasting happiness.

As soon as people venture to question and to examine an end, they no longer look upon it as an end but deal with it as a means to attain a still higher end. The ultimate end is beyond any rational examination. All other ends are but provisional. They turn into means as soon as they are weighed against other ends or means.

Means are judged and appreciated according to their ability to produce definite effects. While judgments of value are personal, subjective, and final, judgments about means are essentially inferences drawn from factual propositions concerning the power of the means in question to produce definite effects. About the power of a means to produce a definite effect there can be dissension and dispute between men. For the evaluation of ultimate ends there is no interpersonal standard available.

Choosing means is a technical problem, as it were, the term "technique" being taken in its broadest sense. Choosing ultimate ends is a personal, subjective, individual affair. Choosing means is a matter of reason, choosing ultimate ends a matter of the soul and the will.

∞ PART 1

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Value