

MUELLER AND MISES: INTEGRATING THE GIFT AND “FINAL DISTRIBUTION” WITHIN PRAXEOLOGY

MICHAEL V. SZPINDOR WATSON

ABSTRACT: John Mueller claims that Austrian economics does not have the tools to explain the economy. His major criticism against Neoclassical economics and its Austrian variant is that Austrian economics does not have an economic theory of the gift and does not treat persons as ends. Institutions like nonprofits, charities, churches, and especially families cannot be explained with the concepts that Austrians and Neoclassicals use: utility, production, and exchange. There is a missing element, which he calls the “final distribution.” I concede that Austrian literature neglects the gift and distributive economy, but argue that Ludwig von Mises gave us a concept—autistic exchange—from which a theory of the gift can be developed. I also discuss how that relates to the Austrian discussion of the catallactic and non-catallactic economy.

KEYWORDS: normative economics, positive economics, Austrian economics, history of thought, Ludwig von Mises, John D. Mueller, heterodox economics, autistic exchange, catallactics

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Michael V. Szpindor Watson (jvwat@aol.com) is a Ph.D. student in the economics program at George Mason University.

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1. INTRODUCTION

My thesis is straightforward: John D. Mueller is wrong to argue that Austrian economics cannot describe the distributive or nonmarket order. Inspired by F. A. Hayek, Ludwig von Mises and other Austrian economists, I proceed to explain the distributive order—although Austrians tend not to focus on it. There is a qualitative difference between social orders defined by mutual exchange where persons are attempting to achieve differing ends, and social orders where persons are attempting to achieve the same end or where another person (thing or abstraction) is an end. The difference is that the purpose of the market order is to function as means to fulfill the ends of the distributive order. The distributive order is made up of ends and is never characterized by calculative mutual exchange, but by consuming, transferring, and giving the means produced by the market—or their monetary equivalent. Examples of such orders are the family, nonprofits, religious institutions, charities, ethnic associations, etc. Often such institutions exist as consumption goods achieving an end or being an end in themselves.

For those associated with Austrian economics, John D. Mueller's *Redeeming Economics: Rediscovering the Missing Element* may come off as obscure, precise, redundant, novel, confusing, clear, exciting, dull, and incorrectly correct—we are not sure what to make of it. On the Austrian front, he views Philip Wicksteed and Wilhelm Röpke as his modern precursors and cites Lionel Robbins favorably, but then criticizes Carl Menger, Ludwig von Mises, and F. A. Hayek—but in personal testimony embraces the Austrians' arguments against socialism. On the Walrasian front, Mueller claims Jacob Viner as a modern precursor, but then completely rejects the *Economic Approach to Human Behavior*, Gary S. Becker, and George Stigler. Going back further in the history of economic thought, Mueller accepts marginalism, disparages Adam Smith's contributions as a retreat from Scholastic economic thought, and then argues for "triple-A economics": "Aristotle+Augustine=Aquinas." Here Mueller contends that economics is missing an integral element: the Final Distribution—a concept Augustine developed, along with his development of the subjective theory of value (utility), which Aquinas integrated with Aristotle's theory of production and equilibrium.

The Final Distribution is the economy of gifts and their opposite, crimes—the transfers between persons (or governments) to persons, as Mueller puts it:

“Human society is knit together by transactions of giving and receiving,” Augustine noted. But these outwardly similar transactions are of two essentially different kinds: “sale or gift.” Generally speaking, we *give* our wealth without compensation to the people we particularly love and sell it to (or *exchange* it with) people we don’t. (emphasis his) (Mueller, 2010, p. 23).

Mueller believes that modern neoclassical economics on production, exchange, and consumption—or production, equilibrium, and marginal utility—cannot completely explain human society, because it lacks the theory of the gift. Thus modern neoclassical economics, Mengerian or Walrasian, is necessarily unable to entirely understand families, charities, and other societies that operate primarily on gift giving¹ (Mueller, 2010, 86–105). Instead of the usual order of production, exchange, and then consumption, Mueller inserts the gift in the economy: “... human beings *produce, exchange, give (or distribute), and use (or consume)*...” (Mueller, 2010, p. 18). In other words, at some point when an individual has income, a good, or a service at his disposal, he must decide what to do with it: use for oneself (a self-gift) or give it to someone else (a transfer/gift). One must choose oneself as an end or another person (or thing, animal, and concept) as an end and rank such end-persons.

Within the Walrasian tradition, Gary Becker takes on the questions of non-market behavior by “the combined assumptions of maximizing behavior, market equilibrium, and stable preferences” (Becker, 1976, p. 5). He explains everything from marriage and fertility to altruism, crime, and discrimination using his now standard approach. Meanwhile in the Austrian tradition, Peter J. Boettke, Christopher J. Coyne, and David L. Prychitko discuss the non-calculative aspect of gift-giving when they discuss nonprofits, especially how the service/good they provide are either goods of the first order (also referred to as consumption goods) or

¹Or societies, social units, which are identified by their focus on distributing resources—distributive justice.

ends sought (Boettke and Coyne, 2009; Boettke and Coyne, 2008; Boettke and Prychitko, 2013). Though there has been recent work on families, nonprofits and other social units that are organized for the sole purpose of giving, the action of giving a gift is not the central theme—however, the authors do imply something like it when analyzing such institutions.

John D. Mueller’s “Neo-Scholastic School of Economics” has presented a challenge to adherents of the Austrian school: describe the gift, integrate it into your theory, and study the implications for the rest of the economy. The question of how a gift is situated in praxeology, as described in *Human Action*, and what the implications are for the economy is taken up. Specifically that gift-giving is classified under autistic exchange and that consumer goods or goods of the first order are used to achieve ends. The consumption of such first order goods orders the structure of production via the price mechanism: how people distribute their incomes, whether to themselves or others, orders the catallactic order. Here is my novel contribution: taking up Mueller’s challenge by teasing out where in Ludwig von Mises’s thought the gift would be classified and then developing the theory of the gift in accordance with praxeology.

I begin by comparing some Austrian and Muellerian critiques of Becker’s approach, and then discuss some of the disagreements Mueller and Austrians have with each other. In the second section I define gift-giving and discuss it within autistic exchange (autistic action). In the third section I discuss the differences between the market order and distributive order, comment on how the distributive order is the pure indulgence or “consumption” of ends and a manifestation of society’s values, and finally conclude on the general compatibility of the gift and praxeology.

2. BECKER, MUELLER, AND BOETTKE

Gary Becker’s approach, developed at the University of Chicago and thus known as the Chicago School, embraced the philosopher Jeremy Bentham:

The economic approach to human behavior is not new, even outside the market sector. Adam Smith often (but not always!) used this approach to understand political behavior. Jeremy Bentham was explicit about

his belief that the pleasure-pain calculus is applicable to all human behavior.... The pleasure-pain calculus is said to be applicable to all we do, say, and think, without restriction to monetary decisions, repetitive choices, unimportant decisions etc. (Becker, 1976, p. 8).

John Mueller and Peter Boettke, as well as other Austrians, criticize the deterministic maximizing behavior of the Benthamite man, *homo economicus*, in not dissimilar fashions. One would expect that a trained Walrasian and an Austrian might part in their joint disagreement with Becker's *homo economicus*, but they equally attack neoclassical assumptions of stable preferences and market equilibrium. Their attacks are dissimilar in the respect that Boettke argues that human ends can vary from concepts, to things, to people, etc., and rejects equilibrating equations, while Mueller believes that ends are ultimately physical persons. Let's take a look at how Boettke and Mueller criticize Becker, and how their conception of ends affects their critique.

Mueller

John Mueller argues that the maximizing worldview that Becker imposes on human behavior requires each actor to treat himself as the only end (Mueller, 2010, p. 103). The maximizing worldview is a result of collapsing what are actually ends into the means category or utility category, "Thus, in the end, according to Becker's theory, as in early British neoclassical welfare economics, *utility* is supposed to determine *final distribution*" (Mueller, 2010, p. 103). Mueller's concept of the gift and final distribution sees the actor as speculating (or evaluating) whether a thing is an economic good to the person receiving the thing—do they actually want it. Whereas when Becker's framework is applied to the family, spouses gain utility and consume each other's altruistic behaviors and gain utility when the other gains utility. Mueller puts it this way:

If both were purely selfish, in Becker's terms, each would derive utility only from his or her own direct use of the resources. In this case, therefore each person's "social income" of an "altruistic" spouse, who is supposed to derive utility from the other spouse's use of resources as well as from his or her own, would exceed his or her actual use of resources" (Mueller, 2010, p. 103).

What results is an infinite regress where wife gets utility when the husband get utility, which leads to more utility for the husband, *ad infinitum*; it's circular because the end here is the spouse or husband to each other but are treated as means toward one's maximizing of utility (Mueller, 2010, p. 103).

Mueller argues that neoclassical economics is missing the "distribution function" in describing the ends at which people aim: persons, themselves or others, as Mueller states:

A complete description of economic behavior has always required both a *ranking of person as ends* of economic activity—the distribution function—and a *ranking of scarce goods as means*—the utility function. The "economic approach" attempts to remove the consideration of persons as ends, thus reducing all human behavior to the choice of means (a maximization of utility); and then to reduce utility to the satisfaction of basic pleasures that are assumed to be the same for everyone and unchanging over time (Mueller, 2010, p. 101).

The ranking of end-persons can change, Mueller observes, so he dismisses the concept of stable preferences as avoiding the hard fact that human beings change their preferences over time—changing preferences is analogous to changing ends. Changes in ends, like the creation of new ends (babies), discovering new persons, and reordering the ranking of persons, happens—for example, when a baby is born there is a new end for the parent and he must use his current income to serve that end. For Becker, man is determined and so the problem on the formation of preferences is assumed away, as in Mueller's criticism, "Rather than putting forward a theory about how preferences are formed... Becker added two further assumptions: that the preferences for basic pleasures are the same for all persons and that they are the same for each person over time" (Mueller, 2010, p. 99).

The final consumption—how much being determined by the final distribution, which occurs after exchange—orders the production of goods and services. A change in ends as explained above, or a change in means, innovation and discovery of new means, can change the equilibrium where the market is tending. Mueller claims that even Leon Walras recognized this: "[Lionel Robbins's ordinal utility] approach also incorporated Leon Walras's previously neglected demonstration of the fact that, rather than a *single* optimum

distribution of wealth or income, market exchanges can achieve at least one efficient equilibrium for any possible distribution (Mueller, 2010, p. 90). The equilibrium point is open to change when preferences or ends change, holding means constant *contra* Becker. A change in preferences results in a change of price signals: profit-loss leads the way toward the new equilibrium.

Boettke

The Austrian rejection of Becker, and of much of neoclassical economics, is based on a focus on how the economy actually functions, instead of a world of assumptions that assumes away all the problems instead of explaining them. Boettke explains:

The language of modern economics, due to the demands for determinacy, crowds out questions of subjective assessment, institutional context, social embeddedness, knowledge (as opposed to information), judgment, entrepreneurship, creativity, process, history, etc. (see Samuels 1989). Some may be attempting to employ the tools of modern economics to analyze these questions, but in the process the questions are transformed. Institutions, for example, can be treated as formers of preferences, or as constraints. Maximizing models inevitably transform the treatment of institutions into constraints only and questions about institutions as formers of preferences are pushed aside as intractable (Boettke, 1996).

In the eyes of Boettke, neoclassical economics is a flight from reality, creating interesting puzzles with a load of assumptions. Assuming stable preferences prevents the explanation of how institutions, say churches or political parties, form people's preferences.

The market equilibrium assumption annihilates the role of the entrepreneur, in its arbitrage and innovative capacity: "Economic decision makers do not simply react to given data and allocate their scarce means to realize given ends. The entrepreneurial element in human actions entails the discovery of new data and information; discovering anew each day not only the appropriate means, but the ends that are to be pursued" (Boettke, 2012, p. 321). Here, like Mueller, Boettke argues that people's preferences of ends and means can change and that directs the market. The entire process of moving toward equilibrium (arbitrage) and establishing a new equilibrium (innovation; or change in preferences) is ignored in Becker.

Finally, the *homo economicus* optimizer of standard microeconomics does not describe the human actor, as Austrians understand it. Instead of an actor with purposes, goals, ends that can change with discovery, we have rational expectations and given preferences as described by Boettke:

In the modern text-book, the individual is assumed to possess all the relevant information necessary to maximize his utility subject to given constraints, the prices observed in the market are assumed to contain all the relevant information about relative scarcities, and reflect equilibrium values, and through price mediation profit maximizing producers perfectly coordinate their decisions with utility maximizing consumers to generate an optimal allocation of resources. The logic of this approach is sound, but it answers the question posed only by trivializing it. Theory in this fashion can proceed without concern for any particularity of the situation (Boettke, 1996).

Instead of an actor who shapes his surrounding according to his will, we have determinism. And instead of an actor who can create disequilibrium, we are left with the utility-maximizer in equilibrium.

Mueller vs. Boettke

Despite differences in approach in their criticisms of Becker and neoclassical economics, both Austrians and Mueller criticize the same assumptions. John D. Mueller would agree with Boettke that, “The human element is virtually purged from the analysis and in its place *homo economicus*, the cyborglike optimizer, is substituted” (Boettke, 2012, p. 317). Yet the reasons given above for such disagreement with modern neoclassical economics are not the same for each author. Both reject the assumption of a single equilibrium, stable preferences and ends, and sole utility maximization behavior, but the angle is different. Though Mueller finds Leon Walras more inspiring than Carl Menger (Mueller, 2010, pp. 85–86), he would not disagree with Boettke on the role of the entrepreneur on equilibrium—perhaps he could agree with all that Boettke has said; it is not clear from Mueller’s writings. An Austrian may find Mueller’s approach a bit awkward, partly because Mueller’s book mixes positive and normative economics together and partly due to his discussion of end-persons. The chief difference is that Mueller treats people as ends, while Austrians would also classify

things and concepts as ends. As an empirical fact, people are other people's ends, may very well be true, but Austrians tend to have a wider definition of ends than Mueller does.

Economist Matthew McCaffrey voiced concerns that Austrians would bring up with Mueller's work, especially when Mueller argues that Ludwig von Mises believed that only one equilibrium can be achieved—if Mueller is correct Boettke, and just about every other self described Austrian economist, and Mises are at odds with each other (Mueller, 2010, p. 120). Methodological individualism is assumed by Mueller to mean that an Austrian is an individualist in the political-ethical sense, or that all human beings are *clever* animals instead of *rational* animals. Mises, however, makes clear that such is not his understanding of methodological individualism in *Human Action*:

First we must realize that all actions are performed by individuals. A collective operates always through the intermediary of one or several individuals whose actions are related to the collective as the secondary source. It is the meaning which the acting individuals and all those who are touched by their action attribute to an action, that determines its character. It is the meaning that marks one action as the action of an individual and another action as the action of the state or of the municipality. The hangman, not the state, executes a criminal.

As a thinking and acting being man emerges from his prehuman existence already as a social being. The evolution of reason, language, and cooperation is the outcome of the same process; they were inseparably and necessarily linked together. But this process took place in individuals. It consisted in changes in the behavior of individuals. There is no other substance in which it occurred than the individuals. There is no substratum of society other than the actions of individuals (Mises, 2010 [1949], pp. 78–79).

Mises concedes that society, families, language, etc. shape human beings. We come out as social creatures, not atomistic individuals. Anyhow, the goal here is not to claim that Mueller's reading of Mises is not perfect, but to take on his challenge that Austrian economics does not have a theory of the gift. Mueller may be right that there is no explicit theory of the gift in praxeology, in Mises's work, and among Austrians, so I build one that I believe is implicit.

Before furthering the discussion on the market order and the distributive order, and beginning the discussion on praxeology

and the gift, we must conclude to dismiss the concept of a meta-end, even if true, as tautological to this project. It would also block discussion with Mueller on the superficial grounds of not agreeing with his vocabulary. Such a meta-end in economics is often described as satisfaction, pleasure, or the desire to rid one of uneasiness. To seriously apply the concept of such a meta-end, would block the discussion of human action in regard to ends—since all ends are means to some meta-end: pleasure or whatnot. Nor could we discuss the ordering of ends, since there is only one end. Satisfaction or uneasiness is often a result of some set of values, whether asceticism, hedonism or whatnot. If this is true, then we get into a real conundrum, because values can be seen as ends determining the meta-end of satisfaction—what determines satisfaction or eliminates uneasiness is one's values? Or does a meta-end of satisfaction determine one's values—but then a believer confused by the economists' debate will say: God is our ultimate end and from Him we understand what satisfies, what pleasures, or calms the uneasiness of the soul! A mundane economist may respond: God is just a means toward your ultimate satisfaction. Although serious questions, let us avoid such circular debates and accept that individuals do have ends—we are teleological.

3. TOWARD A PRAXEOLOGICAL THEORY OF THE GIFT

Behind Mueller's Final Distribution is the premise that when actors acquire a good they then must do something with it. They can use it as a factor of production, exchange it for something else on the market, consume it or give it to someone else. Such a contention is not controversial, as goods are always means to be used. Mueller defines the gift as an act of love, but not in the sense of an emotional state of happiness, a high, or sympathetic affectionate love.² He is speaking of *agape*, or "agapic love."

Agape is willing the good of the other, an act freely made. *Agape* is Greek and in English is usually referred to as charitable

² Matthew McCaffrey errs in his paper believing that love is a psychological state of mind (McCaffrey, 2012, p. 184), so misunderstands Mueller's use of "love" and "hate." If love, *agape*, were a psychological state, McCaffrey is correct, since praxeology (and economics) cannot discuss emotional or psychological states of mind—praxeology is not psychology.

love, charity, Christian love, unconditional love, and in Latin it is known as *caritas*. The concept of *agape* goes back at least to Aristotle, was labeled the highest virtue by Jesus Christ, and is known as the highest theological virtue in the Christian intellectual tradition represented by figures such as Augustine and Aquinas. It is not a psychological state of mind that can be described as desire, want, enjoyment, or satisfaction; it is an act where the actor apprehends what is the good for the other person—or for oneself. It is an act in which the actor speculates on what the other actor perceives as a good (relative to bad) and then gives it to that person without expectation of being given anything in return—reciprocity does not necessarily exist, though if the person is a conscious actor she must choose whether to receive the gift or not. St. Thomas Aquinas sums up *agape* thusly, “but that love which is together with benevolence, when, to wit, we love someone so as to wish good to him” (Aquinas, 1920, “Whether Charity is Friendship”).

What is to will the good of the other? Aquinas again gives us the answer, “Now man is master of his actions through his reason and will; whence, too, the free-will is defined as “the faculty and will of reason.” Therefore those actions are properly called human which proceed from a deliberate will.... But the object of the will is the end and the good. Therefore all human actions must be for an end” (Aquinas, 1920, “Whether it belongs to man to act for an end”). Human action is teleological, he chooses ends and means via his reason, and acts. When choosing the good of the other we must choose means to accomplish this end, such means are the gift. Mueller’s point is that many such gifts are easily verified in everyday life, especially by income, goods, and service transfers from parents to children—the clearest being children whose productivity level to the family is negligible and forever may be due to a physical or mental handicap. There are also two types of agapic love discussed by Mueller, beneficence and benevolence:

...Thomas Aquinas, accordingly distinguished two ways in which we can love our fellow man: benevolence, or goodwill, which can be extended to everyone in the world, and beneficence, or doing good, which cannot. We can always avoid harming others, which is why there are no exceptions to the prohibitions against murder, theft, adultery, and so on. But the share of one’s scarce goods that can be distributed to others

is practically limited, because no one, however rich, can share equally with everyone in the world and still leave himself enough to live on (Mueller, 2010, p. 36)

One may retort that this is all nice and good, but what does *agape* have to do with praxeology and economics? Well, first it must be established that *agape* as a concept is compatible with praxeology as well as giving gifts without expectation of return.

Praxeology is the study of human action, literally translated as the logic of action: "Action is will put into operation and transformed into an agency, is aiming at ends and goals" (Mises, 2010, p. 11). Ludwig von Mises in his work *Theory and History* addresses many of our concerns: "The field of the sciences of human action is the orbit of purpose and of conscious aiming at ends; it is teleological" (Mises, 1957, p. 85). What about free will? Mises comes down in favor of it:

The determinists are right in asserting that everything that happens is the necessary sequel of the preceding state of things. What a man does at any instant of his life is entirely dependent on his past, that is, on his physiological inheritance as well as of all he went through in his previous days. Yet the significance of this thesis is considerably weakened by the fact that nothing is known about the way in which ideas arise. Determinism is untenable if based upon or connected with the materialist dogma. If advanced without the support of materialism, it says little indeed and certainly does not sustain the determinists' rejection of the methods of history.

The free-will doctrine is correct in pointing out the fundamental difference between human action and animal behavior. While the animal cannot help yielding to the physiological impulse which prevails at the moment, man chooses between alternative modes of conduct. Man has the power to choose even between yielding to the most imperative instinct, that of self-preservation, and the aiming at other ends. All the sarcasms and sneers of the positivists cannot annul the fact that ideas have a real existence and are genuine factors in shaping the course of events (Mises, 1957, pp. 59–60).

So teleology and free will are congruent with *agape* as defined by Aquinas. But, what about gift-giving without expectation of return from the receiving person, doesn't Mises say that every action is an exchange?

Action as exchange: interpersonal and autistic

It is true that Mises characterizes all action as an exchange: “Action always is essentially the exchange of one state of affairs for another state of affairs” (Mises, 2010, p. 195). Not in the respect that all actions are under the guise of commutative justice or that all exchange is simply a market transaction where goods are bought and sold; but in the respect that every single action any actor ever takes is always in regard to tradeoffs—opportunity costs. When we decide to change one set of circumstances for another we act to change it, i.e., we trade one set of circumstances for another or we exchange one set of circumstances for another.

Market exchange where people buy and sell is classified as interpersonal exchange. There are two categories of exchange within praxeology as developed in *Human Action*: autistic exchange and interpersonal exchange,

If the action is performed by an individual without any reference to cooperation with other individuals, we may call it autistic exchange. An instance: the isolated hunter who kills an animal for his own consumption; he exchanges leisure and a cartridge for food.

Within society cooperation substitutes interpersonal or social exchange for autistic exchanges. Man gives to other men in order to receive from them. Mutuality emerges. Man serves in order to be served (Mises, 2010 [1949], p. 195).

When interpersonal exchange, or social exchange, is said to (peacefully) exist it can be said that commutative justice has been achieved. People buy and sell without theft or violence and interdependence emerges. Not dependence in the sense of one person requiring the assistance of another, but does nothing in return; but interdependence where people with divergent ends serve each other to accomplish the other’s end, without necessarily having the other’s end in mind. It is the justice of the marketplace and not of the gift—commutative justice versus distributive justice. Autistic exchange is where the category of *agape* and the gift lies.

Terminology: exchange vs. transaction

As someone who has a deep skepticism on the creation of new terms or changing of terms, I compelled myself to avoid discussing

the patent possibility of misunderstanding the argot of both Mises and Mueller. Alas, the difference in terminology, as well as the terminology itself, muddles the otherwise clear arguments each author presents. I found myself unpleasantly replacing “exchange” with “action,” lest confusion linger.³ Thankfully, I did not have to invent the term “autistic action” as Mises uses it at least once in *Human Action*, “It does not matter whether the autistic action is beneficial or detrimental to other people...” (Mises, 2010 [1949], p. 224).

The terms “exchange” and “transaction” are analogous in the works of Mises and Mueller, albeit their respective use of each term clashes with any definition I could find in any dictionary. Mises describes all action as exchange, because he defines exchange as any act where opportunity-costs exist—which is any and every act, “Action always is essentially the exchange of one state of affairs for another state of affairs” (Mises, 2010 [1949], p. 224). Perhaps as a metaphor the sentence is coherent, but exchange was never defined as opportunity-cost or anything akin in the Merriam-Webster, Cambridge, Oxford, or any of the dictionaries I perused. Every definition mentioned the giving up of something to get something in return; there were always two parties and/or two things doing the transferring or being transferred.

Mises’s two categories of exchange, interpersonal exchange and autistic exchange, are thus either redundant or contradictory. Interpersonal exchange is redundant since exchange implies at least two people are trading, and therefore any exchange is between persons, i.e. interpersonal. The word autistic comes from the Greek *autos*, meaning “self,” hence autistic is “self-istic.” But self-istic exchange is a contradiction in terms: one cannot exchange with oneself, nor can one exchange violence or agapic love. If Mises had substituted “action” for the term “exchange,” he could have avoided any such possible misconceptions.

Mueller has the identical problem as Mises. Every definition of transaction I found was related to business, buying and selling, exchanging, and *quid pro quo*. Acts of agapic-love and gift-giving

³ Dale Steinreich’s questions and comments, as well as my discussions with John Mueller and others, helped me realize that much of the disagreement that Mueller has toward Austrians relates to terminology. I decided to discuss the elephant in the room.

is not about making a profit or receiving something in return, but giving away something because the recipient is one's end. Furthermore Mueller's definition of exchange is when equilibrium has been achieved, i.e. when people have bought and sold to each other. So when Mueller sees that Mises describes all acts as exchange he errs in believing that Mises sees all action as equivalent to buying and selling or trading. That is, in Mueller's framework of production, *exchange*, *distribution*, and consumption, Mises cannot discuss distribution. The term "exchange" for Mises has a different definition and if we were to rewrite Mueller's framework with Misesian jargon it would be: production, *interpersonal exchange*, *autistic exchange*, and consumption.

From hereon in order to avoid such confusion I will use "exchange" as it is normally used⁴, as well as "transaction." Instead of autistic *exchange*, I will use autistic *action*. Therefore I hope my argument will be clear for Mueller and be in conformity with Aquinas or any dictionary where action is defined as "an act of the will."

Autistic action

Autistic action is where *agape* and the gift—and their opposites, hate and crime—are classified as explained by Mises,

Where there is no intentional mutuality, where an action is performed without any design of being benefited by a concomitant action of other men, there is no interpersonal exchange, but autistic exchange [autistic action]. It does not matter whether the autistic exchange is beneficial or detrimental to other people or whether it does not concern them at all. A genius may perform his task for himself, not for the crowd; however, he is an outstanding benefactor of mankind. The robber kills the victim for his own advantage; the murdered man is by no means a partner in this crime, he is merely its object; what is done, is done against him (Mises, 2010 [1949], p. 195).

Mutuality in the terminology of Mises only occurs in interpersonal exchange, even if the recipient of a present has the choice to accept or deny it. Autistic action is an act directed toward

⁴ Mises also uses "exchange" as normally understood throughout *Human Action*.

oneself or others (or cats, trees, etc.) that is not determined by the intention to peacefully receive anything back in exchange for his deed. Cutting down a tree to feed a fire, committing violence against one's fellow man, and the actions of the Good Samaritan are all classified under autistic action.

Mises never discusses the concept of *agape* concretely, nevertheless his category of autistic action allows for it—what I describe as “agapic autistic action,” particularly in its beneficent form. Though *agape* is a term where willing the “good” has an objective moral definition and economics *qua* economics is concerned not with morally objective claims, but with what actors subjectively perceive the “good” to be, *agape* is a useful term in describing gifts for the good of the other where no return is expected. When a person acts with beneficent agapic love he wills the good of the other (or himself) in a gift (or self-gift). In order to choose what “good” to will he must rank his ends and subjectively choose what means are “good” or beneficial to his end(s). There are two sides of such autistic action, one side loving and the other side receiving love. There is the lover, i.e. the giver, and the beloved, i.e. the recipient.

There will be two types of recipients, those that can reject or accept and those that cannot. A husband in a coma who is being kept alive by the income of his wife cannot choose whether to accept or reject. She must decide on what is the “good” or beneficial circumstance for her husband. The person who is conscious, an actor, may accept or deny a gift—if the gift is given to him despite his absolute rejection, violence has been committed to him. The giver must consider the receiver's subjective evaluation of what is “good.” That is why a pure sociopath cannot be said to act with *agape*, for he cannot imagine another's conscious or subjective evaluation of what is “good” and commits every action because he expects to earn a return from a “gift.”

A sociopath does not receive “satisfaction,” in Mises's terminology, from treating a person as an end. He never expects nothing in return when he gives charity to another, but always something. The sociopath can only engage in hateful autistic action with others (treating the person as purely a means for his own consumption) or in interpersonal exchange with other actors, never in agapic autistic action—beneficent or benevolent. The sociopath never treats others as ends and never partakes in a social movement for

the betterment of the other; he must always receive something in exchange—he is only ever his own end. The gift as Mises explains below, is not open to him,

Making one-sided presents without the aim of being rewarded by any conduct on the part of the receiver or of third persons is autistic exchange. The donor acquires the satisfaction which the better condition of the receiver gives to him. The receiver gets the present as a God-sent gift. But if presents are given in order to influence some people's conduct, they are no longer one-sided, but a variety of interpersonal exchanges between the donor and the man whose conduct they are designed to influence (Mises, [1949], p. 196).

Ironically, Mises seems to recognize the agapic nature of a freely given gift by calling the gift "God-sent," which describes the relationship between God (and Christ) to humankind—but I digress. We can conclude that there is a theory of the gift implicit in Mises's work, but it remains undeveloped and not explicit—let us explicate it.

Agape as a subcategory of autistic action

It is not controversial to say that Mises believed that men gave willingly to the benefit of their fellow man. It must logically follow that man gives according to what he judges to be the other's good and, if the other is conscious, then with what she understands as her good. She, and all her values, purposes, and ends, becomes his end in that moment of gift. If he speculates correctly she receives the gift, if incorrectly she rejects—may I suggest a signal concurrent to profit and loss?

Of course two persons may have different understanding of the good. He may give medicine to her that will cure her illness and prevent her from death, that she believes is a poison and rejects; or he may violently prevent her from drinking a poison she believes is a cure. He has acted with *agape* in both situations and if he is to act with *agape* he should ignore the signal (rejection of his love) and save her—a gift may not always be peaceful. A mother may violently push her son out of the way of a speeding car and save his life, or discipline her son to teach him patience so that he may live a life of wealth and happiness. The particularities of circumstance,

custom, and culture often determine whether force can be an act of beneficent agapic love. Only between two reasonable persons in a situation where there is a common understanding can it be said that *agape* is predominantly peaceful—a sane man and woman courting each other, for instance, is a peaceful endeavor where they discover the other and their conceptions of the good so as to give what they would receive.

Therefore it follows that agapic action is a subcategory of autistic action. Any act where there is no expectation of reward from the recipient or from a third party is *agape*. There is *agape* toward non-actors and actors. The first is not concerned about the subjective evaluation of the recipient, because she is not in the capacity to judge. The second form of *agape* is seeking the good for an actor. It always requires alertness on the part of the giver-entrepreneur to how she will respond, which requires him to speculate on the ranking of her ends: he gives according to her ends—her ends become his ends when giving. In evaluating her ends he must use his faculties of sense and reason to imagine what she believes the “good” is. If she accepts he cannot know exactly where on the ranking that “good” is, but he can informally judge in the manner she accepts: shouting for joy or a simple smile—signals that he can only understand by the tacit and local knowledge he has of her personality, disposition, and circumstance.

To truly incorporate *agape* with its use in Mueller, the doctors of the Church, or contemporaries that preach agapic love, one would need to objectively define what is “good.” A paper on normative economics, where we mix the theory of positive economics with an ethical system, can be easily done, but is outside the scope set here. In positive economics all “goods,” even if described as beneficial or of enhancing well-being, are subjectively determined by actors. Economic theory’s claims are not normative, but positive. Economics *qua* economics cannot say whether human beings choose the objective good and or act with genuine agapic love. All we can say is that when people give without expectation of receiving a reward, they are attempting to express *agape*. That manifestation is the gift.

If I have demonstrated that agapic love exists as a subcategory of autistic action there is a significant conclusion regarding the relationship between ethics and economics: An ethical system that

recognizes agapic love as a virtue or principal should be able to be integrated with praxeology to form a normative praxeology and normative economics. Such an ethical system can do what praxeology cannot do: discuss the objective good of a gift, i.e. ends. Without an ethical system, all that a praxeologist can say is that the giver gives a gift he subjectively believes is good. The ethical system determines whether a gift is objectively good or bad. Praxeology and ethics can thus be bound in separate systems of thought in regard to particular questions: the is/ought distinction and the means/end distinction. When the questions are combined, praxeology can be seamlessly integrated with ethics: what efficacious means ought we to use to achieve the good? The process of integrating and discovering the seams will require the identification of what is separate and what is shared, and to discover the consonant in what appears to be contradiction.

4. THE CATALLECTIC ORDER AND THE DISTRIBUTIVE ORDER

In the praxeological science there are two types of action: interpersonal mutual action and autistic action. When money exists in interpersonal exchange we have catallactics, or the economics of the market society (Mises, 2010 [1949], p. 280). Money prices give the entrepreneur the ability to calculate whether he has made a loss or profit. Prices are exchange ratios (or a common denominator between all goods) that fluctuate according to changes in supply and demand. Profit and loss tells the entrepreneur whether he is productive or not: whether he has produced what consumers demand, given his constraints. The profit and loss mechanism determines which plans in the market order are sustainable and which are not. It allows for the coordination of plans of people who will never meet each other toward ends they may never know of. Profits and losses are the ultimate test of the market; without money prices there is no catallactic order.

Economic calculation and the distributive order

Without money prices (indirect) exchange cannot take place, and we are either in a barter (direct exchange) economy or a socialist

economy. What defines the socialist economy is that production is not directed by prices but by some other criteria: statistics, output-input charts, or other measurements describing inputs and outputs. There is no common denominator to compare different inputs or outputs, and it is impossible to gauge how much demand there is for what is supplied, apart from noticing an abundance of goods or lines of consumers waiting on goods in empty stores. Also money is not an immutable yardstick, it is not a set measurement that can compare all inputs-outputs over time and space. Money has a demand and supply of its own that fluctuates—often representing the fluctuation in demand and supply for loans and savings. There is no efficient means for the socialist commonwealth to estimate how much its citizens wish to save, invest, or loan without money or what the interest rate should be on such things (Boettke and Prychitko, 2008, pp. 20–21).

The family is often called a socialist economy, because it does not coordinate its activities through prices and suffers the same type of calculation problem that the socialist economy faces. Especially before the industrial revolution, the family did function like a socialist economy not only by pursuing ends (children) but also by producing the majority of the food and goods for themselves and their children—the socialist economy is an attempt to mimic the family unit for all of society.

Often families and nonprofits are compared to firms, but this is a false comparison. Firms are similar in the respect that they often produce inputs themselves instead of paying a price for it, like a family cleaning the house instead of hiring a cleaning service. The firm, however, produces something for sale for a price to society. Whether they make a profit or loss tells them whether they are efficient or inefficient. Family businesses do exist, but the sole purpose of the family is not to produce children for the consumption of other persons or to give them a return, but to raise children as ends in themselves—especially in the western world where children will almost never result in a return for their parents. The family does not produce children for sale—except in extreme and dire situations—so there is no pricing mechanism to determine whether families efficiently produce and raise children. The firm exists because it is less costly to internalize a production process rather than paying a price for it; a family may exist because

it the most efficient way to raise children and a nonprofit may exist because it the most efficient means to help the poor, but the purposes of the firm versus the family and nonprofit are completely different—the former for money-profits, and the latter for children and the poor in and of themselves (Horwitz, 2005).

All nonprofits, and other groups that provide a scarce resource for free or perhaps at subsidized rates, cannot calculate—the profit-loss mechanism does not provide the relevant information about how many sandwiches they should make for the hungry. Profits and losses do not tell nonprofits if they have achieved their end. They must measure their success using statistics or other measurements, ideal or material, to determine whether they are achieving their ends (Boettke and Prychitko, 2008, p. 25). Families and nonprofits are not a catallactic order but are part of the distributive order in which people coordinate through mechanisms other than prices.

An important difference between the catallactic order and the distributive order is that the first is a society in which people interact to achieve different ends via market exchange, whereas in the latter people interact to achieve the same end(s). A nonprofit exists to achieve an end: to end poverty, to increase literacy, to support liberty, end hunger, encourage virtue and scholarship etc. A family exists to raise children in companionship. If a family goes bankrupt in raising children, but has seen them all into adulthood, the family has succeeded. If a charity increases its donor base and grows tremendously in size, but does nothing for the poor, it is an utter failure and has likely defrauded its donors. Profit-loss is not the mechanism of coordination for the distributive order; the characteristic of the distributive order is the transfer or giving of resources to pursue particular ends, not to produce anything for sale on the market—ends cannot be priced: there is no economic calculation (Boettke and Prychitko, 2008, p. 25).

Distribution orders the catallactic order

The distributive order does exist within a world of scarcity, however, and often that scarcity can be described in the prices actors face when they buy their inputs to achieve their ends. In achieving their ends, they take means (goods, services, or money) and transfer or give them to others—or consume the goods and

thus treat themselves as an end. Such inputs purchased toward directly meeting an end can be classified as consumption goods or goods of the first order:

Economic goods which in themselves are fitted to satisfy human wants directly and whose serviceableness does not depend on the cooperation of other economic goods, are called consumers' goods or goods of the first order. Means which can satisfy wants only indirectly when complemented by cooperation of other goods are called producers' goods or factors of production or goods of a remoter or higher order. (Mises, 2010 [1949], p. 131)

Charities, nonprofits, and families are either goods of the first order or ends in themselves in Mises's argot. However, it seems most prudent to classify such institutions and organizations as ends in and of themselves rather than goods of the first order. Often, though, such organizations are means to achieve other ends, like the persons that are served by a charity. Thus, the charity is a type of capital for achieving ends—instead of direct transfers from individuals.

All things within the catallactic order have a price, whether consumer goods (goods of the first order) or higher order goods (goods used in the production process that result in goods of the first order). The prices of first order goods determine the prices of all other goods in the market and are a manifestation of peoples' ends:

The prices of the goods of higher orders are ultimately determined by the prices of the goods of the first or lowest order, that is, the consumers' goods. As a consequence of this dependence they are ultimately determined by the subjective valuations of all members of the market society. It is, however, important to realize that we are faced with a connection of prices, not with a connection of valuations. The prices of the complementary factors of production are conditioned by the prices of the consumers' goods. The factors of production are appraised with regard to the prices of the products, and from this appraisal their prices emerge. Not the valuations but the appraisements are transferred from the goods of the first order to those of higher orders. The prices of the consumers' goods engender the actions resulting in the determination of the prices of the factors of production. These prices are primarily connected only with the prices of the consumers' goods. (Mises, 2010 [1949], p. 378)

How we distribute our resources directly affects the market, because when we give money to a charity they spend it on inputs, and when we give to our children they spend it on consumption. When the recipients of our gifts spend that money, that sends profit signals up the chain affecting the entire structure of production. Ludwig von Mises in the above quotation makes it emphatically clear that our appraisements are what determine the structure of production in a free catallactic order—the catallactic order responds to consumers. Those consumers can be a nonprofit, a child, a spouse, or a beggar. When Mises claims the sovereignty of the consumer he means exactly the above: our ends determine production in a free market.

The consumers determine ultimately not only the prices of the consumers' goods, but no less the prices of all factors of production. They determine the income of every member of the market economy. The consumers, not the entrepreneurs, pay ultimately the wages earned by every worker, the glamorous movie star as well as the charwoman. With every penny spent the consumers determine the direction of all production processes and the minutest details of the organization of all business activities. (Mises, 2010 [1949], p. 317)

Consumers are not necessarily wage earners; they are also the recipients of gifts in between exchange (labor for a wage) and consumption. The wage earner can distribute his earning and make others consumers as well. If people value the wellbeing of a beggar and give him resources he will spend the money and the catallactic order will adapt to the demand of a beggar.

The distributive order as a manifestation of values

In contrast to Mueller who treat ends as always relating to persons (or immorally to things), Mises treats ends as ideals or real things. For Mises, an end can be a concept like honor, faith, love, and justice, or a person and thing. He puts an incredible emphasis on the role of ideas shaping peoples' preferences and ends in all of his books. Mueller would see such language as flimsy and not concrete for empirical research. His suspicion is correct, but all of the ideals that Mises claims people aspire to always relate to some person or some thing—perhaps Mises should have made this

clearer. Honor can be an end, but whose honor? Justice can be an end, but justice for whom? The extreme environmentalist wants justice for the environment; they treat the environment as an end in itself such that even human society should serve as a means for it. Contrast this to a conservationist or “lite” environmentalist who believes that the environment should be a means toward human ends: more or less, that the environment should be a consumption good for humankind. If a person were to truly treat an ideal as an end, that end would be a god to him. He would make sacrifices, worship, and honor it. There is no evidence that Mises believed that each ideal is a god unto itself for people who aspire to such ideals. Whenever he spoke of ideals it was in relation to the person conceptualizing them or that person’s relationship to other people and society.

Imagine that someone’s end is wellbeing, but wellbeing of whom? Unless he worships the idol of the ideal of wellbeing, wellbeing surely only means the wellbeing of him or others. Wellbeing is not a thing in and of itself, but an adjective or ideal describing the state of someone. Treating persons (or things) as ends makes the analysis concrete, avoids speculating on people’s motives, and allows us to empirically measure how people order their ends by the amount of resources they distribute to themselves or others.

When someone distributes their resources among their competing ends, they indulge their preferences and motives: the persons and institutions that receive their gifts are manifestations of their values. The person may be psychologically stable or unstable, reasonable or irrational, loyal or traitorous and a thousand other things. He may give his earnings to his spouse or to a harlot; he may be afraid of what others think of him or care not; he may desire the wellbeing of his family and others or be completely consumed with his own selfish delights. Once a person has either earned his income or received a distribution from another, his motives and values will guide his use of the money.

In the giving economy we can choose practically any end to support: if we are racists we can give to or join a racist fraternity, if concerned for the poor we can give to charities, if religious we can give to a religious group. Nonprofits and the like are competing over how we order our preferences, so they can help us achieve a greater “utility” use of our resources by reaching our ends. Sometimes the

ends are to change the constraints on society, or to change people's expectations, or sometimes to reorder their ends—as earlier, when I quote Boettke who mentions how institutions often are seeking to change people's preferences. The pro-life and pro-choice movements have completely different ends: one to stop abortion either through changing people's preferences or by changing the constraints (laws) of society, the other to keep abortion legal and make it available to all women—the ends here are the unborn child or the pregnant woman. If either group is successful, there is a possible change in the structure of production: if pro-choicers win we would expect technological innovation and production for abortion goods; if pro-lifers win we would expect the bankruptcy of abortion firms and greater production of baby strollers.

Many donations, distributions, or transfers (Boettke and Prytchitko's term) of resources are to change society—whether preferences, constraints, or expectations. Churches are out to evangelize, political causes to change the constraints imposed upon society by the state, and scholarships to promote particular agendas in society by reducing the cost for students likely to pursue the agenda. When people distribute their resources they believe that the market order and its profit-loss mechanism is not enough to achieve the society they envision—or that the state fails (or prevents) society from being that vision. Groups, like charities, arise because they advertise themselves as achieving ends that the market order cannot achieve (something like market failure) or the government cannot achieve (government failure), but that society must achieve nevertheless—distributive, commutative, and general justice.

The distributive order is a manifestation of preferences, where the sole criterion is immeasurable subjective valuation; the catalactic order is toward fulfilling the ends in the distributive order. Such institutions still rely on inputs from the market, so are still constrained by how much the catalactic order has grown, and are limited in scope. The catalactic order may supply the inputs for the distributive order, but it is often the distributive order's end to restrict, expand, or regulate the catalactic. If the distributive order is successful, yet follows a misguided policy not only could the catalactic order's productive capacity halt, but the very means by which the distributive order prospers could disappear.

When people distribute their resources, they are making a moral claim, and often that moral claim is that the market is not enough to ensure the good. Many institutions provide services for free to people who will never pay them back when they become productive, or who will never be productive because of some ailment—there is often no way to internalize the positive externalities of institutions partaking in the distributive order. A drunk who attends an Alcoholics Anonymous meeting, reforms, and becomes a productive member of society may never give back to Alcoholics Anonymous, but society becomes richer as a result of their good works. Much of the distributive order's existence is built upon the inability to internalize such positive externalities. People value such positive externalities and so they distribute their resources accordingly.

It is not always clear where the distributive order begins and the catallactic order ends: often they are mixed together, but that does mean neither exists. The example Mises gives explains:

The businessman who owns the whole firm may sometimes efface the boundaries between business and charity. If he wants to relieve a distressed friend, delicacy of feeling may prompt him to resort to a procedure which spares the latter the embarrassment of living on alms. He gives the friend a job in his office although he does not need his help or could hire an equivalent helper at a lower salary. Then the salary granted appears formally as a part of business outlays. In fact it is the spending of a fraction of the businessman's income. It is, from a correct point of view, consumption and not an expenditure designed to increase the firm's profit. (Mises, 2010 [1949], p. 287)

The employer is taking a loss by employing his friend, since the friend cannot produce enough to justify his wage. The employer is indulging his preference of his delicate feelings and treating his friend as an end. He is distributing his resources to him, not engaging in interpersonal exchange to meet separate ends. Despite the employee working as if he were part of the catallactic order, he would be classified in the distributive order. If the entire market worked like this, it would dissolve, since prices would not achieve their purpose of signaling waste and productivity.

When people act with *agape* we are in the realm of the distributive order. When society is said to be achieving distributive justice and

expressing agapic love, what is really being said is that the catalactic order is producing means toward the achievement of the ends of the distributive order—and that the ends chosen are good and right. The distributive order is where one can indulge one's preferences/values⁵, whereas in the catalactic order one is not guided by preferences/values but coordinated by profit and loss. However, profits only occur when producers produce what people prefer. Thus, the distributive guides the catalactic. If the values of a society are moral, its ends as manifested in the distributive order via distributions of resources, will direct the catalactic order to producing means to meet such ends. Of course in the real world, the division between the two orders is not always clear: we may boycott companies involved in slave labor and support others that pay their employees a just wage.

5. FINAL THOUGHTS ON MUELLER

Though Austrians characterize ends as a multitude of things and Mueller defines all ends to be persons (even cats can be persons, though this is a corruption of personhood), there is an empirical usefulness in using his definition. The goods and services produced in an economy serve human ends and wants. Humans produce, exchange, and consume them—and distribute them in gifts. There is no way of giving or purchasing "honor," "truth," "patriotism," "duty," or "goodness." They may be ends that we aspire for, but they are mere adjectives associated with the people who use products and services produced in the catalactic order. The end of all products and services are actors or persons and their ends. Measuring abstract ends is difficult. How should we quantify honor? If honor is a subjective end, how can we measure how many means aim toward that end? Perhaps when we can see a person give his life for another (which is *agape*), but was he acting toward honor as an end or toward an honorable end? We cannot measure such inquiries, but we can measure and study how goods and services are produced, exchanged, given, and consumed. When examining the goods that are produced, how they are exchanged, to whom they are

⁵ Indulging one's preferences is economic jargon and can be described as pursuing one's values, fulfilling one's moral obligations, or pursuing selfish vice. One's preferences can be moral or immoral.

given, and by whom they are consumed, we can then make value judgments as historians or ethicists about what ends are manifested by society. Austrians may disagree with Mueller's definition of ends on positive grounds, as it is a normative statement he makes, but it is a rather practical definition.

6. CONCLUSION: PRAXEOLOGICAL AGAPE

John D. Mueller claimed that praxeology and Austrian economics does not explain the gift, and could not, because it lacked the distribution element of the economy. He was essentially saying that Austrians could not understand *agape*. He was right to say that the gift and distributive order in Austrian literature is neglected and mentioned only in passing. But here I demonstrated that the concept of *agape* can be integrated into praxeology, specifically under autistic action. Then the concept was pushed to identify two different categories of gifts: gifts to non-actors and actors. Giving gifts freely to people as ends in of themselves flows naturally from the manner in which autistic action is discussed in *Human Action*. Even the ancient notion of agapic love, once understood as the striving to discover and will the "good" of the other, is compatible. Mueller can no longer claim that Austrian economics cannot *understand* gifts. Now what needs to be done is to explore the implications so that he will no longer be able to claim that Austrians *ignore* gifts.

Afterward I discussed the distributive order versus the catalactic order and how they interconnect—how the distributive guides the catalactic and the catalactic acts as a constraint on the distributive. The Austrians have and can discuss the economy of gifts and the distributive order, especially when we discuss economic calculation. John D. Mueller would be wise to take heed of the calculation problem of the distributive order and how the Austrian discussion of it could be of use to him.

The praxeological theory of the gift also adds strength to the Austrian critique of socialism and neoclassical economics, and should furnish a rhetorical strategy bound to explain economics in a more humane manner. It is also compatible with the Austrian literature on the non-calculative aspects of non-profits and the problems of local and tacit knowledge, as well as Israel Kirzner's

understanding of entrepreneurship and discovery. The most interesting opportunity, however, is the ability to fluidly integrate ethical systems that depend on agapic love with praxeology to form a normative economics. But perhaps before that project can be taken on the next step is to develop, within the category of autistic action, an understanding of the opposite of gifts: violence and theft, or acts of hate when people are coerced as means to meet other people's ends.

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